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1860-100
Comment Letter No. 158
233 N. Michigan Ave., Suite 2500
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Via email: director@fasb.org

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
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File Reference No. 1860-100, Exposure Draft - Disclosure about an Employer's Participation in a Multiemployer Plan

Dear Technical Director:

BDO USA, LLP is pleased to offer comments on the Exposure Draft of the Proposed Accounting Standards Update, *Disclosure about an Employer's Participation in a Multiemployer Plan* (ED). We support additional qualitative and quantitative disclosures regarding an employer's contributions to the multiemployer plans in which it participates. Also, we support disclosure of the employer's withdrawal liability if that liability meets the recognition and disclosure thresholds of ASC 450-20, *Loss Contingencies*. Our overall thoughts on the ED follow and our detailed responses to the ED questions are included in Appendix I to our letter.

An employer that participates in a multiemployer plan has a different obligation than an employer that sponsors a single-employer defined benefit pension or other postretirement benefit (OPEB) plan. Multiemployer plans are designed for mobile work forces and are sponsored by two or more companies that employ workers in a common industry covered by a collective bargaining agreement. An employer negotiates its contribution to a multiemployer plan based on the hours worked by its participating employees. Employees that benefit from the plans tend to change employers frequently, and an employer's contributions and percentage participation in a plan varies annually with changes in its work force. This can cause an employer with a fluctuating employee base to have dramatic year-to-year changes in its contributions to a multiemployer plan. Because an employer has a contractual obligation for a multiemployer plan rather than responsibility for the unfunded position of defined benefits associated with a single-employer plan, we do not believe that an employer should be required to disclose total assets and the accumulated benefit obligation for individually material multiemployer plans (or for immaterial plans that are material when presented in the aggregate). Even if financial statement users have information on an employer's funded positions in a multiemployer plan and the percentage participation required by the ED, the demographic changes in an employer's work force cannot be predicted. Consequently, financial statement users will not be able to calculate an employer's liability and projected cash flows for its participation in multiemployer plans from the information required by the ED.

One of the ED's objectives is to provide information about any effects on an employer's cash flows from its participation in multiemployer plans. We believe that high quality quantitative and qualitative information about an employer's contributions to multiemployer plans would meet this objective, and that the disclosure requirements

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should be limited to this information. An employer can produce information on its current and subsequent year contributions more cost effectively than financial statement users because it has the greatest knowledge of the effect of the plans. We believe that limiting disclosure information to an employer's contributions will provide financial statement users with quality disclosures that are delivered without overloading the users with information.

We believe that a contingent liability model, specifically the model in ASC 450-20, *Loss Contingencies*, should be applied to the accounting and disclosure of an employer's withdrawal liability. Employers must recognize withdrawal liabilities that are probable and reasonably estimable. Withdrawal liabilities that are reasonably possible based on the criteria in ASC 275-10-50-8 would require disclosure only. We do not believe that withdrawal liabilities that represent remote loss contingencies with a potential severe impact require disclosure (see our comment letter on the Disclosure of Certain Loss Contingencies Exposure Draft). There is no requirement in current accounting literature for entities to disclose contractual exit liabilities unless the liability meets the criteria in ASC 450-20 or represents an asset retirement obligation under ASC 410-20. We believe that if an employer is required to disclose its withdrawal liabilities, the door to disclosure of all contractual exit liabilities is opened. The disclosure of contractual exit liabilities that do not meet the criteria in ASC 450-20 is unnecessary and could be misconstrued by financial statement users. We believe that contractual exit liabilities, including withdrawal liabilities, should be disclosed and accounted for on the basis of the ASC 450-20 model. It is the existence of multiple models for similar asset/liabilities/income/expense items that make current GAAP overly complex and difficult to apply.

Our specific responses to questions posed in the ED are set out in the attached Appendix.

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Liza Prossnitz, Director - National SEC Department at 312-233-1818.

Very truly yours,

BDO USA, LLP

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APPENDIX

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?

ASC 715-80-50-1A would require that an employer provide quantitative information separately for individually material multiemployer plans and for immaterial plans that are material in the aggregate. The proposed amendments on disclosure are intended to provide information about the following:

1. The multiemployer plans with which the employer is involved;
2. The employer's participation in the multiemployer plans(s); and
3. Any effects on the employer's cash flows from its participation in the multiemployer plan(s).

We support the ED's requirement that an employer aggregate and disclose all contributions to multiemployer plans for the current and subsequent year and provide narrative description of the trend for the contributions. We do not believe that the other proposed disclosures are cost effective and believe they add very limited value. See our discussion on ASC 715-80-50-1B regarding contributions.

