

From: [Greg Stewart](#)
To: [Director - FASB](#)
Subject: Withdrawal Liability
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As an electrical contractor signatory to a multi-employer pension plan, I am opposed to the above proposed new rules as they will dramatically impact my company who, as a NECA member, participates as a small employer in our multi-employer defined benefit pension plan. There are many problems with the proposals as they relate to small employers and other NECA members. It is important to note that there is no withdrawal liability for a firm either continuing in business or terminating business.

1. Misleading information – As much as NECA understands the need for greater transparency with respect to financial decision-making by crediting institutions, NECA believes FASB’s request for additional disclosures will produce misleading and inaccurate information.
 - a. Most withdrawal liability estimates will be more than a year out-of-date when financial statements are published.
 - b. The financial markets have been volatile; in the past two years, the S&P index returned - 37% in 2008 and +26% in 2009.
 - c. The 20-year cap on payments and likelihood of up-front payments make it unlikely that an employer will cover the full withdrawal liability assessment.
 - d. Construction maintains a mobile, transient workforce. How would one of our employers report the number of actual and retired workers? At what point in time would such a calculation be made? Would this include anyone who ever worked for an employer?
2. Inconsistent with National Public Policy – Over the past several years, Congress has passed laws aimed at strengthening employer-sponsored pension plans. Congress does not want to see these plans fail. Congress has passed laws to set out special rules (ERISA) for the construction industry with respect to withdrawal liability; FASB’s proposals should respect such public policy and not attempt to issue “one-size-fits-all” standards.
3. Withdrawal liability unlikely – FASB is requiring that every employer determine what their withdrawal liability would be and disclose such figures on financial statements even though the reality is that the employer has not and will not take those steps to cease contributing to a plan and “go non-union” within five years.
4. Cost and administrative burdens – The sheer volume of paperwork will place an unreasonable burden on employers. Employers will have to fund actuarial calculations for the number of defined benefit plans in which they participate. Plans will be burdened; actuaries are unlikely to have the resources to meet the demand of performing such calculations for plan participants. Withdrawal liability calculations are expensive to calculate. The cost of a withdrawal liability assessment will likely be the responsibility of the employer.
5. Inappropriate to disclose certain information – With respect to the 715-80 proposal, it would be inappropriate to comment on future strategies related to collective bargaining. For example, information related to funding improvement plans or rehabilitation plans that are under consideration could be proprietary in nature.

As for my organization, NECA supports FASB’s goal of maintaining transparency and establishing high accounting standards, but it is opposed to providing misleading and inaccurate withdrawal

liability information. The inclusion of such misleading information, in the form of a new disclosure on an employer's financial statement, will negatively impact an employer's ability secure a line of credit or a loan. Such a disclosure will negatively impact the credit industry as it will reject loan applications from employers with these new disclosures that will now appear on financial statements when in reality, such an investment opportunity is one with a financially secure company.

Withdrawal liability assessments can be misleading because they represent a snapshot of a single moment in time and fail to reflect the long-terms nature of multiemployer defined benefit plans or other factors affecting plan funding such as fluctuating stock market returns.

Withdrawal liability assessments can be expensive and will be an administrative burden. A recent estimate from the NEBF indicates such an assessment could cost \$1200 and such an expense will likely be the responsibility of the employer. For employers participating in many multiemployer plans, this potentially represents a huge expense and administrative burden. Currently, over 10,000 employers participate in NEBF's plans. It is unlikely that actuaries will be able to handle the volumes of requests for withdrawal liability assessments.

The NECA organization to which I belong believes that withdrawal liability should only be disclosed when such an expense is likely to incur or intended to be incurred in the future. Under ERISA, and only if a defined benefit plan is underfunded, will there be any withdrawal liability assessed.

It is unlikely that an employer will cease contributing to a defined benefit plan and actually incur withdrawal liability.

At a time when the country is trying to come out of an economic recession, this represents an unnecessary restriction on the use of capital and an investment opportunity lost for the banking and investment industry.

Please do not support the proposals as they are currently written. Thank you.