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Technical Director
File Reference No. 1860-100
Financial Accounting Standards Board
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PricewaterhouseCoopers LLP appreciates the opportunity to comment on the FASB's exposure draft of a proposed accounting standards update, *Disclosure about an Employer's Participation in a Multiemployer Plan*. We support the Board's efforts to increase the transparency of disclosure about an employer's participation in a multiemployer plan. We agree that the current disclosure requirements should be supplemented to provide adequate information on a timely basis about the risks an employer faces by participating in a multiemployer plan, particularly one that is underfunded. We also recognize that the need for improved disclosure has become more important because the underfunded status of many multiemployer plans has grown in recent years.

The proposed update would improve the transparency of disclosure and provide incremental information useful to assess the risks of an employer's participation in a multiemployer plan. There are, however, practical implementation issues that employers and plans will face in complying with the proposed requirements, which we recommend that the Board consider. In addition, we believe the Board's objectives can be achieved with fewer required disclosures, and perhaps a scalable framework that focuses first on qualitative disclosures, supplemented by quantitative disclosures, where relevant, to help readers understand material risks. We have suggested alternative disclosures in our response to the Board's questions in Appendix A. Finally, there are several items in the exposure draft that we believe require clarification, which we have described in Appendix A.

Need for a delayed effective date

Much of the information required for the proposed quantitative disclosures is typically maintained by the sponsor of the multiemployer plan and is not readily available to the employers participating in the plan. We share the concerns expressed by many employers, as well as plan sponsors, that the plans do not have the current capability to provide the information required for disclosure on a timely basis. Further, most employers today do not have processes and controls in place to gather and review the information required for many of the proposed disclosures. Accordingly, we believe the proposed effective date for public entities does not provide adequate time for plan sponsors and employers to assess the adequacy of their systems, processes, and controls, and to make changes, if necessary, to enable them to meet the information needs for the disclosures.

Usefulness of estimated withdrawal liability

We agree that it is important to disclose information that enables users of the financial statements to gauge the employer's portion of the plan's overall funded status relative to other participating employers.

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However, we believe disclosing the estimated withdrawal liability without consideration of the employer's intent with respect to withdrawal or the probability of payment may be misleading. In addition, as we describe in Appendix A, there are a number of complications in estimating withdrawal liabilities that further compromise the relevance and usefulness of disclosing this amount. Accordingly, we believe it should not be a required disclosure unless withdrawal from the plan is probable or reasonably possible. We have recommended alternative disclosures in Appendix A.

Clarifications

We have made certain suggestions in the attached responses to the detailed questions that we encourage the Board to consider when finalizing the Accounting Standards Update.

* * *

In conclusion, we support the Board's efforts to improve disclosures in this area. The suggestions outlined in this letter address our implementation concerns while still achieving the Board's objectives for this project.

If you have any questions regarding our comments, please contact Ken Dakdduk at (973) 236-7239 or Jay Seliber at (408) 817-5938.

Sincerely,

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Appendix A - Responses to Questions

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?

Although we agree that certain of the proposed disclosures will provide more useful and transparent information about an employer's participation in a multiemployer plan, there are practical implementation issues that employers will face in complying with the proposed requirements. Much of the information required for the proposed disclosures is typically maintained by the sponsor of the multiemployer plan and is not readily available to the employers participating in the plan. While U.S. regulations call for multiemployer pension plans to provide the relevant information to participating employers upon request, many plan sponsors do not have the systems and processes in place to accommodate requests from all of the participating employers on a timely basis. Similar regulatory requirements do not exist in most foreign jurisdictions or for multiemployer plans that provide benefits other than pensions.

We are also concerned that the information available to employers may not be current. Actuarial valuations and plan asset information that multiemployer plan trustees and administrators use for funding purposes and to set contribution requirements are often prepared on a lag basis. We question whether disclosure of such stale information would be relevant and are concerned that it could be misleading to readers. Further, this data for multiemployer plans may be prepared on a different basis than an employer would use for reporting its own pension and postretirement obligations. For example, while an employer would determine and report its projected and accumulated benefit obligation using a discount rate determined in accordance with ASC 715, *Retirement Benefits*, a multiemployer plan administrator may only produce plan financial information in accordance with ASC 960, *Plan Accounting - Defined Benefit Pension Plans*, or for Employee Retirement Income Security Act (ERISA) funding purposes, neither of which would be consistent with the basis prescribed in ASC 715. In addition, asset valuation smoothing methods may be used for funding purposes, but fair value is required for disclosure under ASC 715. Providing information in the footnotes that is not on a consistent basis between different types of plans would not add to a reader's understanding of the company's circumstances.