We support the following disclosures regarding contributions that would be required by ASC 715-80-50-1B:

- (a) The number of plans in which the employer participates.
- (c)(5) Any funding improvement plans(s) or rehabilitation plan(s), including the expected effects on the employer. For plans in regulatory warning zones, the warning status and remedies being considered by the plan(s) should be described, if known.
- (d) A description of the nature and effect of any changes affecting comparability from period to period including business combinations or divestitures and the rate of employer contributions for each period for which a statement of income is presented.
- (g) A description of the contractual arrangements, including the term of the current arrangement, the agreed-upon basis for determining contributions, and any minimum contributions required.
- (j) Amount of contributions for the current reporting period.
- (k) Expected contributions for the next annual period.
- (l) Known trends in contributions, including the extent to which a surplus or deficit in the plan may affect future contributions.

We expect that an employer will disclose a range of expected contributions for (k) rather than one contribution amount for the next annual period. Subsequent year contributions are subject to potential variability caused by the combined impact of fluctuations in the employee base and future benefit payment commitments (fixed by current contracts and expected in future contracts).

We do not support the remaining proposed disclosures in ASC 715-80-50-1B because the information required is not key to an explanation of contributions or trends in contributions:

- (b) The name of the plan for individually material plans;



- (c)(2) How benefit levels for plan participants are determined; and
- (c)(3) Whether the employer is or is not represented on the board of trustees of the plan(s) or a similar body.

We believe that an employer's disclosure regarding its involvement in multiemployer plans should provide information that makes the effect of its participation transparent. We propose that the above disclosures be eliminated so that investors can focus, without distraction, on factors that affect current and future cash flows.

ASC 715-80-50-1B(c)(1) would require an employer to provide a narrative description of the employer's exposure to significant risks and uncertainties arising from its participation in the plan(s). An employer would be required to discuss trends in contributions to multiemployer plans in ASC 715-80-50-1B(l) above. Further, a discussion of significant risks and uncertainties is already required under ASC 275-10 (SOP 94-6), and consequently we do not believe it is required again here. ASC 715-80-50-1B(c)(1) would also require an employer to describe the extent to which, under the terms and conditions of the plan(s), the employer can be liable to the plan(s) for other participating employer's obligations. Under the structure of multiemployer plans and ERISA, each employer is liable for the entire obligation of the plan. Consequently, we do not believe that this requirement would add to transparent disclosure of an employer's participation in multiemployer plans.

ASC 715-80-50-1B(c)(4) would require an employer to provide a narrative description of the consequences the employer may face if it ceases contribution to the plans. We believe this issue is better addressed in conjunction with an employer's potential withdrawal liability. See our discussion regarding ASC 715-80-50-1B(m).

ASC 715-80-50-1B(e) would require (for individually material plans and immaterial plans that are material in the aggregate) an employer to provide total assets and the accumulated benefit obligation of the plan(s), if obtainable, as of the most recent financial statement plan year-end and, for comparability, those amounts for the corresponding prior periods. We see the following problems with this disclosure:

1. Timing - Generally, multiemployer plan information is expected to be available 9-10 months after year end in connection with the plan's reporting requirements. This means that the most recent plan information available at the time a participant employer issues their financial statements will likely be a year old.
2. Funding positions change over time - As a result of the age of the information, the funding position of the multiemployer plan might not be properly reflected.
3. Net plan asset or liability - As discussed in the introduction to our letter, we do not believe that these disclosures provide transparency.

ASC 715-80-50-1B(f)(h) and (i) would require an employer to provide, if obtainable:

- (f) Its contributions as a percentage of total contribution to the plans;
- (h) The percentage of its employees covered by the plans; and
- (i) The number of its employee participants as a percentage of total plan participants disaggregated between active and retired participants.

As indicated in the introduction to our letter, we believe that these disclosures could be misleading and do not support them.



Question 2: Do you support disclosing the estimated amount of the withdrawal liability?

ASC 715-80-50-1B(m) would require an employer to disclose information about the amount required to be paid on withdrawal from a multiemployer plan. As indicated in the introduction to this letter, we do not support disclosing the estimated amount of the withdrawal liability unless withdrawal is probable or reasonably possible. If the FASB decides that it will require such disclosure of the withdrawal liability, we suggest disclosing the annual payment amount that would be required in the event of a withdrawal. We understand that unlike the withdrawal liability, this amount can be calculated without third-party assistance. The annual payment amount is generally paid over a period of time that is less than or equal to twenty years. We believe that disclosure of this amount is a viable cost-effective alternative to disclosure of an employer's withdrawal liability.

Question 3: What do you think the implementation costs will be of implementing the disclosures for domestic plans? For foreign plans?

We have very limited information on the implementation costs; however, we can report that one of our clients that participates in over 150 plans estimates the cost of implementing the ED at \$500,000. Additional information on implementation cost from a wider range of employers would be helpful. We have no information on the implementation cost for foreign plans.

Question 4: When do you think the ED should be effective for public entities? For nonpublic entities?

We believe that an employer would have inadequate time to gather the information required, even it is the more limited information suggested in our letter, for fiscal years ending after December 15, 2010. We believe that the ED should be effective no earlier than for fiscal years ending after December 15, 2011. We believe that the effective date should be the same for public and nonpublic entities.