

Wendy M. Comes, Executive Director
Federal Accounting Standards Advisory Board
441 G Street NW, Suite 6814 (Mailstop 6K17V)
Washington, DC 20548

April 23, 2007

Comments to the Preliminary Views Document, "Accounting for Social Insurance, Revised."

Dear Ms Comes,

The enclosed views represent the majority viewpoint of the New Jersey Office of the State Auditor. This is an extremely difficult issue to tackle. There are legitimate pros and cons for the primary and alternate views. Upper management officials in our office are as divided on this subject as the members of the federal accounting Standards Advisory Board. However, we offer the following comments to questions 1,4, and 5 in this document.

Question 1 – Which obligating event creates a liability and expense that should be recognized?

Consistent with the Alternate View, we believe the current practice of recording the liability and expense when participants meet all eligibility requirements and the benefit payments become due and payable should be retained. This practice provides a current resources flow similar to that used for governmental funds by state and local governments. We support the arguments presented in the Alternate View that these are social programs offered by the federal government and are no different than other major programs such as Medicaid which the indigent population and the states rely on, or national defense programs which we all rely on. Each of these programs are critical and have far reaching implications. We do not believe that the social security and Medicare programs are trust funds similar to other private sector and government pension funds. As such, current liabilities and expenses should not accrue during the working lives of participants. Benefits associated with the programs are not a right similar to employment contract rights associated with pensions and other post retirement benefits. Benefit payments are, for the most part, paid on a pay as you go basis. Excess funds from these type programs can be "borrowed" to finance other federal operating programs. However, these borrowings will most likely be repaid by general taxpayers in the future.

Question 4 - Should a statement of fiscal sustainability be presented in the consolidated Financial Statement of the United States?

The Alternate View proposes including a fiscal sustainability statement in the consolidated report as required supplementary information. Disclosures and statements regarding the sustainability of social insurance programs are very important to policy makers and beneficiaries. Policy makers need to know what future budgetary concerns may arise and so present value projections are needed on the sustainability of these programs as they are currently constructed. The statements of social insurance should provide considerable information in this area. However, the proposed RSI provides additional information on the programs as they relate to GDP and other programs of the government. This information is a worthwhile disclosure and should be adopted.

Question 5 – Should deferred revenue be recognized for earmarked revenues in excess of program costs?

We do not believe deferred revenue should be recognized. Revenues generated from this operation whether investment interest or tax revenues are earned in the period received. There is no matching concept. These are current period earnings. The funds will not be refunded. If any restrictions on their use exists, the fund balance should be reserved for the payment of future benefits.

I hope these comments are of some assistance to you as you deliberate this issue further. If you need to clarify our response you may contact me via e-mail at tmeseroll@njleg.org or by phone at (609)292-1897.

Sincerely,

Thomas R.Meseroll
Assistant State Auditor
New Jersey Office of legislative Services
Office of the State Auditor