In addition, we do not believe that all of the proposed disclosures substantively contribute to the Board's objectives of providing useful information about the risks of an employer's participation in a multiemployer plan. In our view, certain of the proposed disclosures may not be relevant given the nature of the employer's participation in the multiemployer plan. Other disclosures are not, in our view, sufficiently useful to justify the time and cost necessary to obtain the required information. Most notably, we have concerns about the requirement to disclose the estimated withdrawal liability each period, which we elaborate on in our response to Question 2.

We believe the objective of providing more useful and transparent disclosure about an employer's participation in a multiemployer plan can be achieved with fewer required disclosures. Accordingly, we propose the following disclosures:

- Number of plans in which the employer has a significant number of participants.
- Description of the contractual arrangements for each plan in which the employer has a significant number of participants, including:
    - Term of the current arrangement(s).
    - How benefit levels for plan participants are determined.
    - Agreed-upon basis for determining contributions.
    - Any required minimum contributions.
- Narrative description of the employer's exposure to significant risks and uncertainties arising from its participation in significant plans, including the consequences the employer may face if it ceases contributing to the plan(s) and the extent to which the employer can be liable to the plan(s) for other participating employers' obligations.
- Funded status of the significant plans in which the employer participates, separately disclosing the fair value of plan assets and the amount of the accumulated benefit obligation (or a comparable measure) as of the most recent date available, if obtainable (but see comment d under "Other Comments" below). Disclose the age of this information and any significant changes affecting the amounts through the reporting date, as well as the basis used to estimate the accumulated benefit obligation (or the comparable measure).
- Quantitative information to satisfy the objective of enabling users to understand the magnitude of the employer's participation in the significant plan(s) in relation to other employers. Depending on an employer's facts and circumstances, the following are examples of measures (but not the only potential measures) that may individually or in combination provide quantitative information to satisfy the objective:
    - Employer's contributions as a percentage of total contributions to the plan(s) for the current reporting period.
    - Number of employees (active and retired) participating in the plan as a percentage of total plan participants as of the most recent date available.
- Contributions for the current reporting period and, for comparability, the corresponding prior periods.
- Expected contributions for the next reporting period.
- Known trends in future contributions, including the existence of agreed-upon contribution increases.

- Terms of any funding improvement or rehabilitation plan(s) adopted by the plan and the expected impact 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.

- Estimated withdrawal liability if withdrawal is probable or reasonably possible, as those terms are defined in ASC 450, *Contingencies*.

The above proposed disclosures limit the amount of information that employers would need to obtain from plan sponsors. It also allows employers the flexibility to disclose the information that best reflects their share of the plan's overall funded status in light of the significance of the multiemployer plans to the employers' overall financial statements. We believe this will mitigate concerns about obtaining disclosure information on a timely basis and more effectively achieves the Board's objectives.

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

An employer participating in a multiemployer plan does not recognize a withdrawal liability until the withdrawal is probable and the amount of the liability can be reasonably estimated, which generally occurs when the employer decides to withdraw from the plan. We believe disclosing the estimated withdrawal liability without consideration of the employer's intent with respect to withdrawal may be misleading. The withdrawal liability is only relevant when withdrawal is probable or reasonably possible. Otherwise it is a hypothetical amount that could potentially be misinterpreted by users of the financial statements.

In practice, there are a number of complications in estimating withdrawal liabilities that further compromise the relevance and usefulness of disclosing this amount. For many plans, the withdrawal liability is subject to negotiation between the employer and the plan sponsor. In these situations, the disclosed amount may not reflect what the employer would actually be liable to pay upon withdrawal from the plan. Certain industries, such as construction and entertainment, have special rules for determining whether a withdrawal liability would be assessed. These rules typically do not result in the assessment of withdrawal liabilities for employers who no longer participate in the plans, which creates uncertainty about what should be disclosed. Finally, it is not clear whether the concept of a withdrawal liability has any applicability to multiemployer plans that provide benefits other than pension benefits.

