CERTIFIED PUBLIC ACCOUNTANTS

6 DICKINSON DRIVE, SUITE 205, CHADDS FORD, PA 19317 (610) 358-2000 FAX (610) 358-0700

VIA EMAIL: director@fasb.org

November 1, 2010

Technical Director
File Reference No. 1860-100
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, Connecticut 06856-5116

Re: File Reference No. 1860-100: Proposed Accounting Standards Update, Compensation—Retirement Benefits—Multiemployer Plans (Subtopic 715-80) Disclosure about an Employer's Participation in a Multiemployer Plan

We appreciate this opportunity to comment on the Proposed Accounting Standards Update addressing Disclosure about an Employer's Participation in a Multiemployer Plan.

We have continuously provided services to multiemployer employee benefit plans since 1966, prior to the enactment of the Employee Retirement Income Security Act of 1974. Our experience through the years has provided us a detailed understanding of many multiemployer employee benefit plans, their operations and the interactions among the plans and their participating employers. Many of our clients are in the construction industry.

We believe our knowledge and experience provide us unique insight into appropriate accounting and disclosure for the real outcomes related to many facets of the participation of employers in multiemployer plans, including the related risks and commitments, which are the focus of the Proposed Accounting Standards Update. We believe our comments below provide the Board certain information we have not seen in other letters of comments posted on the FASB's website for the affected Accounting Standards Codification Subtopics. We hope this letter is helpful to the Board in its assessment and deliberation on this important matter. Specific questions the Board requested, in the Proposed Accounting Standards Update, respondents address are included below with our comments.



Technical Director File Reference No. 1860-100 Financial Accounting Standards Board November 1, 2010 Page 2

Question 1: Do you agree that the proposed quantitative and qualitative disclosures will result in a more useful and transparent disclosure of an employer's obligations arising from its participation in a multiemployer plan? Why or why not? If not, what changes would you suggest to the proposed amendments?

We appreciate the Board's goal to include in financial statements information related to employer participation in multiemployer plans, and that to date the effects of this participation have not been transparent to readers of financial statements. The proposal notes investors requested information about commitments of employers participating in multiemployer plans and the potential effects of withdrawal from plans. We understand the desire to attempt to quantify these amounts. Risk assessment by users of financial statements is normally best served by the reporting entity designating dollar amounts to known and quantifiable risks. While some of the proposed narrative disclosures should provide additional information that may be considered useful by financial statement users in understanding the arrangements regarding an employer's participation, we are concerned the proposed quantitative disclosures, and especially amounts to be reported related to the withdrawal liability of an employer and the funded status of plans, will provide misleading information and result in inappropriate interpretation and use of the information.

There are many reasons the proposed disclosures may result in inappropriate interpretation and use. The Proposed Accounting Standards Update includes discussion of the basis for conclusions reached by the Board and reflects some information supporting withdrawal liability amounts do not provide "representationally faithful information." The discussion does not appear to us to provide the appropriate importance to this information and other issues that may render the disclosures misleading.

Withdrawal liability amounts are subject to significant variability. Market values of plan assets are generally used in calculating withdrawal liability amounts, creating significant changes between determination dates. Also, there are different methods that may be used to determine these amounts among plans.

The proposal calls for reporting the total assets and the accumulated benefit obligations of the plans in which the employer participates. These amounts are also subject to significant change and/or interpretation. Market values are generally used in determining total plan assets, creating significant changes between determination dates. The amounts of accumulated benefit obligations also may change significantly between determination dates and the methods and assumptions used to determine accumulated benefit obligations may also vary among plans, especially if details regarding acceptable methods and assumptions are not addressed by reporting standards.

