



Carpenters Trusts of Western Washington

1860-100
Comment Letter No. 141

1840-100
Comment Letter No. 351

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Technical Director
File Reference No. 1840-100 and 1860-100
FASB
401 Merritt 7
PO Box 5116
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Re: File Reference No. 1840-100 and 1860-100 FASB Exposure Draft – Compensation-Retirement Benefits-Multiemployer Plans (Subtopic 715-80) – Disclosure about an Employer’s Participation in a Multiemployer Plan

Thank you for the opportunity to comment on the referenced FASB Exposure Draft. We appreciate the process utilized by FASB that makes available the commentary of the Board in formulating professional guidance for the measurement and disclosure of financial information in the U.S. We support the Board’s efforts to establish guidelines through which business entities provide timely, consistent and relevant financial reporting.

In the case of the referenced exposure draft we do not believe that the proposed standard would produce meaningful improvement to information currently available to business entities and independent auditors seeking to provide appropriate disclosure of business risks associated with participation in multiemployer defined benefit pension plans. We believe that disclosure of information provided to contributing employers under existing pension legislation will meet the needs of appropriately sophisticated users of financial statements.

Background

Others have offered thoughtful and thoroughly presented commentary on a number of issues affecting entities that could be impacted if these rules are adopted. Among those we believe to be of significant concern are:

- Information referenced in the proposed standard is not available to reporting entities and auditors on a timely and consistently calculated basis,
- There is wide variance in parameters and actuarial valuation methods adopted by plan sponsors,

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- There are different needs and abilities of small and medium-size entities (SMEs) in selection of accounting principles and reporting methods as recognized by the Financial Accounting Foundation in its ongoing evaluation of alternative reporting standards for private companies,
- There are important and relevant differences in withdrawal liability provisions of federal pension law specifically for the construction industry.

We concur with the conclusion of many who have offered earlier comments that the information required by the proposed standard is costly to obtain for plan participants and sponsors, is inconsistent with other more timely information contained in GAAP-basis financial statements, is difficult or costly to obtain for private companies not otherwise prepared to meet the complexities required by the proposed standard and in the form required by the proposed standard, is likely to be misunderstood and misapplied in the business context of extending credit and surety bonding to the entities reporting under the proposed standard.

One plan's experience

To supplement these and the several other valid concerns expressed by previous comments to the Board, we offer a description of the conditions at work in one construction-industry multiemployer defined benefit pension plan.

The Carpenters Retirement Plan of Western Washington is a multiemployer defined benefit pension plan providing retirement benefits to union carpenters employed by general contractors and various specialty subcontractor firms in the western and central regions of Washington State.

There are approximately 800 contributing employers collectively producing 12 to 18 million hours of work annually, primarily in commercial construction. Only a handful of the contributing employers are publicly traded entities. The vast majority of employers are privately owned small or medium size companies. Their obligation to contribute to the retirement plan is contained in one or more collective-bargaining agreements negotiated with the Pacific Northwest Regional Council of Carpenters (Union).

Agreements are generally three to five years in duration. The need for financial reporting by these firms, other than for internal management, is primarily to provide information to lenders and surety bonding firms. The level of accounting and financial sophistication across these 800 firms varies significantly. The retirement plan has never assessed a withdrawal liability against an employer.

The Board of Trustees governing the retirement plan is required by the terms of ERISA and subsequent pension legislation to provide various information regarding the financial status of the plan to participants of the plan and to participating employers. This information is generally provided through annual mass mailing of the Summary Annual Report and Pension Protection Act Annual Funding Notice. Upon request a contributing employer may receive an estimate of withdrawal liability if the employer were to withdraw. The plan has received only 24 requests for this information from contributing employers this year.

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We share the concerns of others that reporting entities may elect non-GAAP reporting to avoid the costly and burdensome requirements of the proposed standards. This will lead to inconsistent and incomparable reporting within our region's construction industry and leave to third-party users of financial statements to determine any necessary additional information from which to assess business risks associated with an entity.

Concerns with the proposed standard

There is concern among our plan's stakeholders that disclosure under the proposed standard will unfairly characterize financial burdens that are unlikely to occur. We agree with the comments of others that construction industry employers are generally unlikely to have a withdrawal liability assessed and fully collected due to the nature of current pension law and terms of the various collective bargaining agreements to which these employers are bound.

Given the short timeline given this project by FASB neither the surety nor financial services industries have had sufficient time to develop appropriate perspective or procedures to facilitate proper evaluation of the information required by the proposed standard. In the case of our contributing employers this will likely result in incorrect risk assessments based on untimely and poorly understood information regarding liabilities associated with participation in multiemployer defined benefit pension plans.

Any change to the reporting standards for construction employers should require disclosure of withdrawal liability only if events or plans of the reporting entity make the likelihood of withdrawal at least reasonably possible.

Proposed modifications to the standard

In light of the recent work of the Financial Accounting Foundation and the Blue-Ribbon Panel on Standard Setting for Private Companies, and the clearly controversial nature of the proposed standards we ask that the Board consider more limited disclosures more likely to provide better understood and relevant information. The proposed disclosures would properly notify the financial statement readers of the company's involvement with multiemployer defined benefit pension plans, provide context to determine individual and collective materiality and leverage existing plan disclosures already provided to contributing employers.

- For each multiemployer defined benefit plan judged to be material to the reporting entity the financial statements would disclose:
 - Name and contact information of Plan Administrator,
 - Date of and Plan funded status as of most recent actuarial preliminary certification,
 - Date of most recent Summary Annual Report,
 - Total Plan Assets from last Summary Annual Report,
 - Total Plan Contributions from last Summary Annual Report,

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- o Total Plan Contributions by the employer in the most recently reported Summary Annual Report year as well as the year being reported in the entities financial statements.

Readers of financial statements are expected to be prudent experts knowledgeable of the industry in which the entity operates and knowledgeable of the entities operating risks. Further, in the disclosures that we propose the reader is notified that the entity is a contributing employer to a multiemployer defined benefit pension plan. The reader is expected to have the requisite knowledge or acquire advice to determine and pursue the necessary information from each Plan to meet the reader's needs.

Given recent discussions of the AICPA/FAF/NASBA "Blue-Ribbon" Panel on Standard Setting for Private Companies, the recognition by FAF and others of the differences in reporting complexity that are both relevant and practical for private companies and the users of financial statements of SME's and the active discussion in the accounting profession regarding adoption of International Financial Reporting Standards (IFRS) as one possible approach to meeting the needs of users of private company financial statements, the Board may consider delaying any action on this issue until more is known about the needs of financial statement issuers and users on the topic of contingent liabilities and appropriate and useful disclosures related to an entity's participation in a multiemployer defined benefit pension plan.

Thank you for your consideration of our concerns about the proposed standard, the specific concerns of the stakeholder in the construction industry whom we serve and our proposals for action by the Board.

Respectfully submitted,



Larry McNutt, Administrator
Carpenters Retirement Plan of Western Washington