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

November 1, 2010

Subject: Proposed Accounting Standards Update - Subtopic 715-80: Employer's Participation in a Multiemployer Plan

Dear Sir or Madam:

On behalf of Mercer¹, we appreciate the opportunity to comment on this Proposed Accounting Standards Update.

We applaud the FASB’s objective to provide financial statement users with more thorough information about employer participation in multiemployer plans, as we concur that the current disclosure is insufficient for some purposes. We believe much of the proposal will help address that objective, but that certain aspects need further consideration. Specifically, we have the following responses to the questions posed in the exposure draft:

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? Why or why not? If not, what changes would you suggest to the proposed amendments?

We believe many of the proposed disclosures will result in a more useful and transparent disclosure. Other than the concerns about withdrawal liability noted in Question 2, we have the following concerns:

715-80-50-1: Making an assessment as to the funded status of the plan as of the reporting date in time to complete the disclosures is unlikely to be possible for most employers. Multiemployer plans will not have completed that analysis by the financial disclosure date of their participating employers, even for their own purposes. Also, multiemployer plans will generally do such an assessment once a year – as of the

¹ Mercer is a leading global provider of consulting, outsourcing and investment services, with more than 25,000 clients worldwide and approximately 10,000 in the United States.
plan's year-end — and cannot be expected to provide the funded status as of every reporting date of participating employees. Auditing such a disclosure would appear to be difficult as the employer’s auditor must procure sufficient evidence that the plan’s funded status is appropriately stated. Doing so will be challenging; doing so between year-end and the employer’s statement issuance date seems impossible in many cases. On the other hand, the standard could be written to require disclosure of the multiemployer plan’s most recently publicly available information, and the date as of which is was compiled, with the understanding that the information could precede the employer’s financial statement reporting date by one or two years.

715-80-50-1A: Preparing separate information for each material plan will result in volumes of information. To field test the proposal we accumulated the required information (with some spaces left blank for unavailable information) for one large client who participates in many multiemployer plans. We estimate the disclosure would take 40 pages.

715-80-50-1B:

c2: We are unclear as to whether the requirement to disclose how benefits are determined refers to who has the authority to set benefits, what the benefit formulas are, or both. We do not believe that describing the benefit formulas will typically provide much value for the space it takes.

c3: While one can argue that an employer who is not on the board of trustees is taking a greater risk than one who is, and thus this information should be included in c1, beyond that we do not see that this adds any relevant value to a participating employer’s financial statements.

c4. Consequences of cessation of contributions can vary greatly even within one plan. One could interpret the requirement to describe the consequences to necessitate a recitation of the very complex law regarding cessation. We suggest the phrase be modified to read “A brief summary of the qualitative consequences the employer...”

e. The use of the term ABO implies that the paragraph only applies to pension plans, since the appropriate term for other postretirement plans would presumably be APBO. However, to the extent that other postemployment plans
were intended to be included, we question whether the disclosure of APBO is generally useful. Unlike under pensions, the employer typically has no obligation to the plan beyond established contribution levels. To the extent that those contributions are insufficient to provide benefits to retirees, the trustees can either increase the level of employee contributions or reduce the level of benefits. Disclosing an APBO with an implication that the employer is somehow responsible for that obligation is likely to mislead.

We also suggest inserting "reasonably" before "obtainable".

i. We are unclear as to what quantitative information is being requested beyond that described in the example. Also, we again suggest inserting "reasonably" before "obtainable".

k. Expected contributions may hinge on the outcome of collective bargaining. Rather than potentially force an employer to disclose expectations in advance of bargaining, we suggest appending "assuming no change in collective bargaining agreements" to the end of this sentence.

m1. With regard to details of agreed upon allocation policies, we suggest appending "or noting the lack thereof" to the sentence.

**Question 2:** Do you believe that disclosing the estimated amount of the withdrawal liability, even when withdrawal is not at least reasonably possible, will provide users of financial statement with decision-useful information? Why or why not?

We do not agree that disclosing the withdrawal liability when withdrawal is not reasonably possible is appropriate.

- We do not see why a withdrawal contingent liability is any different than any other contingent liability.
- Withdrawal liabilities are merely a step in the valuation of a participating employer’s obligation upon withdrawal. When assessed, withdrawal liability is typically not paid as a single payment, but in installments that are reasonably comparable to the contributions being made on an ongoing basis. In most cases, the obligation is different from the withdrawal liability; in some cases significantly less. Thus disclosing potential withdrawal liability may mislead the user as to the true financial obligation of the company
- Special withdrawal rules apply in some industries such as construction and entertainment. In such industries, an employer may be able to exit an underfunded plan without paying any withdrawal liability.

- Withdrawal liability is subjective, and the valuation could vary from fund to fund simply based on the actuary doing the calculation. Comparability would be limited.

- Withdrawal liability depends on the actions of other participating employers. One can calculate the liability assuming no other employers withdraw, but this is often not a reasonable assumption and could produce misleading results. Calculating withdrawal liability under all combinations of employer withdrawals would be a mammoth undertaking.

