

## **Liberty Mutual Surety**

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

RE: Liberty Mutual Surety's Comments on Disclosure about an Employer's Participation in a Multiemployer Plan (File Reference No. 1860-100)

Liberty Mutual Surety appreciates the opportunity to offer our feedback on the FASB's Proposed Accounting Standards Update to Compensation-Retirement Benefits-Multiemployer Plans (Subtopic 715-80), Disclosure about an Employer's Participation in a Multiemployer Plan (proposed standard update). We recognize the goal of the FASB is to increase the transparency of financial statements issued by companies that participate in Multiemployer Plans. Although the additional information that is requested for disclosure would be ideal, we hope the FASB recognizes that not all of the information is currently readily available for an employer to provide in a footnote to their year end financial statements. Our commentary and observations are formed from the vantage point of being the user of financial statements in rendering what type of surety credit /capacity a contractor would qualify for based upon other criteria as well.

Liberty Mutual Surety is a business unit of the Liberty Mutual Group that underwrites surety business for member companies of the Liberty Mutual Group including but not limited to Liberty Mutual Insurance Company. Licensed in all states, based on written premium, Liberty Mutual Surety is the 2<sup>nd</sup> largest writer of Surety in the United States. Liberty Mutual Surety operates with one of the higher U. S. Treasury underwriting limitations in the surety industry.

Liberty Mutual Surety provides a full range of bond products for customers with small, middle and large market capacity needs. We specialize in providing contract surety bonds for construction firms, manufacturers, and suppliers as well as commercial surety bonds for corporations and individuals. Liberty Mutual Surety operates primarily in the United States, its territories and in select international markets.

Liberty Mutual Surety provides surety credit on a single account basis in amounts exceeding \$500 million. The financial statement, in presentation and quality, is a critical part of the underwriting

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process. Our underwriting process includes gathering financial statement information on over 5,000 contract accounts. In our review of our accounts and prospective accounts, we take into consideration notes to the financial statements, particularly those that relate to potential liabilities not reported on a company's balance sheet.

With respect to the Multiemployer Plans that some of our accounts are a part of, we feel the disclosure of the status of the retirement funds they contribute to would be beneficial. However, we would not expect the company themselves to determine the status of the retirement fund, rather it would be reported to them, and they would in effect pass the information along in a footnote disclosure. If this information is not easily obtainable, we would rather see a disclosure to this fact, instead of requiring the company to incur a larger burden and delay issuance of their audited financial statements.

The information provided to a company by the Multiemployer Plan administrators has the potential to be as old as 12 to 18 months. An example would be if a Multiemployer Plan does their fund status report as of September. The information would be analyzed, and possibly take up to 6 months to complete. The six months time would mean that the information would be provided to the plan participants in February/March of the following year. A calendar year end company would thus most likely only have in hand a status report that is as of September of the previous year. We would find no added value in reading a company's financial statement, if the company is required to disclose all of the information from a status report that is older than 12 months. We would also not expect a company to incur an additional cost to calculate a more up-to-date amount for purposes of disclosure in their financial statements. Perhaps over time and with continued requests from participating companies as to the status of the Multiemployer Plan, the Multiemployer Plans will develop a way to have and provide current information closer to various financial reporting dates. Smaller plans in particular may need additional time to implement a way to quickly and accurately provide information to the participants.

A more specific statement of disclosure that would provide information to us, and clarify its reliability would be one where a company states: "as of the balance sheet date the most recent fund status is (state the amount) underfunded/overfunded, and the date of this report is (state the date). This information is calculated and provided to us by the funds administrators when they complete it." This would allow the companies that participate in plans that are not able to provide timely status reports to at least disclose where the fund was at its last report to participants. Although, if the status report is based on information older than 12 months it is most likely only going to be relied upon for information on funding improvement or rehabilitation plans that were placed into affect. That is if the fund was reported as underfunded.

It would also be helpful for the company to disclose:

- 1. The amount of money they have contributed to the fund as of the balance sheet date (broken up into previous years and current year amounts).
- 2. The terms of the current contribution agreement, including the basis for determining the contribution amounts.
- 3. What their expected contribution is for the subsequent reporting period.

If a company is participating in an underfunded Multiemployer plan we would like to see a disclosure of the terms and expected impacts of funding improvement or rehabilitation plans that have been adopted by the multiemployer plan trustees. We would not benefit from a disclosure of what is being considered, due to the uncertainty of such statements. If there is no funding improvement or rehabilitation plan that has been adopted, a statement of "there are plans being considered by the multiemployer plan trustees at this time" or "the multiemployer plan trustees are not considering any plans at this time" would be a more accurate and certain statement.

We would also like to see the FASB clarify when a withdrawal liability should be disclosed. We understand that all companies have the possibility of paying a withdrawal liability; therefore, it would seem unnecessary for all to calculate an always changing number. We would rather see a disclosure when the withdrawal is reasonably possible or greater. If all companies report a withdrawal liability, some will have provided information regarding a liability that is not in line with the future plans of their companies. In effect the proposal, as written, appears to be asking all companies to calculate a risk that not all of them are planning on ever taking.

In our analysis, we do not look to include liabilities based on speculative calculations. A speculative calculation of withdrawal liability does not add any value to the financial statements for us. If the contractor is aware that they will be entertaining the possibility of withdrawing, then we would expect a disclosure of this fact. Also, we would expect the account to provide us with their estimated potential withdrawal liability assessment.

There is also a concern that with the passage of this update as written that some of our accounts will ask us to accept reviewed financial statements in lieu of audited financial statements. We are hoping that the FASB's intent is not to place an added cost burden on companies to have special calculations performed to satisfy this revised standard. A clarification by the FASB to state that the information in the disclosure should be based on what is readily available to the company and not a requirement to purchase the information for purposes of disclosing the status of the Multiemployer Plan, would help to prevent companies from using this proposed change as a reason to ask us to accept reviewed financial statements in lieu of audited financial statements.

If a company is forced to disclose information that is not readily available to them at little to no cost, they will most likely try to find a way to avoid incurring the added cost. With respect to Multiemployer Plans, the company is not in control of the plan; therefore, the company should only be held to the standard of providing information that is provided to them in the ordinary course of business with the plan administrators.

We appreciate the opportunity to comment and your consideration of these comments regarding the proposed update to Compensation-Retirement-Benefits-Multiemployer Plans (Subtopic 715-80): Disclosure about an Employer's Participation in a Multiemployer Plan.

Sincerely,

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