The withdrawal liability estimate is significantly impacted by various assumptions made by the plan sponsor, including how many employers are ultimately expected to withdraw from the plan, discount rates, mortality tables, and other actuarial assumptions. The calculation of the withdrawal payment may differ if sufficient numbers of employers withdraw within a short period of time, creating a "mass withdrawal" situation. Employers usually have no insight into the assumptions and actuarial methods used by the plan sponsor. Further, similar to the point raised in response to Question 1, there are concerns many plan sponsors will not be able to provide withdrawal estimates to all participating employers on a timely basis.

We acknowledge the perceived usefulness of the estimated withdrawal liability in helping users gauge the employer's unfunded portion of a multiemployer plan's overall obligation. However, for the reasons described above, it does not provide useful information in all situations and may actually be misleading in others. In addition, many other types of contracts (e.g., leases, supply agreements, outsourcing arrangements, etc.) have termination clauses that require the payment of fees upon termination of the arrangement, and companies are not generally required to disclose these amounts, particularly if they are not probable or reasonably possible. For all of these reasons, we do not believe the estimated withdrawal liability should be a required disclosure. We believe the same objective can be achieved through the proposed disclosures detailed in our response to Question 1.

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?

It is difficult to comment on all the different types of implementation costs an employer would incur in providing the proposed disclosures, and whether those costs would be different for foreign plans, since it depends on the specific circumstances faced by each employer. At a minimum, we expect most employers (notably public companies) will incur costs to establish processes and controls for gathering and reviewing the information needed for disclosure. There may also be incremental costs associated with having these controls and disclosures subject to audit. In addition, we understand that many plans charge employers a fee to cover the costs of providing the requested information.

In developing the proposed disclosures, the Board considered the information that U.S. plans are currently required to provide to participating employers if the employer requests such information under the Pension Protection Act of 2006 or other regulations. As noted in our response to Question 1, we understand that many plans do not have the capability to provide such information to all participating employers on a timely basis. As such, many plan sponsors may need to implement new systems and processes, and these costs may be passed on to the participating employers. We expect that obtaining the necessary information would be more difficult for non-U.S. plans.

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?

As previously noted, many plans do not have the capability to provide the information needed for the proposed disclosures on a timely basis. Plan sponsors need to assess the adequacy of their systems and processes and make changes if needed. Employers also need to evaluate the adequacy of their processes and controls for gathering and reviewing the information needed for disclosure from the various plans in which they participate. Thus, we are concerned that the proposed effective date for public entities does not provide adequate time for employers or plans to prepare for certain of the new disclosure requirements.

However, we acknowledge the need to improve the transparency and timeliness of disclosures about an employer's participation in multiemployer plans. Accordingly, we suggest the Board consider a phased

implementation of the new disclosure requirements. Under this approach, a public entity would be required to disclose those items that it has available internally (e.g., the number of plans in which it participates, description of the contractual arrangements, contributions for the current period, known trends for future periods, notifications of any funding improvement or rehabilitation plans adopted by the plan, exposure to risks and uncertainties, etc.) for fiscal years ending after December 15, 2010. Disclosure of items that require data from the plan administrator (e.g., funded status of the plans) could be required for fiscal years ending after December 15, 2011. This approach will address the need for additional disclosures in the near term while providing adequate time to prepare for the more complicated disclosures.

The exposure draft indicates the proposed disclosures shall be applied for fiscal "periods" ending after December 15, 2010. The basis for conclusions indicates the Board plans to require the final Update to be effective for fiscal "years" ending after December 15, 2010. We recommend the Board consistently reference the effective date using the term "years" as opposed to "periods" in order to avoid potential confusion. In addition, the Board should clarify that the disclosures are only required in the annual financial statements and are not required in the interim financial statements unless there has been a significant change since the information was last reported.

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.

As noted in our response to Question 4, we believe that for disclosure of items that require data from the plan administrator, the effective date for public entities should be deferred until fiscal years ending after December 15, 2011. We are not aware of any reason why the effective date should be deferred any further than that for nonpublic entities.

