

# Carson-Mitchell, Inc.

*Engineers & Builders*



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September 29, 2010

Director of FASB  
File Reference #1860-100

RE: FASB Standard Proposal  
Impact on Multiemployer Plans  
And Employer's

To Whom It May Concern:

I have been a management trustee on the Kansas City (now St. Louis) District Council Carpenters Pension plan since about 1987 and ask you to consider the following comments in response to your Exposure Draft on Retirement Benefits and Multiemployer Plans. I understand the need to improve the transparency and accuracy of audited financials but I think this proposal may go the opposite direction. One problem is that there is a 12 to 15 month time period between close of books and receipt of our actuarial analysis for the pension plan, and inclusion in our financials. It means we are mixing historical pension information with contemporaneous financial information and asking our bankers and sureties to make decisions important to the existence of our business based upon information that is really not very meaningful. Further complicating the value of this information is the difference in methods of calculating a companies withdrawal liability. There can be a difference of 3 to 5 X depending on the method used by ones actuary and the assumptions used. Until there is some stability here these values are of no real value to decision makers. They need comparability of figures and we don't have that here. This misleading information is going to make it very difficult to audit and reach good conclusions and sound opinions and in my opinion damages the integrity of financial statements.

Another concern is the increased cost to implement these proposed changes. In speaking to administrators and consultants of various plans the cost to extract the requested information varies from about \$600.00/plan/year to nearly

\$10,000.00 per plan/per year. Small contractors may be signatory to from one to several CBA's (Collective Bargaining Agreements) while larger contractors may be signatory to over 100 CBA's. The cost of data mining alone would be very significant not to mention the estimated 2-5 pages of foot notes for each CBA required by this proposal. For the small businessman in construction those costs are prohibitive. The accountants I have talked with say their costs will most certainly increase if this change is introduced but until they have more time to review they are not prepared to quantify how much.

There are some unintended consequences that will result from implementation. The vast majority of multiemployer pension plans are union plans. The small signatory contractor who participates in one of these pension plans will likely have his bonding capacity reduced, his borrowing capacity reduced and consequently his annual dollar volume of work reduced, because of the perception that the unfunded vested liability and consequent withdrawal liability are a real threat to the financial stability of the company. The work these contractors will not be able to get will still be performed, only by non-union contractors who probably don't have a pension plan at all. This will likely have a profound impact on the marketplace, and in reality makes this proposed change an anti-union proposal.

More than ever construction buyers are verifying the financial strength of contractors before awarding contracts to them. This proposal furnishes that owner (our potential customer) with out-of-date and misleading information that puts the union contractor at a distinct disadvantage relative to the non-union contractor.

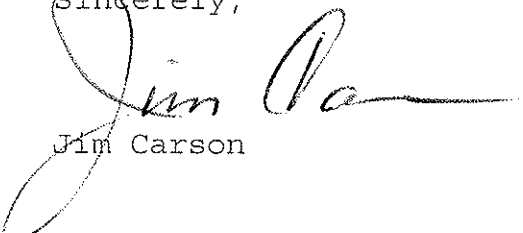
In the construction sector if a company stops contributing to a plan and does not perform any covered work in that jurisdiction for 5-years or if a company simply closes down due to retirement or some other reason, then there is no withdrawal liability assessed. With this construction exemption in place it is very unlikely that a material withdrawal liability would ever be assessed. I have seen a number of withdrawals where the de-minimus rule results in little or no withdrawal liability being assessed or paid and a few where companies have paid a non-material amount to get out of collective bargaining agreements. In those cases where the withdrawal liability is material, companies simply close down or leave the geographic region rather than pay huge amounts of withdrawal dollars. With that being said, I don't see a positive cost/benefit to implementation of this proposal.

There are some other areas where I think a much more positive impact could be made. One is in having a more standardized method of calculating the withdrawal liability so that it is of some value for comparative purposes. As it stands right now with the different methods of calculating withdrawal liability resulting in very different numbers it is impossible to draw accurate comparisons. Depending on the actuary and the method of calculating the withdrawal liability and depending on the assumptions chosen by each actuary, we are told that the amount of withdrawal liability can vary by 3-5 times. That variance alone makes comparison of two companies by a bank or surety impossible if they don't have the same actuary using the same assumptions.

As I said before, I understand the need for more transparency and accuracy in audited statements of the financial condition of a company. I do not think that this proposal contributes anything at all to that end. It will actually be a very expensive burden that furnishes nothing of value to the decision maker. I hope you will consider my comments as they are offered, as heartfelt and pragmatic suggestions. I think the true focus should be on the root of the problem, the sound financial footing of the pension plans and accurate, consistent, reliable, reporting of financial condition. Once that issue is settled there will be no more unfunded liability.

Thank you for your consideration of my comments.

Sincerely,



Jim Carson