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November 1, 2010

**Via Email**

Technical Director  
File Reference No. 1860-100  
Financial Accounting Standards Board  
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[director@fasb.org](mailto:director@fasb.org)

**RE: Exposure Draft *Compensation – Retirement Benefits – Multiemployer Plans*  
(*Subtopic 715-80*)**

Dear Sir or Madam:

We appreciate the opportunity to comment on the Exposure Draft regarding Subtopic 715-80. Those of us whose signatures appear on this letter are actuaries and consultants at Milliman, Inc. with extensive expertise in the valuation and administration of multiemployer pension plans, as defined in Internal Revenue Code §431 and §432. Each of us has voluntarily contributed to this dialogue with the FASB so we may articulate our interpretation of both the advantages and the flaws of ED 715-80 and hope that FASB reconsiders some of the proposed provisions. We also offer several alternative data and metrics that we are confident will best serve the interest of all end-users of the financial disclosure.

We understand that FASB representatives have participated in several meetings during September 2010 with other interested parties from whom you expect to receive comments on ED 715-80. Included are the National Coordinating Committee for Multiemployer Plans (NCCMP) and several employers who have negotiated contracts with unions participating in multiemployer plans. Therefore, we respectfully write this letter to you omitting any summary, lengthy or otherwise, of the provisions of ED 715-80. We acknowledge that as the authors of ED 715-80, FASB is already well versed in the technical issues.

***Eliminate the requirement to disclose the employer's potential withdrawal liability***

We respectfully request that the requirement to disclose the employer's potential withdrawal liability be eliminated. Employers already have current requirements to disclose incurred withdrawal liability or to disclose its existence if it is highly probable that withdrawal liability will need to be paid. As indicated below, we suggest that the disclosure of current and potential contribution requirements will give end-users the ability to analyze a particular company's financial situation with more clarity than the estimated potential withdrawal liability amount.

However, if FASB concludes that the estimated potential withdrawal liability amount is relevant, then we request that FASB consider allowing employers the option of providing the

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estimated potential annual withdrawal liability payments in lieu of the estimated potential withdrawal liability amount.

***SEC filing due dates cannot be met***

A significant level of coordination would be required among employers, plan trustees, outside legal counsel and the plans' actuaries to agree on the types of calculations that are needed and the actuarial assumptions to be used in such calculations. Assuming that all parties could agree on the types of calculations, the accelerated timing for providing these calculations (depending on the SEC filing category) would be very difficult to meet. SEC filing due dates of 60 days after the close of the fiscal year cannot be met. SEC filing due dates of 90 days would not permit the employer to make a timely review of actuarial certifications under IRC §431 that are due at the end of the third month following the close of a plan year.

Given the volume of information that will need to be accumulated from many sources, we recommend that a one-year delay be incorporated into the new disclosure implementation date. However, we would support voluntary early adoption.

***Actuaries may qualify their work under Actuarial Standard of Practice No. 23***

It is likely that data from all the participating members of the Controlled Group for fiscal year-end disclosure calculations cannot be timely collected, or may be materially insufficient or incomplete.

The Actuarial Standard of Practice No. 23 on Data Quality issued by the Actuarial Standards Board governs the protocol for data used in actuarial work products. Actuaries may be compelled to qualify their work product under ASOP No. 23 due to the questionable integrity of the data used for accumulated benefit obligation estimates, withdrawal liability estimates, and other actuarial calculations that are displayed in the footnote of the audited financial statements. Such qualifications could identify that the data is not sufficiently current, or that there may be material limitations in the data. We note that it is unlikely that the actuary's qualifications will be included within the footnote of the audited financial statements. This could mislead end-users into lending greater credibility to the numbers produced by the actuary than they should.

***Consolidation of multiple asset statements on the reporting date cannot be met***

It is highly unlikely that the trust assets (if they are available at all on a plan basis shortly after the close of the fiscal year) would have the rigorous integrity that would be required by FASB for disclosure in a public statement of financial position. Pension trust administrators will concur that any estimates provided so quickly at fiscal year-end will not meet rigorous disclosure standards.