The proposal provides for reporting information as of the most recent financial statement plan year-end and as it is obtainable. In most cases the information referred to above in this paragraph that would normally be considered obtainable is outdated and more than one year old, with reporting dates that may differ among the plans and that are not the same as the employer's. The aggregation by an employer of various information may also provide users of financial statements a summarization of such different amounts and details that their view may be, as has been the assessment of participation in multiemployer plans for many



Technical Director File Reference No. 1860-100 Financial Accounting Standards Board November 1, 2010 Page 3

years, the real outcomes from participation are largely unknown. For each of the amounts addressed above in this paragraph, we believe current and/or more detailed information which can be properly assessed would be needed for meaningful disclosures and appropriate transparency.

Many of the concerns noted above are similar to matters addressed by the Board when it issued SFAS 158-Employer' Accounting for Defined Benefit Pension and other Postretirment Plans, which requires a valuation date consistent with the entity's reporting date and provides detailed guidance regarding the determination of the benefit obligation amounts to be disclosed.

Further, there are special withdrawal liability rules for certain industries. The construction industry exemption provides circumstances in which a construction employer will not pay withdrawal liability, such as when the employer no longer performs work covered by a plan. Other industries also have special rules which contribute to making the proposed disclosures inconsistent and inappropriate. Further, withdrawal liability rules regularly limit the payment by many employers to an amount that is less than the amount reflected in withdrawal liability calculations. Often payments are limited to a maximum of twenty years' payments, with little interest required to be paid, such that the present value of any realistic possible obligation may be much less than the overall amounts proposed to be disclosed. In addition, deminimus rules may provide for certain employers to not be assessed any withdrawal liability upon withdraw from a multiemployer defined benefit pension plan. If disclosure of withdrawal liability amounts is required as proposed then the application of unique rules and applications should be addressed.

Other important points also support the information proposed to be reported may result in improper use by financial statement readers. While certain of the amounts proposed to be disclosed may be the best available information related to certain issues inherent in an employer's participation in a multiemployer plan, we believe the proposed quantitative disclosures, and especially amounts to be reported related to the withdrawal liability of an employer and the funded status of plans, may in many cases not be appropriate for the proposed uses. The International Accounting Standards Board and the FASB have for years, and are still, grappling with the issue of how to appropriately allocate the funded status of a multiemployer plan to the participating employers. While withdrawal liability is used in the United States and exists as a regulatory requirement, we are concerned it is not well-suited, especially when summarized with multiple plans, as an appropriate basis for financial statement reporting.

Disclosures in financial statements have the expectation of the user to include "real" events and toward the goals of the proposed disclosures amounts should, we believe, represent "real" consequences. We are concerned the withdrawal liability and overall plans' funded status amounts will not in many cases represent "real" amounts and that readers of financial statements will not be able to properly assess the disclosures.

The proposed rules provide an employer shall disclose the information for pension and other postretirement benefit multiemployer plans. While this on its face appears to apply to plans other than defined benefit pension plans, including health and welfare plans (and possibly disclosures per AICPA SOP 92-6, as amended?), appropriate guidance should be addressed and the Board should provide an additional comment process, and work with appropriate representatives of the affected communities, to provide time to determine appropriate standards.



Technical Director File Reference No. 1860-100 Financial Accounting Standards Board November 1, 2010 Page 4

We also believe the proposed amounts will create an operational difficulty by unduly complicating the role of auditors of financial statements of employers participating in multiemployer plans. These auditors will likely have great difficulty in many cases reporting on the fair presentation of the proposed disclosures, as much of the information will be outdated, the standard will likely create the expectation to report appropriate information where it does not exist, and other reasons the proposed disclosures may be misleading as noted in this letter.

We request the Board reconsider the proposal and not require the additional disclosures which are inappropriate, particularly those related to withdrawal liability and funded status amounts. If such amounts are to be required we request the Board provide an additional comment process, and work with appropriate representatives of the affected communities, to provide time to determine appropriate standards which should be as consistent as possible, with final international reporting standards.

Question 2: Do you believe that disclosing the estimated amount of the withdrawal liability, even when withdrawal is not at least reasonably possible, will provide users of financial statements with decision-useful information? Why or why not?

Comments are provided to question 1 and 2 together, above.

