

## International Union of Operating Engineers

LOCAL 324

CHARTERED FOR THE ENTIRE STATE OF MICHIGAN

October 29, 2010

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RE: File Reference No. 1860-100

Disclosure about an Employer's Participation in a Multi-employer Plan

I am writing you as a construction industry Union leader whose signatory employers currently participate in our multi-employer defined benefit pension plan. Together with our signatory employers, we participate in these plans in order to ensure continued pension benefits for our members-who move from employer to employer depending upon the construction market in our particular area. We view participation in a defined benefit pension as an essential benefit provided to our members. Furthermore; we have grave concerns that certain requirements of the FASB Exposure Draft on multi-employer plan disclosures would put those benefits and the financial stability of the sponsoring employers in certain jeopardy.

Our most significant concern is the proposed requirement to disclose unfunded multi-employer pension plan withdrawal liabilities for employers that have no intent or desire to withdrawal from such plans. We respectfully submit the following comments regarding negative repercussions such a requirement would have on our signatory employers, our members, the industry, and economy:

• Inaccurate/misleading financial information: Reporting a calculated employer withdrawal liability for an entity that does intend to withdrawal from a plan results in the appearance that this liability is accurately formulated and will require direct funding in future years. Experience has shown that employers who do withdrawal from plans frequently pay withdrawal liabilities which are materially less than the calculations the FASB is proposing to disclose. Furthermore, failure of the FASB to recognize the exemptions which exist in certain industries (such as the construction industry) further enhances the misleading nature of this contingent liability.





- Undue financial harm: As with all construction industry employers who are already struggling during these challenging economic times, to maintain financing and pay members fairly for their work contributions, the potential disclosure of a withdrawal liability in the financial statements would create an immediate and unintended economic hardship on our employers and members. We believe that the financial institutions and bonding entities that support the construction industry will utilize this speculative information in a manner which will reduce our ability to obtain the capital which is vital to our industry and further delay an economic recovery. In plain language, signatory employers will have their bonding capacity unnecessarily compromised, thereby reducing their ability to successfully bid jobs and employ Local 324 members.
- Encourage withdrawal from participation in multi-employer defined benefit plans: Required disclosure of a speculative withdrawal liability would result in sponsoring employers withdrawing from plans, even if they have no present intent to withdrawal. It will potentially completely eliminate the opportunity for IUOE, Local 324 to attract additional sponsoring employers. Finally, it will result in a shift of the retirement burden directly to the member/employee and ultimately the Federal Government through social security and other subsidy programs.
- Materially increased administrative costs: The sheer volume of information necessary to be reported by participating employers will significantly increase the costs associated with internal and external financial reporting. Employers who participate with multiple collective bargaining units will find compliance especially costly. To date, many multi-employer plans do not annually calculate a withdrawal liability for each individual participating employer. The cost associated with obtaining this information is an unfunded mandate which will put even further financial pressure on employers that have been focused at reducing costs and improving performance. We encourage the FASB to utilize already available financial information (such as the annual funding notices) to obtain the information necessary for further disclosure.

We greatly appreciate your consideration of our comments above and are hopeful that the FASB can develop expanded reporting requirements for employers in a multi-employer defined benefit plan which can enhance the understanding of the plan status without causing undue hardship to the plans, their sponsoring employers and Local 324 members.

Respectfully submitted,

John M. Hamilton

General Vice President and Business Manager

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