

>>> On 11/19/2008 at 3:15 PM, <DickYo@aol.com> wrote:

Dear Sir: - This is response to your request for comments on your FASAB Exposure Draft on Social Insurance Accounting. I get my information from the US Monthly Treasury Statements. I am amazed that because our government reports on a CASH basis rather than an ACCRUAL basis as required by all businesses the public is badly misinformed. My concerns:

1. All the surplus to date in the Social Security system has been put in a Trust Fund. The government thought this money should be invested in safe securities, so they issued special bonds that were bought by the Trust Fund. Results - there is nothing in Trust Fund but a piece of paper promising that the government will buy bonds back if and when needed. The government gets the money and spends it for general purposes so it artificially reduces the reported deficit, but of course it increases our National Debt. Shortly, about 2017, there will no longer be a surplus so this will stop. Then we will have to pay for our actual operating deficit, but also pay to buy back the Trust's bonds so beneficiaries can be paid.
2. Our Government employees get very generous pensions. The employed pay a small fraction of the cost, and government says they pay the larger portion that goes into another Trust Fund. The Treasury Statement does show the government's cost, but at the end of the report they show it as an Offsetting Receipt since again the Trust paid for the bonds they were given. Again this reduces reported deficit and increases our National Debt. Any company that financed their employee retirement program by just issuing more of their own bonds rather than show it as an expense would be in jail.
3. The Trust funds, or course, are paid interest on the bonds they hold. Again this shows up as an expense in the Report, but at the end all interest paid to all Trust Funds show as an Offsetting Receipt. Again this reduces reported deficit and increases our National Debt. A good case can be made that the Trust Funds should not be paid any interest on their bonds. This would increase our reported deficit to be in line with our actual increase in Debt. The reported National Debt would then be only debt owed to the public, and would not report any debt owed to Trust Funds.
4. Trust Fund accounting is a sham! All it does is hide the unfunded liabilities we have in so many programs, and does not have transparency.

Thank you for giving me a chance to express my views. I hope this is helpful to you.

Sincerely,

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Retired.