A Top 100 Firm with 11 Ohio Locations
www.reacpa.com

Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS
Focused on Your Future.

November 1, 2010

director@fasb.org
Technical Director
File Reference No. 1860-100

The following comments are being provided regarding the Financial Accounting Standard Board's Exposure Draft, *Compensation - Retirement Benefits - Multiemployer Plans (Subtopic 715-80),* relating to disclosure about an employer's participation in a multiemployer plan.

We appreciate and support FASB's initiative to address comments received from various constituents on the perceived lack of transparency about an employer's participation in a multiemployer plan. While we agree with the initiative to provide greater transparency, we are not convinced that the proposed amendment as outlined in the exposure draft is the best approach to meeting the goal.

Respondents have been asked to incorporate replies to the following questions in providing comments to the Board:

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?**

   The proposed disclosures of an employer's obligations arising from its participation in a multiemployer plan do not appear able to achieve the goal of a more useful and transparent disclosure. The proposed disclosure could actually be misleading. First, the withdrawal liability is an actuarial calculation that requires numerous assumptions. Because of time necessary to collect the actual data and numerous assumptions used to prepare the calculation, the withdrawal liability is not readily available until some time after year end. Users of the financial statements, such as sureties and banks, require financial statements in as little as 90 days after year end. In this particular scenario, the signatory contractor would not be able to provide a complete set of financial statements because the withdrawal liability would not be known and be able to be included in the disclosures. It could be argued that the signatory contractor could use the prior year calculated withdrawal liability if the current year calculation is delayed. Based on recent market volatility, using a calculation from the prior year will likely be outdated and thus could skew the actual withdrawal liability of a signatory contractor as of the date of the financial statements.

5775 Perimeter Dr. | Suite 200 | Dublin, OH 43017-3224 | p: 614.889.8725 | f: 614.889.0159

An independent firm associated with Moore Stephens International Limited

With respect to disclosing the expected contribution for the next annual period, this task would be very difficult to calculate, if not impossible. The reason for this is the unknown factors at the time of drafting the financial statements. Contributions made in this arena are based upon items such as the amount, size and type of contracts into which the signatory contractor enters. If the contractor enters into a different number of contracts than estimated or a type of contract that requires services from employees in a union different than projected, the estimated contribution would be skewed, if not completely incorrect.

Per discussions with bankers within the industry, they indicated that they are not as concerned with the information if the client is a signatory to a union contract with a defined benefit plan because they understand the contingent nature of the liability. They are concerned with what future obligations will actually need to be paid.

Information which would prove useful and reasonable in the disclosures includes the following:

- The funded status of plans in which the employer participates.
- The existence of any adopted funding improvement and rehabilitation plans.
- The existence of any known contribution changes negotiated between the employer and the union.
- The estimated withdrawal liability if the withdrawal is reasonably probable.

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 statements with decision-useful information? Why or why not?**

Because it is not likely that a signatory contractor will incur a withdrawal liability, even when withdrawal is at least reasonably possible, disclosing the estimated amount of the withdrawal liability will not provide users of the financial statements with decision-useful information. Historically, if a company is withdrawing from a multiemployer plan, the company has been required to disclose the expected withdrawal liability as a contingency. In this situation, where the potential exists for the company to actually incur the liability, it is reasonable that this be established as a contingency.

Obtaining the information for a specific time period may be challenging. It is highly unlikely that all contributing employers have the same fiscal year end as all other contributing employers participating in the multiemployer plan, let alone the same year end as that which the plan recognizes. Performing the calculation for different time periods for different participating employers could prove challenging for the actuaries.

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?**

Per discussions with actuaries who perform services, such as withdrawal liability calculations, they indicate that most multiemployer plans now charge employers to cover the cost of performing the calculations. A typical fee for the calculation could be as much as $1,500 per contributing employer. Consider that most companies employ individuals from different unions based upon their particular specialty, thereby requiring the employer to contribute to various plans. Whether the plan needs to be separately identified if deemed to be individually material

or if it is aggregated with other like plans, the information would still need to be obtained for each plan to make that determination and provide proper disclosure. As such, the contributing employers would be required to pay the fee for each plan to which they contribute to obtain the proposed required information. Depending on the size of the employer and the number of plans to which it contributes, this expense could be extensive - and provide no acknowledged benefit relating to greater transparency.

We do not perform any work relating to foreign plans, so we are not qualified to respond to the costs as they compare to foreign plans.

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 significant operational issues that the Board should consider in determining the appropriate effective date for the final amendments?**

From the issuance of the exposure draft on September 1, 2010 to the proposed effective date for fiscal years ending after December 15, 2010 is a relatively short time frame. We do not work with public entities, but it stands to reason that the required disclosure information as outlined in the proposal may not be readily available for disclosure in the financial statements for fiscal years ending for the annual period beginning immediately after December 15, 2010. A delay until fiscal years ending after December 15, 2011 seems more feasible.

Per discussions with bond underwriters, in theory the new disclosure requirements should not affect the ability of the client to obtain bonding. In actual practice, though, a new disclosure would cause an underwriter to make inquiries and research the nature of the contingency, which could lead to conclusions different than those reached prior, even though essentially the underlying information has not changed. Without having adequate time for communication and education for the underwriters relating to the new proposed disclosures, there is a concern that this might cause "knee jerk" responses from the surety industry, which could have a negative effect on the company requesting the bond. Therefore, a delayed implementation to educate the users of the financial statements of the proposed changes would seem appropriate.

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.**

The delay for one year for the nonpublic entities from the effective date for public entities seems reasonable and consistent with effective dates of other regulations.

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?**

We believe that the concerns as addressed above are concerns to both public and nonpublic companies. If the concerns are addressed, we do not believe there is a need for provisions in this proposed update to be different for nonpublic entities.

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.**

   Because we do not provide services to clients required to file with the SEC, we do not feel qualified to provide a response to this question.

We appreciate the opportunity to provide comments relating to this Exposure Draft. If you require additional information, clarification or discussion relating to the proposed amendment, please do not hesitate to contact us.

Respectfully,

Rea & Associates, Inc.

Rea & Associates, Inc.