

# NATIONAL COORDINATING COMMITTEE FOR MULTIEMPLOYER PLANS

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Technical Director  
Financial Accounting Standards Board  
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LETTER OF COMMENT NO. 190

Re: File Reference No. 1025-300  
Financial Accounting Standards Board Exposure Draft - Proposed Statement of Financial Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132 (R)

Dear Sir or Madam:

On behalf of the National Coordinating Committee for Multiemployer Plans (NCCMP), I appreciate this opportunity to provide comments on the above-referenced Exposure Draft. Established in 1974, the NCCMP is the only national organization devoted exclusively to protecting the interests of the approximately ten million workers, retirees, and their families who rely on multiemployer plans for retirement, health and other benefits. Our purpose is to assure an environment in which multiemployer plans can continue their vital role in providing benefits to working men and women. The NCCMP is a nonprofit organization, with members, plans and plan sponsors in every major segment of the multiemployer plan universe, including in the airline, building and construction, building services, entertainment, maritime, retail food, textile, trucking and other industries.

Our mission is to support and advocate on behalf of the interests of all stakeholders in multiemployer plans. Obviously, providing adequate retirement income security for plan participants is a primary consideration. However, we are also deeply concerned about the ability of plans to comply with all forms of regulatory obligations (statutory, regulatory and professional) and for the ability of plan sponsors to go on with their regular lines of business in a competitive environment. Any proposal that threatens any one, a combination of, or all of these stakeholders is of vital concern to the NCCMP. Were the proposals that are embodied in the Exposure Draft to apply to multiemployer plans, it would appear that that virtually all of these stakeholders would be potentially at risk.

Therefore, it is appropriate that we raise with you our grave concerns regarding the effects of the proposed Exposure Draft on defined benefit plans in general and, more specifically, with the approach to and affect of the Exposure Draft in achieving such disclosure. Our concern is not based on conjecture or unfounded fears, but rather the practical and catastrophic adverse experience that such disclosures have had on the continuation of defined benefit plans when implanted elsewhere in the world, specifically on the expectations of workers as stakeholders in a business enterprise, both directly (as pension plan participants) and indirectly (as equity holders in the broader markets) and on the ability of responsible employers who wish to provide adequate replacement income for their former employees. As owners of vast amounts of equities within the investment portfolios of our benefit plans, we support the FASB's goal of enhancing investors' ability to understand the substantial cost implications of a corporation's commitments to postretirement benefits, as long as such implications are presented within the proper context. With respect to pension obligations this context must recognize the long term nature of pension plan funding. While as investors we have devolved into a society that values quarter-by-quarter financial performance above all else, including the future stability of the corporations in which we invest, we disagree with those who contend that all post retirement benefit commitments inherently detract from the long-term financial viability of any enterprise. To those who believe that to be true, reducing other employment costs by laying-off the entire production force of a company would be a recipe for long-term success.

At the onset, we wish to seek clarification as to the intended applicability of the guidance with respect to employers that contribute to multiemployer plans. It is our understanding and we wholeheartedly support the conclusion, that the guidance in the Exposure Draft is not intended to apply to sponsors of multiemployer plans, and, indeed, believe there are critical, practical impediments that prevent its application; however, we do not see anywhere in the guidance where that conclusion is expressly stated. The Exposure Draft notes it would amend FASB Statements No. 87, 88, 106 and 132R. These standards essentially limit the recognition and reporting in the financial statements of employers participating in multiemployer plans to the contributions for each fiscal period for which financial statements are presented, including recognition of a liability for contributions owed for the period but not yet paid as of the end of the fiscal period and disclosure in the notes to the financial statements of certain information regarding the benefit plan(s) and the amount of cost recognized. Under certain situations related contingent liabilities are also addressed by FASB Statement 132R. If our understanding is correct, we would appreciate a clear and unambiguous statement from the FASB to that affect.

Assuming our understanding to be correct, the following comments address the issues we believe require further assessment by the FASB; issues which may result in significant and direct adverse consequences to the continuation of all defined benefit plans, including multiemployer plans.