Question 3: What implementation costs, if any, will an employer face in applying the proposed disclosures? Are these costs significantly different when applying the proposed disclosure requirements to foreign plans?

Comments are not provided to question 3 as many letters of comment to the Board echo our thoughts on this question.

Question 4: The Board plans to require that the amendments in the final Update be effective for public entities for fiscal years ending after December 15, 2010. Are there any significant operational issues that the Board should consider in determining the appropriate effective date for the final amendments?

The proposed effective date is two months after the deadline for comments and obviously less than that once an Accounting Standards Update is finalized and issued by the Board.

Operationally, in general, the entities and systems needed to produce the needed information cannot react in the proposed time frame. The planned effective date does not provide enough time for affected parties to properly and accurately determine and gather the needed information. The proposal provides extensive provision for information that is not obtainable and this may seem to provide for a beneficial progression, enabling an "easing in" for processes to develop to produce the needed information. However, operating a financial reporting model with an attitude of reporting and disclosing whatever limited information is available rather than with the focus of proper compliance with applicable standards, whether voluntarily



Technical Director File Reference No. 1860-100 Financial Accounting Standards Board November 1, 2010 Page 5

embraced or adopted by necessity of an accelerated adoption date, is inappropriate. Such a focus will result in unintended uses, most of which are detrimental to the users of financial statements, the reporting entities and the goals of proper and appropriately transparent accounting and disclosure. We believe this inappropriate model may be furthered by the proposed disclosure of withdrawal liability information based on the rationale it is the best information available, as described above. We also believe the proposed effective date will promote this inappropriate model and that such should be purposefully avoided by the Board explicitly by its actions.

The new accounting standards ultimately adopted by the Board, unless significantly reduced in scope, should be delayed, along with proposed changes related to multiemployer plans in ASC Topic 450, and placed on hold for a time period similar to the IASB's delay of their project on multiemployer plans.

However, we believe merely delaying the current proposed new requirements is not sufficient and request the Board provide an additional comment process, and work with appropriate representatives of the affected communities, to provide time to determine proper disclosures which should be as consistent as possible with final international reporting standards.

Question 5: The Board intends to defer the effective date for nonpublic entities, as defined in transition paragraph 715-80-65-1, for one year. Do you agree with the proposed deferral? If not, please explain why.

We agree the effective date for appropriately revised reporting requirements for nonpublic entities should be delayed for at least one year after the effective date for public entities.

Question 6: In addition to the deferral for nonpublic entities, should any of the provisions in this proposed Update be different for nonpublic entities (private companies and not-for-profit organizations)? If so, which provision(s) and why?

Yes. While the controversy regarding "Big GAAP, little GAAP" has many facets there are elements of the proposed new standards that should be changed to provide appropriate guidance for nonpublic entities.

One example is the application of the deminimus rules related to assessment of withdrawal liability amounts to withdrawing employers. Generally, these rules provide not assessing to employers who withdraw from a multiemployer defined benefit pension plan the withdrawal liability amount determined applicable to it, if that amount is below the deminimus threshold. While these rules may affect any employer, this is more likely to apply to employers that contribute a smaller proportion of contributions to a plan than "larger" employers, and accordingly, more likely an issue for nonpublic entities. While a normal tenant of GAAP is immaterial results are generally not considered required for reporting or disclosure, given the application of the proposed new standards an employer may inappropriately report and disclose, and users of the financial statements may misunderstand, the application of these rules. If disclosure of withdrawal liability amounts is required as proposed then the application of the deminimus rules of withdrawal liability to financial reporting should be addressed.



Technical Director File Reference No. 1860-100 Financial Accounting Standards Board November 1, 2010 Page 6

The Board should provide an additional comment process to provide time, and work with appropriate representatives of the affected communities, to determine proper disclosures for issues that should be treated uniquely for nonpublic entities.

We appreciate your time and effort in this matter and your consideration of our comments.

Please contact us if you have any questions or if we can assist the Board in any way.

Daniel A. Winters & Company