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?

We do not believe any of our suggested disclosures, which are less complex and less costly to implement, should be different for nonpublic entities. The nature of the risks faced by nonpublic entities that participate in multiemployer plans are similar to those faced by public entities, so the disclosures would be equally relevant and useful. Further, we are not aware of any factors that would make it more difficult for a nonpublic entity to obtain the information for disclosure. (Please see our "Other Comments" section below for our recommendations regarding the application of the proposed disclosures to the separate financial statements of a subsidiary that participates in a plan sponsored by its parent.)

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.

Regarding the proposed XBRL elements, we offer the following suggestions based on the Board's proposed disclosure requirements. However, to the extent that the Board agrees with our comments and modifies certain of the required disclosures in the final Accounting Standards Update, then the XBRL elements should be changed accordingly.

- For the label "MultiemployerPlansNumberofPlans" we would recommend that the definition be described as "The number of separate multiemployer plans in which the employer participates" as opposed to making reference to aggregation.

- For the label "MultiemployerPlanWithdrawalObligation" the first codification reference should be 715-80-50-1B(m)(2) and not 715-80-50-1B(m)(1).

We would be pleased to discuss the process of updating the XBRL elements further with you.

Other Comments

Along with our comments above, we believe there are several items in the proposed Update that require clarification and revision in order to avoid confusion when being applied in practice. The following points summarize these matters.

a) Subsidiaries that participate in a single-employer pension plan sponsored by their parent are required to account for such participation in their separate financial statements using multiemployer plan accounting (ASC 715-30-55-64). We recommend that the Board clarify whether the proposed disclosures would apply to the separate financial statements of a subsidiary in these situations. If so, we recommend the Board consider reducing the proposed disclosure requirements, since much of the information is less relevant in a parent-subsidiary relationship given the related party nature of the arrangement. Specifically, we believe disclosure in the separate financial statements of the subsidiary should be limited to a qualitative discussion of the arrangement with the parent along with disclosure of the subsidiary's funding requirements and quantitative information to enable the user to understand the magnitude of the subsidiary's participation in the plan, such as the percentage of employees in the plan.

b) The proposed update requires disclosure of the accumulated benefit obligation (ABO) and plan assets of the multiemployer plan(s) in which the employer participates. Information about the ABO as defined in ASC 715-30 may not be available since multiemployer benefit plans are generally required to report under ASC 960. Under ASC 715-30, the ABO is calculated using a discount rate that reflects the rate at which the pension benefits could be effectively settled, generally based on high-quality bond yields at the measurement date. Under ASC 960, the actuarial present value of accumulated plan benefits (which is comparable to the ABO) is often calculated using an assumed long-term rate of return on plan assets. However, some plans use a

settlement rate to discount the plan obligation under ASC 960. In addition, the plan generally would measure the benefit obligation on another basis for funding purposes and may use a "calculated" value of plan assets for funding. We recommend that the Board clarify that entities can disclose whichever figures are available, along with a description of the basis used to calculate the amounts.

c) The proposed update requires disclosure of certain amounts associated with the "windup" of the plan(s). We are not aware of a formal definition for the term "windup" and it might be confused with a "mass withdrawal," which is formally defined by the Pension Benefit Guaranty Corporation (PBGC) and has unique characteristics that would impact the related disclosures. We understand a mass withdrawal liability may be created if a sufficient number of employers elect to withdraw from the multiemployer plan within a short period of time. This mass withdrawal liability may be significantly larger than the employer's stand-alone withdrawal liability. In a going concern situation where mass withdrawal is remote, we believe disclosure of the mass withdrawal liability would be misleading and create more confusion as to the risks to the employer. For non-U.S. plans, there may be additional confusion as to how to evaluate and calculate such a liability. We believe that disclosure of a mass withdrawal liability should be required only if plan termination is probable or reasonably possible.

d) Certain of the proposed disclosures are only required "if obtainable." We believe this threshold is too ambiguous and is subject to a wide range of interpretation. We recommend the Board consider providing more specificity about the efforts an employer must undertake to determine whether the information is "obtainable." For example, we suggest indicating that employers must make a "reasonable effort" to obtain the information.