***Non-coincident fiscal years could be misleading to end-users***

A major issue with the different fiscal years of participating employers is that employers participating in the same multiemployer plan could receive and report significantly different

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information about the same plan simply because of the difference in fiscal years and the information available from the plan at differing fiscal year ends. This could be misleading to end-users who may be comparing two employers in the same plan. The different information could also cause the aggregation of plans to be different from one employer to the other.

### ***Alternative disclosure proposal***

We readily acknowledge that the intent of FASB is to provide end-users with transparency of financial risk exposure. We propose that the following items, which are factual and readily available, are those data points which multiemployer plan sponsors should provide in lieu of the potential withdrawal liability calculation. These items provide end-users the ability to render a better opinion on the financial impact of participating in multiemployer plans.

- Current collective bargaining agreements and associated contribution rates
  - The disclosure of the known contribution rates for the years covered by the bargaining agreements, including recently negotiated contribution rates, and the contribution rates for the prior year.
  - The disclosure of whether contribution rates have been (or could be modified) as a result of a Funding Improvement Plan or a Rehabilitation Plan.
- Associated and adopted Funding Improvement Plan (FIP) or Rehabilitation Plan (RP)
  - The proposed structures adopted by the Trustees and presented to the bargaining parties.
  - The FIP/RP structure agreed to by the bargaining parties including changes to benefits or contribution rates.
- The current disclosure about imminent or actual incurred withdrawal liability.

In addition to the current and potential cash flow requirements ascertained from the above information, we recommend that the FASB modify or replace the proposed provisions with the following:

- Most currently available Actuarial Certification under IRC §431 and §432
  - The Certification will provide the end-users with the most current status of the plan (endangered; seriously endangered; critical; or not).
- Certain information available from the most recent Annual Funding Notice and the most recent ERISA Section 104(d) Notice to participants, sponsoring employers, trustees, labor union officials, and the Pension Benefit Guaranty Corporation (PBGC), such as:
  - Number of employers that withdrew during the year and the aggregate amount of withdrawal liability assessed or estimated to be assessed for the withdrawn employers.
  - The plan's Reorganization and solvency status

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- Certain information available from the most recent IRS Form 5500, such as:
  - Minimum required contribution
  - Total contributions paid to the plan
  - Existence of an Accumulated Funding Deficiency
  - Total number of participants, split by active, retired, and vested terminated status.

We state affirmatively that the information listed above provides reliable indicators of the current risk of the plans and possible threat to the erosion of the plans' funded status. Many of these items are certified by a qualified actuary under IRS regulations. They are disclosed to protect the best interests of the participants, to identify the need for the plan to be trustee by the PBGC and to help the trustees meet their plan fiduciary obligations. This information is generally available for public inspection under the rules of the Pension Protection Act of 2006.

We request that FASB proactively seek the opinion of creditors, banking institutions and surety companies who work with the employers participating in multiemployer plans with respect to these proposals. We are confident that these end-users will confirm that the proposed requirements of ED 715-80 are unnecessary.

We propose that FASB would deem the items below of useful value to the end-users:

- The estimate of the subsequent fiscal year's contributions by each unique participating employer in the Controlled Group of companies, with the appropriate Employer Identification Number (EIN)
- A cost-benefit analysis modeling complete compliance with ED 715-80 as currently drafted
- An enhanced qualitative narrative for disclosure
  - This narrative would include an employer's most recent report of job reductions and other economic pressures facing their business

Thank you for the opportunity to comment on ED 715-80. Peter Sturdivan, FSA, EA, MAAA is available to respond to your questions at 503-227-0634 on behalf of the undersigned.

Sincerely,



Peter R. Sturdivan, FSA, EA, MAAA  
Principal and Consulting Actuary

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encl.

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