

March 6, 2009

Wendy M Payne, Executive Director
Federal Accounting Standard Advisory Board
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Accounting for Social Insurance, Revised

Dear Wendy M Payne

I realize I am late in sending you my comments on the above proposed Standard. Nevertheless, since I have read all of the material including the 40 or so pages of the Basis for Conclusions and have formed some opinions about this Standard, I thought I would pass them along. I understand these comments may be too late for consideration by the Board.

Overall Impression

It seems to me that the Staff and the Board have been carried away with actuarial science and by the actuary committee. That, in turn, produces an actuarial correct standard but basic communication is lost in the process. The duty is to inform and to report in a way that is readily understood. I don't think the proposed standard meets those criteria. The standard needs to be simplified to present easily understood information.

Management Discussion and Analysis

I believe it is appropriate to discuss social insurance in the MD&A. I think the standard should be more of a policy statement than to require the analysis of specific measures. Paragraph 26 in the proposed standard should be all that is required. I think the rest of that section should be deleted in order to allow "Management" to do the analysis. Otherwise the section should be labeled the "Standard Board" MD&A. The proposal is a cookbook approach rather than a policy approach.

Balance Sheet Label

I am not opposed to the proposal that would add a line below total liabilities etc. for the present value the future social insurance obligation. This is the obvious compromise between the two groups. On the one hand it seems to say the amount is not a liability

since it is not included in them whereas others may think it brings the amount to the attention of the reader. My view is that it is of little value and of little help.

Summary Section

I believe there should be a summary section but not as described in the exposure draft. I have prepared and enclosed a copy of the kind of draft I would like to see. This would give the reader the overall view of the situation before they got bogged down in all of the details. I think the present schedules or the revised schedules would be supplemental to this summary. I also believe my proposed statement of changes in social insurance amount would be helpful and I believe it would also be supplemental to the overall summary. The present footnote includes the demographic and economic assumptions which I believe are not necessary and do not add to the understanding of the projections.

Accrued Benefit Obligation

If the idea is to confuse people, this term will surely do it. It doesn't seem to tie in to any other amounts in the rather lengthy disclosures. On top of that, there are several methods to calculate it. I think it should be dropped as there are enough things to confuse readers already when we are trying to make things understandable.

Closed Group or Open Group

I agree that all measures in the Standard should be about the close group. To introduce another group and measure will surely confuse and detract from the principle message. Information about the open group could be put in small type in a footnote. As it is said keep it simple so you should use only one group throughout the statement.

Sensitivity Analysis

I agree with the changes to make the requirement more flexible. I also hope the Board will do the same in the MD&A of the proposed Standard.

Yours truly

John A Favret