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Technical Director
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Financial Accounting Standards Board
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Via e-mail to director@fasb.org

Plante & Moran, PLLC appreciates the opportunity to provide comments on the FASB's proposed Accounting Standards Update, *Disclosure about an Employer's Participation in a Multiemployer Plan*. We support the FASB's goal of addressing the current lack of transparency about the risks associated with an employer's participation in a multiemployer plan. While we agree with the FASB that additional disclosures are required to assist users of financial statements in understanding these risks, we believe that certain of the proposed disclosures provide information that is not relevant to a user's understanding of the employer's financial statements, or cannot reasonably be provided in a timely or cost effective manner.

The following are our responses to certain of the questions proposed in the Exposure Draft:

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?

Yes, we agree that the proposed quantitative and qualitative disclosures collectively will result in a more useful and transparent disclosure of an employer's obligations arising from its participation in a multiemployer plan; however, we have concerns related to certain of the disclosures as discussed below.

Aggregation – For disclosures to be useful to financial statement users, the information provided needs to be understandable, which necessarily requires that information be aggregated. While we agree with the aggregation principles underlying the disclosure requirements in the proposed Update, we believe that the disclosure requirements for individually material plans should be limited to those situations where the plan is individually material to the employer *and* where the employer is exposed to substantial risks through their participation in the plan. For example, the employer could be exposed to substantial risks when their participation in the plan relative to other employers is significant (e.g., the employer represents more than 50 percent of the total plan when measured by contributions or another metric). The addition of a "substantial risk" criterion to the requirement to disclose individually material plans will limit the disclosures to only those plans that are likely to have a significant impact on the employer and its cash flows as a result of participating in a multiemployer plan.

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In addition, we do not agree with the requirement in 715-80-50-1B(e) to present information regarding the total assets and accumulated benefit obligation of plans on an aggregated basis, even when the information has been segregated between overfunded and underfunded plans. This information is of limited relevance to financial statement users and may give the incorrect impression that assets of one plan may be used to settle liabilities of other plans. We believe that information about total assets and accumulated benefit obligation should only be presented for plans that are individually material and expose the employer to substantial risks.

Quantitative Information About the Employer's Participation in the Plan – Paragraph 715-80-50-1B(i) of the proposed Update would require quantitative information about the employer's participation in a multiemployer plan, such as the number of its employee participants as a percentage of total plan participants, disaggregated between active and retired participants. We do not believe that this information would be relevant to the users of the employer's financial statements. When assessing the relative significance of an employer's participation in a multiemployer plan relative to other employers, the information required in 715-80-50-1B(f) related to contributions is the most relevant information. Based on the nature of multiemployer plans and how contribution requirements are determined, an employer's share of the total contributions to a multiemployer plan provides the best indicator of an employer's relative exposure to a plan and the impact that participation in the plan will have on future cash flows.

We believe that information about the plan participants is relevant to financial statement users and we recommend that the FASB consider requiring disclosures about the composition of participants, such as the ratio of active participants to inactive participants. However, this information should be provided for the plan in total and not just for the employer. This will also mitigate some of the concerns expressed by participants in industries with mobile workforces where individuals may work for multiple employers. For these employers, determining the number of employees and retirees would require the use of arbitrary assumptions to determine whether individuals should be counted as employees or retirees.

Timing and Availability of Information – Unlike single-employer defined benefit plans, employers that participate in multiemployer plans do not have the same ability to control the timing and availability of information needed to meet the disclosure requirements in the proposed Update. The potential limitations are acknowledged in paragraph BC11 of the Basis for Conclusions to the proposed Update and these same concerns were raised in the deliberations that ultimately resulted in SFAS No. 87 and influenced the conclusions at that time to limit the disclosures related to multiemployer plans to the contributions made during the period, along with those related to potential withdrawal from the plan. These limitations could result in much of the required information in the proposed disclosures being more than one-year old when presented in instances where the employer and plan have similar fiscal year-ends.

In particular, the requirement in 715-80-50-1B(e) to disclose the total plan assets and accumulated benefit obligation could result in the disclosure of information that has limited usefulness more than one year after the plan's year-end because of the likelihood of material changes to the funded status. Nevertheless, we acknowledge that disclosure of the funded status of a plan is relevant to a financial statement user's understanding of an employer's risks

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from participation in a multiemployer plan and should be disclosed. However, in order to make the disclosures as meaningful as possible, we recommend that information about the total assets and accumulated benefit obligation be presented only for those plans that are individually material to the employer and subject the employer to substantial risks, as described above. Furthermore, an understanding of the impact of the funded status of a plan on an employer may be enhanced when considered as part of a trend. Accordingly, we recommend that consideration be given to requiring disclosure for the three most recent plan year-ends for which information is available rather than just the most recent plan year-end for which information is available.

