Technical Director  
File Reference No. 1860-100  
FASB  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116  

Re: File Reference No. 1860-100  
Disclosure of Certain Loss Contingencies Exposure Draft (“the Exposure Draft”)  

Dear Sir or Madam:  

We would like to provide comments regarding the Disclosure of Certain Loss Contingencies Exposure Draft (“the Exposure Draft”) issued on July 20, 2010. Our comments will focus on the impact that the draft will have on companies that participate in the Iron Workers Local 1 Pension Plan in Chicago, Ill.  

As you are fully aware, if a company withdraws from a multiemployer pension plan that is not fully funded, the company may be obligated to pay the plan a portion of the underfunding – called withdrawal liability. For companies in the construction industry (such as Iron Workers), there is no obligation to pay any withdrawal liability unless the company goes non-union within five years. Even if a company in the construction industry withdraws and is assessed withdrawal liability (i.e., there are unfunded benefits and the company goes non-union), the company may not end up paying the full amount of the withdrawal liability assessment for any of several reasons.  

It is our understanding that the Exposure Draft could require all companies that participate in multiemployer plans to disclose the potential withdrawal liability assessments from those plans. While we agree that it would be reasonable for a company that has withdrawn from a multiemployer plan, or is highly likely to withdraw from a multiemployer plan in the near future, to report their withdrawal liability on their financial statements, we believe it is unreasonable to require all companies to disclose potential withdrawal liability. Such a requirement would be inconsistent with the nature of withdrawal liability, would mislead the readers of the financial statements, and would constitute an unnecessary and unreasonable burden on both our Pension Plan and on the companies that contribute to our Pension Plan.
Our understanding of the loss contingency accounting standard is to make sure that the financial statements of a company properly inform the reader of the external risks to which the company is exposed. In other words, the risk is beyond the control of the company.

In contrast, a company that participates in our Pension Plan would only incur withdrawal liability if it were to cease participation in our Pension Plan and it also decides to replace its unionized workforce with a non-unionized workforce. Obviously this is a discretionary decision that the company’s management may choose to make. It is not the result of external events that are beyond the control of the company. If a company decides to consider a move that would trigger a withdrawal liability assessment, such as going non-union, the amount of withdrawal liability would then be precisely quantified and factored into the cost and benefit analysis of the decision. If the amount of withdrawal liability were such that the proposed decision is likely to generate more additional expense than additional revenue, the company would simply decide not to take the proposed action. Therefore, we do not believe it makes sense for the company to report withdrawal liability assessments as a contingent liability simply because there is a possibility that some day the company might withdraw from the plan and go non-union.

Under current law, each employer is entitled to receive an estimate of its withdrawal liability each year, although in practice a very small percentage of our contributing companies actually make such a request. If the accounting requirements dictate that all companies must request estimates of their potential withdrawal liability annually, it is unlikely that our Pension Plan would be able to comply with these requests at our current staff levels.

In addition, many of the companies that contribute to our Pension Plan also contribute to many multiemployer plans and these companies will face a very large administrative burden if they are required to request, interpret, and report their potential withdrawal liability assessments from all the plans in which they participate.

Our Pension Plan, like all pension plans, undertakes a valuation of our assets and liabilities on an annual basis. Because these valuations are complicated and time consuming, the results of the calculations are typically not available until six to nine months after the measurement date. For example, since our valuation date is January 1st, the results are typically not available until sometime between July and September of that year.

For companies that report their finances on a calendar year basis, they typically complete their financial information during the first quarter of the following year. If they have to disclose withdrawal liability information, the most current available information is almost certain to be over a year out-of-date. For example, in preparing financial statements as of December 31, 2009, the most recently available withdrawal liability information is likely to be as of December 31, 2008. If the reporting companies’ fiscal year is not calendar, the reported data could be even less current.

We believe that if a company is in the process of withdrawing from a multiemployer plan, or expects to do so in the coming year, it is appropriate for the financial statements to disclose the potential withdrawal liability assessment. However, it is our understanding that the Exposure Draft can be read far more broadly than this.
If compliance with the Exposure Draft requires all companies that participate in our Pension Plan to disclose their estimated potential withdrawal liability assessments annually, we believe this to be unreasonable and suggest that FASB revise the proposed standard to explicitly define the circumstances where disclosure is necessary. For example, the standard could clearly state that disclosure is only necessary when a withdrawal from a multiemployer plan is reasonably possible to occur during the year following the reporting period.

Thank you for the opportunity to provide comments on this important issue. We will be pleased to provide any additional information that you might find useful.

Sincerely,

For the Board of Trustees
Iron Workers Local 1 Pension Plan

[Signature]

John Gardiner
Fund Administrator