

San Antonio Chapter

Association of Government Accountants

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April 12, 2007

Ms. Wendy Comes, Executive Director
Federal Accounting Standards Advisory Board
Suite 6814
441 G Street NW
Washington DC 20548

Dear Ms. Comes,

The Association of Government Accountant National Office extended an invitation to comment on the preliminary views of members regarding a proposed Statement of Federal Financial Accounting Standards entitled *Accounting for Social Insurance, Revised* (preliminary views document). As there is a need for recording separate items of liabilities and expenses of Social Security, Medicare, Railroad Retirement, the rules of pension recording under current FASB, SFAS 158, Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of SFAS' 87, 88, 106, and 132 R should consolidate this exposure. (See response 6.2).

Questions for Respondents:

- Q1.** This preliminary views document presents two views of an accounting standard for social insurance. The key difference between the views is the timing of expense and liability recognition for social insurance programs.

Which obligating event do you believe creates a liability and expense that should be recognized? Please provide the rationale for your answer.

Response 1: In the recognition of expense made for Social Security, Medicare, Railroad Retirement the current obligation or liability paid by

the employer and employee is already expensed in wages and earnings. Wages and earnings for fully insured are reflected on Employee Social Security Administration (SSA) Earnings Statements and reflect the actuarial dates of payouts upon retirements based on eligibility of date of birth. To require a substantially met requirement to record a liability at a future date is dully duplicating current liabilities made in past balance sheet entries. The liability and expense has already been recognized in the current balance sheet and any new requirement would overstate corporate liabilities and expenses.

Q2. Do you believe that the Social Security and Medicare obligations are measurable for purposes of recording a liability after 40 quarters or equivalent of work in covered employment as proposed in the Primary View? Please provide the rationale for your answer.

Response 2: See response in Q1. In addition, the SSA is the responsible party for tracking the eligible 40 quarters and provides employees SSA Statements. As employees have several employers over the course of employment to accumulate 40 quarters this would not be measurable to one employer.

Q3. 3.1 – Do you believe that the Primary View proposal to add line items to the SOSI that tie to revised expense and liability amounts reported on the statement of net cost and the balance sheet, respectively, should be adopted?

Response 3.1: See response in Q1 and Q2. As liabilities and expenses are incurred in current wages and earnings there is no reason to adopt a line that results in duplication and an overstatement of net costs.

3.2 – Do you believe that the reasons for changes in SOSI amounts during the reporting period should be reported and, if so, do you favor such reporting (1) as proposed by the Primary View, (2) as proposed by the Alternative View, or (3) some other approach?

Please provide the rationale for your answers.

Response 3.2: See response in Q1 and Q2. As liabilities and expenses are incurred in current wages and earnings there is no

reason to adopt a line that results in duplication and an overstatement of net costs.

Q4. Do you believe the proposal should be adopted? Please provide the rationale for your answer.

Response 4: See response in Q1 and Q2. As liabilities and expenses are incurred in current wages and earnings there is no reason to adopt a consolidation that results in duplication and overstatement of net costs.

Q5. Do you believe that the Board should consider recognizing deferred revenue for earmarked revenues in excess of related program costs? Please provide the rationale for your answer.

Response 5: See response in Q1 and Q2. As liabilities and expenses are incurred in current wages and earnings there is no reason to adopt deferred revenue that results in duplication and overstatement of revenue.

Q6. 6.1 Please offer any comments that you wish to make on the Primary View provisions.

Response 6.1: See response in Q1 and Q2. As liabilities and expenses are incurred in current wages and earnings there is no reason to include detailed guidance on measurement that results in duplication and an overstatement of net costs.

6.2 Please offer any comments that you wish to make on the Alternative View provisions.

Response 6.2: As there is a need for recording separate items of liabilities and expenses of Social Security, Medicare, Railroad Retirement the rules of pension recording under current FASB, SFAS 158, Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of SFAS' 87, 88, 106, and 132 R should consolidate this exposure. This statement requires employers to recognize the over funded or under funded positions of defined benefit postretirement plans, including pension plans, in their balance sheets. Previously, this information was recognized only in the footnotes. Calendar-year public companies have this requirement when preparing their balance sheet as of December 31, 2006. The statement requires employers to measure plan assets and obligations

as of the date of the financial statements. Companies previously measured benefit obligations as of the balance sheet date or three months earlier. However, the new measurement date requirement will not be effective until fiscal years ending after December 15, 2008. As, Social Security benefits will have an impact on pensions with annuities the impact will be on a positive income basis at the post retirement of employees when they reach SSA age requirement and begin to receive SSA benefits. At this time the retirement obligation of public companies liabilities and expenses will decrease as full pensions will be reduced or offset by SSA earnings. To address this under the current proposal without combining with pension benefits is to underestimate income by recognizing or duplicating Social Security liabilities and expenses in a venue separate from pension and actuarial studies.

Thank you for the opportunity to comment on this proposal.

Sincerely,

S//
Helene A. Baker
President, SA AGA Chapter
Designate, TX OK Regional VP-Elect

Cc: Susan Fritzlen (sfritzlen@agacgfm.org)