We understand that the Exposure Draft represents only the first phase of the FASB's Major Standards Project on Postretirement Benefit Obligations including Pensions. We further understand that it is intended to have the limited focus of improving the completeness of information reported in the statement of financial position, primarily by requiring sponsoring employers to recognize the full overfunded or underfunded positions of defined benefit postretirement plans by using information that the FASB believes is already substantially

available. However, we are concerned about the accounting profession's decision to fast-track" changes as potentially far-reaching and drastic as this as well as the additional requirement that the valuation date be the same as the date of the financial statements of the sponsoring employer. As you are certainly aware, Congress is nearing completion of comprehensive pension reform legislation that, among other things will address pension plan funding and the delicate balance that exists between encouraging the responsible funding of defined benefit plans by plan sponsors and injecting unacceptable levels of volatility into funding requirements that would cause such sponsors to abandon their plans. It is unmistakable that the requirement to require full recognition of unrealized gains or losses by a corporation's pension plans on its financial statements will inject just such volatility into a company's financial planning processes. While it will be argued by some that pension funding rules are unaffected by this proposal, the practical implications of insisting on such a fast-track approach to these issues, without awaiting the outcome of this public policy debate, demonstrates an unwarranted and total disregard by the FASB of the legislative deliberative process that will undoubtedly be viewed by many members of Congress, as well as those in the plan sponsor community, as blatant arrogance.

It would be best to allow adequate time to consider the implications of the pending legislation, determine whether adjustments to the proposed Exposure Draft are indicated and to provide a staggered timing of effective dates for certain entities, to ensure a better implementation and to allow affected entities to plan and properly address issues such as the effects of the changes on the organization, its employees and participants of affected plans, work compression for actuaries and accountants, possible changes to the fiscal year end dates of plans, etc.

We are also concerned that the coordination of the Exposure Draft with the planned second phase of your project, a comprehensive and broad reconsideration of the major issues associated with employers sponsoring postretirement benefits also targeted to address the issue of convergence of accounting principles internationally, may result in unforeseen negative consequences to multiemployer plans as well as other plans. Accordingly, we request the FASB at a minimum disclose the goals of and related requirements likely to result from the second phase of this project before the effective date for the first phase is set. We also request an appropriate staggered timing of effective dates.

As noted above, part of our concern stems from the United Kingdom's accounting pronouncement "Financial Reporting Standard (FRS) 17 – Accounting for Retirement Benefits" that was to be implemented in 2001 through 2005. FRS 17 was attributed with the negative effects of the termination of benefits for many participants as well as negative effects on valuations of the stock of public companies caused in part by increased volatility from the recognition of the funded status of benefit plans resulting from the new standards as well as an essentially bulk sale of equities by certain plans that chose to own more investments that would earn an interest rate comparable to corporate bonds, which rate the plans would newly be required to use as their discount rate for valuation purposes. It would be best to avoid the negative consequences many attributed to the implementation of those standards.

Regarding issue 1 highlighted in the Exposure Draft - costs of implementing the changes, if employers participating in multiemployer plans are required to adopt the proposed statement's requirements, significant additional information would likely be required as substantially all

information required for disclosure is maintained on the plan level and not for each employer. This information is maintained based on the fiscal year of the plan and not the fiscal year of each employer. Some plans have thousands of participating employers. Further, given the substantial uncertainty of the legal status of employers' obligations to pay certain contributions to multiemployer plans, the fact that events affecting one or more participating employers may affect an entire plan and the related obligations for all employers and the fact there is a lack of sufficiently accurate information regarding the allocation of the funded status of a plan to each participating employer we consider it impractical and inappropriate to require employers participating in multiemployer plans to implement the changes noted in the Exposure Draft. Even if implementation were possible, the costs associated with the changes would be prohibitively significant to the multiemployer plan community.

Substantially the same difficulties exist regarding issue 2 highlighted in the Exposure Draft - *measurement date*. This essentially requires all affected sponsors to have the plan's assets and obligations valued as of the date of the financial statements of the sponsoring employer. It is common for employers in a variety of industries in which multiemployer plans are prevalent to be signatory to multiple collective bargaining agreements requiring contributions to multiple plans in a variety of geographic locations and across several industries or trades, each with its own fiscal year. Furthermore, by definition, multiemployer plans have more than one contributing employer and many have several thousand. Given the demands of such diverse groups it would be virtually impossible for employers or plans to comply with this requirement absent a requirement that all plans and all such employers adopt a uniform fiscal year. Even if such coordination were feasible, the costs associated with the changes would be prohibitive to the multiemployer plan community.

As noted above we are also considering several other issues that may be directly and/or indirectly pertinent to multiemployer plans but have excluded them from this letter based on our understanding that the guidance in the Exposure Draft is not intended to directly apply to multiemployer plans. If clarification reveals the intent that the Exposure Draft is intended be applied to employers participating in multiemployer plans we request additional time be provided to properly address these other issues and provide our related comments to the FASB.

Please contact me if we can provide any additional clarification of the issues addressed above or if you have any questions regarding this matter.

Respectfully submitted,

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Executive Director