

>>> "Pillai, Chandran (HQ-IF000)" <[Chandran.Pillai-1@nasa.gov](mailto:Chandran.Pillai-1@nasa.gov)> 2/9/2009 6:07 PM  
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Dear Ms. Payne,

Please find attached NASA's comments on the "Accounting for Social Insurance" Exposure Draft.

Sincerely,

Chandran Pillai  
NASA Headquarters  
Office of the Chief Financial Officer

**National Aeronautics and Space Administration – Office of the Chief Financial Officer**  
**Comments on Accounting for Social Insurance Exposure Draft**

Q1. The Board proposes to require social insurance component entities and the governmentwide entity to discuss and analyze key measures from the basic financial statements in their management’s discussion and analysis (“MD&A”). See paragraphs 26-30 in the proposed standard and paragraphs A75-A79 in the basis for conclusions.

**Do you believe that key measures should be presented in the MD&A as described in this exposure draft? Please provide the rationale for your answers.**

We agree that the discussion and analysis of key measures from the basic financial statements in the management’s discussion and analysis (MD&A) by the component entities and government wide entity will enhance the understandability and readability of the basic financial statements. Explanation of the significance of key amounts, the changes to those amounts in the reporting period and the causes thereof will help to enhance reader’s understandability of the financial statements.

Q2. The Board is proposing to add a line for the **closed group measure** to the balance sheet below assets, liabilities, and net position and not included in the totals for these classifications.<sup>1</sup> See paragraphs 31-32 in the proposed standard and paragraphs A81-A100 in the basis for conclusions. Two members have submitted alternative views on this issue. See paragraphs A139-A142 in the basis for 3conclusions for Mr. Patton’s view. Mr. Patton and other members believe that a liability greater than the due and payable amount should be recognized on the balance sheet. See paragraph A144 in the basis for conclusions for Mr. Werfel’s view. Mr. Werfel and other members believe that the closed group measure should not be presented on the balance sheet.

**Do you believe that the balance sheet should present a line item for the closed group measure as described in this exposure draft? Please provide rationale for your answers.**

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<sup>1</sup> Definitions of certain terms are provided in the Definitions section and Appendix F: Glossary of this proposed standard.

In general we agree to the practice of providing financial and non-financial information that improves the understandability of the financial statements to the users. At the same time, the additional detailed information provided by just a single line for the closed group measure on the balance sheet below the assets, liabilities and net position will be minimal. In addition, since the information is not a liability or an asset, it raises more questions than it answers and should not be included. A cross-reference to the appropriate footnote or other supplementary information and/or discussion in the MD&A will be appropriate.

- Q3. The Board proposes to add a new summary section of the statement of social insurance (“SOSI”) to present the closed and open group measures. See paragraphs 34-35 in the proposed standard and paragraphs A114-A116 in the basis for conclusions.

**Do you believe that the SOSI should have a summary section as described in this exposure draft? Please provide rationale for your answers.**

We believe that the current Statement of Social Insurance (SOSI) provides sufficient information to the reader about the open group measure and there is no need for an additional summary section. The current data as displayed in the SOSI can be used to gather information about the closed group measure, if the reader so chooses.

- Q4. The Board proposes a new basic financial statement entitled “statement of changes in social insurance amounts.” The new statement would explain the changes during the reporting period in the present value amounts for the closed group measure included in the statement of social insurance. See paragraphs 36-37 in the proposed standard and paragraph A116 in the basis for conclusions. Mr. Werfel and other members have an alternative view. They believe the new statement should focus on changes in the open group measure and not the closed group measure. The question of the use of the appropriate measure is addressed in question 7 below. See paragraph A145 in the basis for conclusions.

**Do you believe there should be a new basic financial statement explaining changes to the present value amount included in SOSI? Please provide the rationale for your answers.**

We believe that the proposed statement of changes in social insurance amounts (SCSIA) will help to present the reconciliation of the beginning balances of the social insurance in the current year with the ending balances. By providing additional relevant information in the SCSIA, this statement will help to enhance

the understandability to the users. The proposed summary section of the Statement of Social Insurance (SOSI) presents information for both closed group and open group measures, but on practical considerations the Board opted to present a statement of changes only for the closed group measure. Readers of this basic financial statement will be interested in the changes during the current period and we suggest the Board to pursue further the development of a change statement that includes the open group measures too.

