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October 27, 2010

Technical Director 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

RE: File Reference No. 1860-100

Dear Technical Director:

We would like to take this opportunity on behalf of the Greater Metropolitan Automobile Dealers Association of Minnesota, Inc. ("GMADA) to comment concerning the Disclosure about an Employer's Participation in a Multiemployer Plan Draft (hereinafter "Subtopic 715-80") issued on September 1, 2010.

The GMADA is an association of automobile dealers, primarily located in the Twin Cities of Minneapolis and St. Paul. Approximately 60 of the dealerships that are members of GMADA are Union Employers. These employers have entered into collective bargaining agreements either with a Teamsters Union, or with a Machinist Union. As a result of these collective bargaining agreements, these dealers participate either in the Central States Southeast and Southwest Areas Pension Fund or the IAM National Pension Fund.

The introductory materials to Subtopic 715-80 state, in part, as follows:

The proposed amendments would create greater transparency in financial reporting by requiring additional disclosures about an employer's participation in a multi-employer plan. Investors have requested more information about the commitments an employer has made to a multiemployer plan and the potential affects of participation on an employer that is involved in a multiemployer plan, including the potential affects of withdrawal from the plan.

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In fact, the proposed required disclosures in Subtopic 715-80 would not "create greater transparency"; the opposite would occur. The information required to be disclosed in the employers audited financial statements would most likely be very misleading to the users of those financial statements. It would appear that the preparers of Subtopic 715-80 did not have an adequate understanding of the concept of unfunded liability and the consequent withdrawal liability that results. The computation, assessment, collection and possible abatement of withdrawal liability is a somewhat complex subject. Providing a withdrawal liability "number" in a financial statement in the manner required by Subtopic 715-80 does nothing to assist the user of that financial statement in assessing the financial stability of the employer.

For example, for a calendar year employer who is contributing to a plan that is also on a calendar year basis, as both the Central States and Machinists plan are, there is no way that the financials statement can contain an accurate computation of potential withdrawal liability. For a calendar year pension plan, withdrawal liability is computed based on the unfunded vested benefits of the plan as of December 31<sup>st</sup> of the year preceding the year of withdrawal. It takes anywhere from 7 to 9 months for a plan's actuarial review to be completed, together with preparation of a withdrawal liability report, which will report the amount of unfunded vested benefits attributable to each employer. Since this is well beyond the time when employers financial statements have to be prepared, if a number were placed in the financial statement, it would be last year's number and it would be wrong. The accountant may have to characterize the information as incorrect.

The current FASB standard requires disclosure of withdrawal liability under the circumstances where the employer's withdrawal is "probable" or "reasonably possible". Under ERISA, a complete withdrawal occurs if the employer ceases to have an obligation to contribute to the plan or ceases all covered operations under the plan. This would be as a result of going out of business, or the sale of the employer's assets to a third-party. These kinds of actions are generally within the employer's control, and under those circumstances, it is reasonable for the financial statements to disclosure a liability that will clearly be imposed.

Even in those cases, however, there are statutory provisions which may mitigate or abate the withdrawal liability. An example of this is that although withdrawal liability is assessed by a multiemployer plan as the unfunded vested benefits attributable to that employer in the year of withdrawal, the statute provides that withdrawal liability is paid in annual installments (or quarterly or monthly installments, depending upon the plan rules), but not to exceed 20 years. Since many multiemployer plans are significantly

<sup>&</sup>lt;sup>1</sup> Even in this situation, utilization of ERISA §4204 prevents a withdrawal from occurring.

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underfunded, the 20 year cap on annual payments means that the complete withdrawal liability will not be paid off. The present value of the stream of payments constituting the 20 annual payments may be significantly below the assessed withdrawal liability.

Also, there are statutory limitations provided in ERISA §4225 that limit the amount of withdrawal liability, under certain circumstances, that can be assessed.

To portray an accurate financial picture of the contributing employer, all of these matters have to be taken into account. There is generally a significant effort that needs to take place in order to correctly describe the circumstances surrounding the withdrawal liability numbers, and to require this information to be prepared and included in the financial statement where it is not "probable" or "reasonably possible" that the employer will withdraw is a waste of time and effort, both by the accountant and by the user of the financial statements

The required disclosures of Subtopic 715-80 obviously require the multiemployer pension plan, to which the employer contributes, to gather and supply to the contributing employers a lot of information. This will be costly to the plan and ultimately costly to the employers because it is their contributions that pay the administrative expenses of operating the plan. These are monies that could be better used in providing benefits to participants in paying off the current unfunded liability that most multiemployer defined benefit plans are experiencing in these economic times.

In addition, the auditor of an employer has really no way to effectively audit the information that is being supplied the employer by the multiemployer plan that it participates in.

With one exception, the comment letters that we have reviewed on this subject have not really proposed alternatives to the required disclosures. The one exception is the comment letter submitted by the National Coordinating Committee for multiemployer plans on September 20, 2010.

These alternatives do seem reasonable with the exception of item #5, which would require disclosure of the annual payment amount that would be required in the event of a withdrawal. For the reason cited above, this may not be a meaningful number.

GMADA feels that its time to go back to the drafting board. We suggest FASB meet with the multiemployer defined benefit plan community to ensure that there is a thorough understanding of the calculation, assessment, and collection of withdrawal liability. This would include a discussion of the various numbers and financial information that is available for multiemployer plans and what this information really means.

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We respectfully request that FASB withdraw the current Subtopic 715-80, and conduct meetings with organizations such as the NCCMP, consultants and contributing employers to defined benefit multiemployer plans to determine what would be meaningful disclosure requirements.

Hopefully, the wealth of comments that FASB has received on not only this Subtopic, but also Topic 450 will have caused FASB to realize that there are better ways to achieve the transparency that users of the financial statements want and are entitled to.

Your's very truly

William K Fishing

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