- Withdrawal liability is not available on a timely basis. The most recent calculation could be completely irrelevant to the financial position as of the reporting date.

- We are not audit experts, but it seems as though including a withdrawal liability would require it to be audited (potentially multiple times, since each audit varies by audit form and materiality thresholds).

- Withdrawal liability is not routinely calculated, and is not a simple calculation. The costs associated with calculating and auditing withdrawal liability seem out of proportion to the benefits.

Understanding the nuances around withdrawal liability is critical to appropriately using the numbers. Most users do not understand those nuances and reporting the number is more likely to mislead users than inform them. We believe a better approach is to report the funds’ most recently available assets, liabilities, and a five-year total contribution history. Expert users will be able to estimate the effect on the fund of subsequent external events much better than they could estimate those effects of withdrawal. Less sophisticated users will understand those figures better than withdrawal liabilities. And since those figures are certified and reported to the government, if the accounting standard simply mandated disclosure of the figures as reported, then perhaps the audit could be limited to confirmation that the footnote figures are truly those reported. Alternatively, since these figures are publicly available for US plans, the proposed standard could reduce the size of the footnote by merely mandating disclosure of enough identifying information (for the individually material plans) that a user could look up the information.
Another approach would be to replace the withdrawal liability requirement with a requirement to show the level contribution that would be necessary to cover normal costs and fund the unfunded liability over a given period (e.g. 15 years) of time, using the most recently published actuarial information and assuming no future gains and losses. This would be a relatively simple calculation that in combination with current total contribution levels and contributions by the company would allow a user to assess possible increases in future cash requirements.

**Question 3:** What implementation costs, if any, will an employer face in applying the proposed disclosures? Are these costs significantly different when applying the proposed disclosure requirements to foreign plans?

Other than as described in (2) we are not in a position to assess implementation costs. We note that non-US multiemployer plans come in very different forms than exist in the US, and are subject to different legal requirements regarding reporting to employers. We would be pleased to discuss some of the attributes of various non-US plan forms with the Board or staff.

**Question 4:** The Board plans to require that the amendments in the final Update be effective for public entities for fiscal years ending after December 15, 2010. Are there any significant operational issues that the Board should consider in determining the appropriate effective date for the final amendments?

There are significant operational issues and, in our opinion, many companies will simply be unable to comply with any degree of accuracy. In many cases, data regarding multiemployer plans is maintained by individual corporate locations and no central data is maintained. Simply assembling a list of the plans to which the company contributes can be a time-consuming task often taking many months. Then, once the plans are identified, companies which participate in many plans will have to expend significant effort to initially gather the information required. (In future years the amount of effort will be diminished.) Giving very little notice to companies in a very busy time of year that includes both holidays and preparation for and completion of year-end financial activities seems to be adding a layer of effort that is unnecessary. Deferring implementation a year and thus allowing companies time during the less-busy middle of the year to accumulate information seems more appropriate. In addition, because much of the information needed must be obtained from the multiemployer fund, consideration of the fund's situation is important. Most funds do not have large staffs, and are already busy at year-end. The information being requested of
them may not be readily available, and they will be unable to accommodate the influx of requests they are likely to receive. Deferring implementation at least a year would help them prepare to accurately handle requests.

**Question 5:** The Board intends to defer the effective date for nonpublic entities, as defined in transition paragraph 715-80-65-1, for one year. Do you agree with the proposed deferral? If not, please explain why.

Other than to note that as compared to public entities, non-public entities may have even more difficulty accessing the required information due to a lack of leverage, and may be less likely to have the internal resources available to initially gather the information, we have no comment on this question.

**Question 6:** In addition to the deferral for nonpublic entities, should any of the provisions in this proposed Update be different for nonpublic entities (private companies and not-for-profit organizations)? If so, which provision(s) and why?

Other than to note that the concerns we described in previous answers apply to both public and non-public entities, we have no comment on this question.

**Question 7:** Do you believe that the proposed and existing XBRL elements are sufficient to meet the Securities and Exchange Commission’s (SEC) requirements to provide financial statement information in the XBRL interactive data format? If not, please explain why.

We have no comment on this question.

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As a general comment, we especially applaud the inclusion of the implementation guidance.

Lastly, we are concerned that the preparation for making this proposal may not have included sufficient dialogue between users, participating employers, multiemployer plans and FASB staff to have evaluated which information is practical and useful and which is not. We acknowledge that obtaining comment letters is a step in that direction, but believe the ability to react to others’ comment letters is also an important step. As such, we recommend that FASB institute a task force that could meet together to reconcile positions to the extent possible before issuing the update.
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We appreciate your consideration of these comments. If we can provide any additional clarification or assistance, please call Jim Verlautz at 612 642 8819 or Jim Dexter at 609 520 2258.

Sincerely,

James F. Verlautz, FSA, CPA (inactive)
Principal

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Principal