## The Surety & Fidelity Association of America

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Via Electronic Mail

Financial Accounting Standards Board File Reference No. 1860-100, 401 Merritt 7 PO Box 5116 Norwalk, CT 06856-5116 Attn: Technical Director

Re: Exposure Draft

Proposed Accounting Standards Update

Subtopic 715-80

Disclosure about an Employer's Participation

In a Multiemployer Plan

The Surety & Fidelity Association of America ("SFAA") is a trade association of companies that are licensed to write surety and fidelity bonds. SFAA member companies collectively account for the vast majority of performance and payment surety bonds written in the United States. A performance bond secures a construction contractor's obligation to perform the contract fully. A payment bond secures the contractor's obligation to pay its subcontractors and suppliers. When underwriting a contractor to determine whether to provide performance and payment bonds for a given project, the surety evaluates the contractor's financial strength to support the project and its entire operation. Therefore, sureties are significant users of financial statements. The contractor's financial statement is a crucial tool in evaluating the contractor's financial position. Many construction contractors participate in multi-employer plans. With this context, we submit comments regarding the captioned exposure draft. In particular, we provide comment regarding the disclosure requirements set forth in paragraphs 715-80-50-1A and 715-80-50-1B.

Paragraph 715-80-50-1B requires the entity that participates in a defined benefit multi-employer plan to make several quantitative and qualitative disclosures, including:

- The employer's exposure to significant risks arising from participating in the plan;
- A description of how benefit levels are determined;
- A description of any funding improvement plans;

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- The amount of the employer's contributions as a percentage of the total contribution;
- A description of the contractual arrangements of the plan;
- Details regarding the amount required to be paid on withdrawal of the entity from the plan; and
- Expected contributions to the plan over the next annual period.

Disclosures are beneficial to the user of financial statements when they provide value to the user's assessment of the entity's financial condition. We submit that the proposed disclosures in the paragraphs noted above provide only modest value relative to the additional burden imposed on the contractor. We are not aware of losses under the contractor's performance and payment bond that were related to the contractor's pension fund liability. Likewise, we do not believe that sureties have been demanding enhanced disclosures.

Among the disclosures is information about the employer's future cash flows, including information regarding any withdrawal liability (e.g. any deficit or surplus in the plan and the amount to be paid upon withdrawal from the plan). Such information would not be meaningful to the user, in most cases. As acknowledged in BC9, withdrawal liability is only imposed if the entity ceases operations or exits the plan. Thus a discussion of such liability when the contractor is a going concern and does not intend to exit the plan has limited value and could otherwise mislead the user. This liability is intended to indicate the entity's obligation as to unfunded liability. However, we understand that plan sponsors may address unfunded liability through methods other than imposing a withdrawal liability assessment, such as increasing contributions from employers or reducing benefits. Thus, withdrawal liability may not be a meaningful indication of the extent of unfunded liabilities. Although the Board believes that withdrawal liability is the "best available information" (BC10), we still maintain that the information may have limited value.

Another factor diminishing the value of the disclosures is the extensive amount of subjectivity and judgment that will be required to make certain disclosures. Under the proposed provisions, the employer will be required to provide qualitative information, such as the employer's assessment of the significant risks and uncertainties regarding the plan. Although a surety may be interested in the employer's assessment of the risks surrounding the plan, the extent to which the surety can act on such information is limited by the quality of the employer's subjective judgment.

Finally, the scope and extent of disclosure will create a burden for the reporting entity. Many large contractors participate in several multiemployer plans. These entities face a significant burden in compiling the information required in paragraph 715-80-50-1B. Moreover, paragraph 715-80-50-1A recognizes the burden placed on the user of financial statement if the statement provides "excessive detail." Whether or not the plans are aggregated as set forth in 715-80-50-1A, the quantity of information could be so voluminous that the concern of burdening the financial statement user (and employer) likely will be realized.

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In light of the foregoing, we request that the Financial Accounting Standards Board reconsider the nature and scope of disclosures required with respect to multi-employer pension plans. In our view, the proposal provides only limited value and benefit to the user, and creates significant reporting burdens to the reporting entity.

Thank you for your consideration.

Robert J. Duke