Social Security Advisory Board

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May 14, 2007

Mr. Thomas L. Allen
Federal Accounting Standards Advisory Board
441 G Street NW
Suite 6814
Washington, DC 20548

Dear Chairman Allen:

At the Social Security Advisory Board's March 13 meeting with you and your FASAB colleague, Robert Dacey, you asked us to send you this Board's reactions to the FASAB Preliminary Views on Accounting for Social Insurance, Revised.

The Social Security Advisory Board recognizes that the members of the Federal Accounting Standards Advisory Board who have developed both the Primary View and the Alternative View share the common objective of making the financial statements of the Federal Government present a fair, understandable, and comprehensive picture of the status and trends of governmental financial operations. This is at once a commendable and difficult undertaking. The concepts of accounting used in the private sector can shed important light on the fiscal situation of the government, but there are also significant differences between governmental and private sector operations and responsibilities that should not be obscured.

We would defer to the expertise in accounting practice and standards of your membership in reaching a resolution of this issue, but we urge you, in doing so, to assure that the standards you adopt for accounting for Social Security finances are consistent with the nature of that program as it has been established by the Congress. For example, concerns have been raised about possible misunderstandings that might arise from referring to future benefit eligibility as a "liability" based on individuals' completion of 10 years of work. Congress clearly retains the right to make modifications to the benefit rules. The Primary View establishes insured status as a significant dividing line with respect to future benefit obligations, but it is not the only one that could be chosen. For example, Congress, in requiring annual Social Security statements, did not require that benefit estimates be provided to all workers but only to those workers who have reached age 50. Words can, of course, have different meanings in different contexts but it is important to avoid contributing to misunderstanding.

In any event, we believe that the FASAB should work toward the adoption of standards that will have broad support, will be consistent with the systems that Congress has established for evaluating the financial soundness of social insurance programs, and, in particular, will not in any way serve to restrict or undermine the flexibility that Congress must have to make the programmatic changes that may be needed to restore and maintain the financial stability of these programs.

Sincerely,

Sylvester J. Schieber

Chairman