

From: [Brenda Spencer](#)
To: [Director - FASB](#)
Subject: File Reference No 1860-100
Date: Thursday, October 28, 2010 2:29:38 PM

Dear Sir or Madam,

The **Financial Accounting Standards Board (FASB)** has recently proposed two rules that would dramatically impact employers participating in multiemployer defined benefit pension plans. One of the proposals would dramatically increase disclosures of financial information which FASB believes are necessary to provide end users (banks and bonding institutions) with information to make better-informed decisions about the (potential) liabilities of the companies they are considering granting loans, extending lines of credit, and other bonding needs.

While I recognize the need for greater transparency and to provide accurate information to end users to assist them in making informed decisions; I am concerned with disclosing misleading and out-of-date information to creditors that could cause them to avoid providing loans and lines of credit to financially sound companies desperately in need of capital. I am also concerned with the administrative burdens placed on employers in order to provide the additional disclosures.

The first proposal, Topic 450, covers "[Disclosure of Certain Loss Contingencies](#)" that defines under what conditions an employer would need to disclose information relative to potential withdrawal liability assessments on financial statements. **I believe that withdrawal liability should only be disclosed when it has been incurred or will likely be incurred in the future.** Moreover, even though there is some disagreement among accounting and actuarial professionals as to when such withdrawal liability assessments will need to be disclosed, I believe that under no circumstances **should FASB expand the threshold to change the current reporting standard from "probable or reasonably possible" to "remotely possible."**

The second proposal, Topic 715-80, is the "[Exposure Draft on Compensation-Retirement Benefits-Multiemployer Plans.](#)" 715-80 is a **dramatic expansion of the reporting requirements** that employers contributing to multiemployer pension plans will need to disclose. Withdrawal liability is only one of the 81 new disclosures required under 715-80.

Among the new criteria:

- The amount that is required to be paid upon withdrawal from the plan, as of the most recent date available
- Description of rehabilitation or funding improvement plans in effect or under consideration
- Total assets and accumulated benefit obligations of the plan
- Percentage of the company's employees covered by the plan
- Percentage of the active and retired participants of the plan employed by the company
- Future trends in contributions, if known, including the extent to which a surplus or deficit may affect future contributions

There are several concerns with the proposals.

- Misleading information – As much as I understand the need for greater transparency with respect to financial decision-making by crediting institutions, I believe FASB’s request for additional disclosures will produce **misleading and inaccurate** information.
 - Most withdrawal liability estimates will be **more than a year out-of-date** when financial statements are published.
 - The financial markets have been volatile; in the past two years, the S&P index returned -37% in 2008 and +26% in 2009.
- 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.**
- 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?
- 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.**
- 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.**
- 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.
- 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.

Sincerely,

Brenda Spencer

CFO



VEC INC.

977 Tibbetts Wick Rd || Girard, OH 44420

Office: 330.539.4044 ext 129 || Cell: 330.219.4028 || Fax: 330.539.4050

www.vecohio.com

Divisions of VEC Inc:

Valley Electrical Consolidated, Inc

Evets Electric, Inc

VEC Systems Integrator

JL Allen CO., LLC