Q5. The Board proposes to disclose an accrued benefit obligation in notes to the financial statements. This information would include a five year trend when the standard is fully implemented. See paragraph 38 in the proposed standard and paragraphs A117-A123 in the basis for conclusions. Mr. Werfel and other members have an alternative view expressing opposition to this disclosure. See paragraph A146 in the basis for conclusions.

**Do you believe that an accrued benefit obligation should be disclosed as described in this exposure draft? Please provide the rationale for your answers.**

We don't believe that the accrued benefit obligation should be disclosed since doing so could give the impression to the readers that government has an obligation to the participants for that amount. Please note that the accrued benefit obligation is calculated based on current participants only; thus disclosure of such could mislead some readers of the financial statements.

Q6. The Board considered but decided not to propose adding a line item to the statement of net cost ("SNC") for the change during the reporting period in the closed group measure that would be presented below exchange revenue and expenses and not included in the totals for these classifications. Some argue that this measure should not be presented on the SNC because it is a fundamentally different measure. Others believe the change is an economic cost that belongs on the SNC, and that including this number at the bottom of the SNC appropriately links all basic financial statements. See paragraphs A101-A113 in the basis for conclusions.

**Do you believe that the SNC should not include a line item for the change during the period in the closed group measure, which would be presented below exchange revenue and expenses and not included in the totals for these classifications? Please provide the rationale for your answers.**

Yes, we agree that there is no need to include a line item to the statement of net cost (SNC) for the change during the reporting period in the closed group measure. We concur with the Board's position that the purpose of SNC is to

present the cost of goods and services provided during the current period, and change in social insurance commitments as such is not a cost associated with providing goods or service. Furthermore, we believe that SOSI and the proposed SCSIA together will be sufficient to provide information to the users of these financial statements and adding a line item to the SNC could turn to be misleading to the users.

Q7. The Board decided to present the **closed group measure** (CGM) (defined in paragraph 19) as a common thread among the proposed new reporting. The proposal requires that the CGM and other key measures from the financial statements be discussed in management's discussion and analysis; that the CGM be presented on the balance sheet below assets, liabilities and net position (without being included in the totals for those categories); and that the changes in the CGM during the reporting period be presented and explained in the new summary section of the statement of social insurance and the new statement of changes in social insurance. The Board considered the **open group measure** (defined in paragraph 24) instead of the closed group measure as the focus for the disclosure. This exposure draft discusses both the closed group measure and the open group measure throughout. Paragraphs A69-A74 provide the basic rationale for the Board's selection of the closed group measure. Mr. Werfel and other members have an alternative view regarding the presentation of the closed group measure. They oppose the addition of the closed group measure to the balance sheet. Further, they believe the open group measure is the appropriate measure to use in the new statement of changes in social insurance and not the closed group measure. See paragraph A145 in the basis for conclusions.

**Do you agree with the Board's decision to feature the closed group measure?**

**Please provide the rationale for your answers.**

Since the open group measure includes the current and future participants, it can provide more realistic information about the sustainability of the program in the long run than a closed group measure. Providing closed group measure alone could be misleading to the readers because payments from future participants to pay current participants are not included.

Q8. The Board is proposing to change the requirement currently in SFFAS 17 for specific sensitivity analysis. The standard will require the entity to provide sensitivity analysis of the closed and open group measures appropriate for its particular social insurance program but will not specify a particular approach for the analysis. See paragraphs 42-43 of the standard and paragraphs A125-A137 of the basis for conclusions.

**Do you believe that a general requirement that allows flexibility in the sensitivity analysis presented will produce better information regarding the sensitivity of social insurance programs? Please offer any comments that you wish to make on these provisions.**

We agree that a general approach rather than a specific requirement for the preparation of the sensitivity analysis will provide flexibility to the preparers to prepare concise and meaningful reports. A more concise and informative analysis rather than voluminous reports and graphs would be more understandable and meaningful to the users.