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## Social Insurance

FASAB has been evaluating the social insurance area (social security and medicare) for many years. FASAB should define, recognize and disclose social insurance as a **liability** and ensure prominent disclosure of this liability on the national "balance sheet". Such disclosure is critical to full Federal financial accountability and transparency to United States citizens.

Several years ago FASAB required greater disclosure of key social insurance reporting. Required disclosures represented an important step in the right direction, yet fell significantly short of the full recognition, disclosure and prominence that this matter deserves. In that regard, and in light of the unprecedented financial challenges currently facing the Nation, FASAB should require the Federal government to prominently recognize and disclose the Nation's social insurance liability on the national balance sheet and continue to require significant disclosure of related key financial and statistical information. Recognition/designation of this matter as a liability is important because such recognition and disclosure in the government's financial report (balance sheet) will help focus National attention on this critical National matter.

Social insurance should be identified as a liability because this obligation (like other liabilities) involves a transaction in which one party (the government) receives value (tax payments) from another party (the taxpayer) associated with a commitment/"promise" to provide value in the future (social insurance). Simply stated the government "borrows" money and "promises" to pay the money back (plus) later, a liability. In that regard, the "closed group" measure or actuarial net present value of the social security program should be recognized as a liability. (FASAB defined the closed group measure as the net present value of (1) future benefit payments to current participants, (2) future contributions to be made by participants or their employers and (3) the accumulated fund balance at the valuation date.)

During prior deliberations of this matter, FASAB unfortunately did not establish the full social insurance obligation as a liability on the balance sheet and, as such, did not require optimally, prominent recognition and disclosure of this matter. The Board's approach did encourage certain disclosures but did not require the fullest and widest recognition and disclosure of this large, lingering liability. The essential National debate and resolution related to this large liability require the fullest and most prominent disclosure of this matter. Such recognition and disclosure will help fully inform the necessary national debate regarding this critical matter. FASAB should help inform this debate and the citizenry by defining, recognizing and disclosing this liability in the national accounts and in the related balance sheet statement, as well as, in other statements as appropriate.

Thank you for your continuing service in establishing and maintaining quality Federal accounting standards. Also, thank you for the opportunity to comment on these important financial matters. Please do not hesitate to contact me if you require additional information.

Respectfully,

Kenneth J. Winter