

CONSTRUCTION FINANCIAL MANAGEMENT ASSOCIATION

The Source and Resource for Construction Financial Professionals



May 31, 2006

Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, Connecticut 06856-5116



LETTER OF COMMENT NO. 152

Re: File Reference No. 1025-300

The Construction Financial Management Association (CFMA) is pleased to present the following comments related to the Exposure Draft on "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R)," File Reference No. 1025-300.

Founded in 1981, CFMA has 89 chapters across the U.S. and more than 7,000 members. CFMA General Members are CFOs, treasurers, controllers, accountants, financial managers, and those with a financial responsibility for their companies. Associate Members include bankers, insurance and surety bond agents, attorneys, and others who serve the construction industry.

CFMA believes that, while a limited number of contractors provide defined benefit pension and other postretirement benefits through their own plans (i.e., not a multi-employer plan), the number that do provide these benefits could be adversely affected in ways counterproductive not only to contractors, but also to the users of contractors' financial statements.

We have chosen to comment on Issue 2 in the Exposure Draft and to provide an additional comment beyond the issues identified by FASB.

The Employer's Measurement Date

Exposure Draft Issue 2: Unless a plan is sponsored by a subsidiary that is consolidated using a fiscal period that differs from the parent's, this proposed Statement would require that plan assets and benefit obligations be measured as of the date of the employer's statement of financial position. This proposed Statement would eliminate the provisions in Statements 87 and 106 that permit measurement as of a date that is not more than three months earlier than the date of the employer's statement of financial position.

Are there any specific implementation issues associated with this requirement that differ significantly from the issues that apply to other assets and liabilities that are recognized as of the date of the statement of financial position? (See paragraphs B36–B40 for the basis for the Board's conclusions.)

CFMA Opinion: We believe that requiring the same measurement date as the employer's financial reporting date will delay the completion of year-end disclosure information because actuaries will be forced to wait for year-end asset values and wait until the year-end has passed to set the discount rate.

Once the information is gathered, we believe that actuaries will be resource-constrained to produce such a large number of reports during such a short interval. As a result, contractors will

be at significant risk for not meeting the financial reporting deadlines of banks, bonding underwriters, and regulatory agencies.

As such, we urge FASB to only apply the new measurement date requirements to public entities, and permit non-public entities to follow existing guidance in measuring plan assets and benefit obligations.

Recognition of the Funded Status of a Defined Benefit Postretirement Plan

Exposure Draft Paragraph Four:

- 4. An employer that sponsors one or more defined benefit pension or other postretirement benefit plans shall:
- a. Recognize in its statement of financial position the overfunded or underfunded status of the defined benefit postretirement plan measured as the difference between the fair value of plan assets and the benefit obligation. For a pension plan, the benefit obligation shall be the projected benefit obligation; for any other postretirement benefit plan, such as a retiree health care plan, the benefit obligation shall be the accumulated postretirement benefit obligation.

CFMA Opinion: The use of the projected benefit obligation is an improper basis for recognizing a liability in the statement of financial position. By operation, the projected benefit obligation is based upon future events (such as compensation increases) that have not yet occurred. We believe this to be a departure from paragraph 36 of Concept Statement #6, which reads:

"A liability has three essential characteristics: (a) it embodies a present duty or responsibility to one or more other entities that entails settlement by probable future transfer or use of assets at a specified or determinable date, on occurrence of a specified event, or on demand, (b) the duty or responsibility obligates a particular entity, leaving it little or no discretion to avoid the future sacrifice, and (c) the transaction or other event obligating the entity has already happened." (emphasis added)

Even if FASB feels strongly that it must depart from Concept Statement #6 in response to various pressures affecting public companies, we request that FASB exclude non-public companies from this requirement. This requirement distorts the true obligations of plan sponsors, and provides little additional utility to the users of financial statements since the proposed measurement basis is already disclosed in the financial statements.

Additional Comments

Other industry groups, such as the Mechanical Contractors Association of America (MCAA), concur that portions of the proposed requirements would be detrimental to non-public companies.

As a participant in an industry exceeding \$1 trillion in revenue, approximately 8% of the U.S. Gross Domestic Product (GDP), CFMA appreciates the opportunity to comment on these issues. If there are questions regarding our position, please contact Lynn Mitchell, Co-Chair, Emerging Issues Subcommittee at 609-452-8000 (ext. 240).

Sincerely,

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