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?

No, we do not agree 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. Paragraph BC10 of the Basis for Conclusions to the proposed Update states that the “withdrawal liability should be provided as a proxy for an employer’s share of the funded status of the plan”. For the reasons cited below, we do not believe that the withdrawal liability represents a proxy for the employer’s share of the funded status of a multiemployer plan and the liability should not be disclosed except when withdrawal from a plan is reasonably possible or probable. Our concerns with disclosure of the withdrawal liability are due to the following:

- A withdrawal liability is relevant only when an employer intends to withdraw from a plan. In situations where an employer does not intend to withdraw from a plan, the calculated withdrawal liability will likely not provide a reasonable estimate of contributions required to be made to a plan in future periods to cover a funding shortfall. Factors such as the return on plan assets and the actions of other employers, among others, will have an impact on future contributions and may result in amounts that are significantly different from those that may be implied by a disclosed withdrawal liability.
- The assumptions used to calculate a withdrawal liability are typically based on actuarial assumptions that differ significantly from those used for funding purposes. This often results in calculated withdrawal liabilities that are significantly higher than what ultimately needs to be contributed to the plan in future periods as a result of a funding shortfall.
- Amounts that employers ultimately pay to multiemployer plans upon withdrawal are often significantly less than the calculated withdrawal liability. ERISA requirements generally cap withdrawal payments after 20 years (when not made in a lump sum) without regard to whether the full withdrawal liability has been funded. This can result in negotiated lump-sum payments for amounts that are significantly less than the calculated withdrawal liability.

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- Employer withdrawals from multiemployer plans are very uncommon outside of business failures. Furthermore, ERISA includes several rules that can limit or eliminate the withdrawal liabilities for employers in certain industries, such as construction. For employers in these industries, it is possible to avoid paying a withdrawal liability under certain circumstances, which raises a concern over the relevance of a withdrawal liability disclosure for these employers.

In addition to our concerns about whether the withdrawal liability is a reasonable proxy for an employer's share of the funded status of a multiemployer plan, we believe that the costs associated with obtaining the withdrawal liability would generally exceed any potential benefit from the disclosure.

Consistent with our comments above related to the timing and availability of information from multiemployer plans, employers would need to request the withdrawal liability from the plan, and it is likely that any amounts disclosed would be at least one-year old when presented in the employer's financial statements. Furthermore, while the Pension Protection Act of 2006 permits employers to request this information from a multiemployer plan, they are limited to one request per year. In situations where an employer has previously requested the calculation of a withdrawal liability during the year for other purposes, the employer may not be permitted to request the withdrawal liability as of year-end for financial reporting purposes.

In place of the disclosures in 715-80-50-1B(m)(2) and (3) related to withdrawal liabilities, we recommend that disclosure be limited to the existence of withdrawal payment features of plans, along with any other relevant factors, such as the industry exclusions discussed above.

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

We believe that all entities, both public and nonpublic, will need at least one year from the issue date of the final Update to gather the information needed to comply with the required disclosures. It is anticipated that nearly all employers will need to request information from the administrators of multiemployer plans in order to prepare the required disclosures, and employers with December 2010 fiscal year-ends may not be able to gather the information on a timely basis. In addition, the multiemployer plans themselves may not have the resources necessary to provide information to all requesting employers in such a short timeframe. For these reasons, we recommend that the effective date of the final Update be no earlier than fiscal years ending after December 15, 2011 for both public and nonpublic entities.

Question 5 – The Board intends to defer the effective date for nonpublic entities, as defined in transitional paragraph 715-80-65-1 for one year. Do you agree with the proposed deferral? If not, please explain why.

As described in our response to Question 4, we believe that all entities should be provided with a one-year deferral of the effective date of the final Update. However, should the FASB

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conclude to require that public entities adopt the new guidance for fiscal years ending after December 15, 2010, we believe that nonpublic entities should be provided with the one-year deferral. Nonpublic entities generally have limited resources when compared with public entities and they will need the additional time to gather the necessary information to prepare the disclosures. In addition, this deferral will also provide multiemployer plans with the ability to prioritize requests for information from public companies in the initial year of adoption.

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 that the proposed disclosure requirements for nonpublic entities should be different from those for public entities.

Plante & Moran, PLLC appreciates the consideration you have provided to our responses. If you have any questions, please contact David Grubb at 248.223.3745.

Very truly yours,

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