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

Dear Sir or Madam:

We appreciate the opportunity to comment on FASB's Proposed Accounting Standards Update on Compensation-Retirement Benefits - Multiemployer Plans (Subtopic 715-80): *Disclosure about an Employer's Participation in a Multiemployer Plan*.

Katz, Sapper and Miller, LLP is a large public accounting firm serving hundreds of middle-market clients, many of whom are in the construction industry. We provide audit and review services for construction clients, who range in size from \$1,000,000 to \$350,000,000 in revenues, as well as compilation services for our smaller clients. In serving our construction clients, we have numerous contact with users of the financial statements, including bank and finance companies, project owners (customers), shareholders, professional surety agents, etc. We also provide audit services for many multiemployer pension plans serving the construction industry. In general, we are concerned about the following concerning this exposure draft:

- Accuracy and timeliness of the information disclosed
- Cost of implementation

Accuracy and Timeliness

We believe much of the information required by the exposure draft is misleading. In particular, the rules regarding a withdrawal liability for a contractor are located within the Multiemployer Pension Plan Amendments Act of 1980. These rules provide contractors what is commonly referred to as the "Contractor's Industry Exclusion." These rules indicate a contractor will only incur a withdrawal liability if the employer (contractor) ceases to have an obligation to contribute under the plan and continues to perform work in the jurisdiction of the collective bargaining agreement, or returns and performs the same type of work in the jurisdiction within five years without resuming contributions to the plan.

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In my experience, contractors rarely, if ever, trigger a withdrawal liability. However, upon such a triggering event, a liability should be recorded and the disclosures should address the withdrawal liability. To disclose a withdrawal liability for a contractor who participates in a multiemployer plan and has no intention of withdrawing from the plan is similar to assuming that contractor will no longer continue as a going concern. The liability is only triggered on a significant event wherein a contractor agrees to continue to work in a particular jurisdiction as a non-union contractor. This is a decision no contractor will undertake without thorough analysis. The result and timing of that strategic business decision should be recorded and disclosed when management of the company makes such a decision. This inaccurate disclosure will essentially place a contractor that participates in a multiemployer plan at a distinct competitive disadvantage with contractors that do not participate in such plans.

The exposure document requires companies to disclose the expected contribution for the next annual reporting period. This information, which can be provided considering past experiences, current backlog and pending job proposals, is at best, a guess. Many large construction projects are won or lost on the slimmest of margins, one large job gained or lost will have a material impact on a company's guess of the next period's contributions. When has a guess become accurate and necessary financial disclosure?

Many, if not all, of the audits we perform for our calendar year end construction clients are completed before March 15. The information required to be disclosed will be provided by the Plan. The complex analysis to provide this information by the plan will be burdensome to the plan, and likely unavailable to the company in time to comply with year end audit requirements. Absent timely accurate information, disclosures will be limited to stale information, and based on the volatility of the economic markets, this stale information will contribute to the misleading nature of these disclosures.

Cost of Implementation

The construction industry is comprised of predominantly small, owner managed, closely held enterprises. They operate on slim profit margins and utilize lean, but efficient accounting departments. The disclosure requirements as proposed in this exposure draft are significant. Many of our clients participate in numerous multiemployer plans, efforts to obtain this information will be extremely time consuming. For companies in many plans, the sheer volume of the disclosure will detract from FASB's goal of transparency, and quite frankly, is a case of information overload. To obtain bonding and surety credit, many contractors are required to submit audited or reviewed financial statements. These additional disclosures are complex, greatly increasing the cost of financial statement audits and reviews. The information provided by third parties (presumably the multiemployer plan or actuaries employed by the plan) to comply with the disclosure requirements will be based on highly subjective assumptions, including future funding, return on investment and other demographic information. These disclosures will require extensive procedures by the auditor to assess if the disclosures are complete and accurate. As discussed above, these disclosures are misleading, will provide an

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adverse impact to a contractor that participates in a multiemployer plan, and will be costly to implement.

Summary

In closing, we concur and applaud FASB's efforts to make financial statements more transparent, and accordingly, more informative for the user of the financial statements. We are very concerned about the underfunded status of many such multiemployer plans. However, as discussed above, the disclosures as proposed are misleading, and will be misinterpreted by users of contractor's financial statements. That misinterpretation will be detrimental to a contractor's ability to obtain bonding and financing. We suggest the enhanced disclosures be limited to the following:

1. The funded status of the plans in which the company participates
2. The existence of any adopted funding improvement and rehabilitation plans
3. Dates to which the current labor agreements expire, and any known increased or redirected funding to correct a plan's underfunded status.
4. The disclosure of the withdrawal liability when such a liability is reasonably possible.

We appreciate the opportunity to provide our comments.

Sincerely,



Ronald M. Lenz, CCFP, CPA
Partner
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