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Disclosure about an Employer's Participation in a
Multi Employer Plan
File Reference 1860-100

Dear Technical Director:

I appreciate the opportunity to comment on the above referenced Exposure Draft. I will begin by addressing some of the questions posed, and then add some additional comments.

Question 1

Certain of the required disclosures in the ED would not be useful and add to transparency. I submit that generally, if the Board must include a caution against "overburdening financial statement users with excessive detail," it's a pretty good indication that the proposals go too far. The Board is surely aware that the U.S. legal environment causes entities to provide the detail if the standard could be interpreted under the wildest of scenarios to require it. Furthermore, some requirements would require extra information to be developed by the plan itself, thus taking away resources meant to benefit participants. These could result in prohibited transactions under ERISA. Whether the employer may be entitled to the information under some other law is beside the point. The benefit to the participant is lost either way. See below for further discussion of problems with the ED.

Question 2

I disagree with the requirement to disclose the withdrawal liability even if withdrawal is not at least reasonably possible. The information is not useful since it represents an amount that is only a remote possibility of ever occurring. Requiring the disclosure is not consistent with the Board's conclusion in the proposed standard on Contingencies, "that disclosure of all contingencies that could severely affect the entity would result in disclosure of a significant amount of information that would not be cost-beneficial." (Par. A13) Par. 6 of the Contingency ED provides that a remote contingency must be expected to be resolved in the near term AND could have a severe impact on financial position, cash flows, or operations. In this ED, there isn't even a consideration of whether the amount could cause a severe impact; you skip right to requirement to disclose. Calculation of a withdrawal liability involves a significant expense in actuarial consultation with no related benefit. Withdrawal should be at least reasonably possible before any disclosure of amounts is required. Until then, a simple statement that no withdrawal is contemplated, but a liability would be incurred upon withdrawal, should be sufficient.

In today's economic environment, it is unreasonable to assume as in the example at 715-80-55-22 that the "trustees...estimate that Entity A's share..." The trustees can scarce afford to cause the Plan to incur the extra actuarial expense it would take to calculate every employer's withdrawal liability whether or was a necessary plan administrative cost under ERISA. It clearly isn't needed by the Plan absent any stated intent to withdraw by the employer(s). It could be considered a prohibited transaction. The Board's statement in BC10 that the withdrawal liability is the best available information clearly does not consider the effect on the Plan of paying an expense that only benefits an employer(s), and that actuarial services are costly and should not be imposed needlessly on either the Plan or the employer.

Question 5

I agree with the deferral of the effective date for non-public entities. Also see Question 6.

Question 6 The differences really all come down to accessibility of information. Users of public entity financial statements generally do not have direct access to management and the information used to prepare the statements. Users of non-public entity statements generally do have this access. Therefore, non-public disclosures should be limited to mostly quantitative information, some of which is already disclosed. Here is a list of the information I believe is relevant to non-public entities. The qualitative information required by the ED is almost all obtainable by the user directly from its discussions with management. The following information could also be aggregated/disaggregated where appropriate, as described in the ED.

- The number of plans, names of plans
- The type or classification and number of employees (or percentage of total employees) covered by each plan
- Whether there are delinquent contributions and the consequences
- Description and possible consequences of plans with funding deficiencies, and the total assets and accumulated benefit obligations of such plans (Note- plans with assets exceeding liabilities should not need to be disclosed here)
- Changes affecting comparability
- Total contributions expense, aggregated or disaggregated as appropriate
- Contribution rates and the expiration date of the current contract or agreement
- Withdrawal liability, only if at least reasonably possible, or if the plan is in windup

Comments on specific provisions:

715-80-50-1B

- c. The narrative information will become too long-winded, particularly for entities participating in multiple multi-employer plans, and some of those plans have multiple benefit level formulas depending on when employees began participation. Information about representation should only be required if it, or the lack thereof, could significantly influence cash flows related to the plan either positively or negatively, and such positive or negative effect is reasonably possible during the term of the representation or lack thereof, through the expiration of the current contract or agreement. Cessation of contributions is normally not permitted unless there are no employees for whom contributions are required, or the employer has elected to withdraw from the plan. Plan withdrawal is considered elsewhere

- in this ED. There are no unusual consequences for ceasing contributions when no contributions are required. This leaves only failure to pay contributions that are due and enforceable. Disclosure of this information would be confusing if there are no such delinquent contributions, and possibly misleading. Therefore, disclosure of the consequences of cessation of contributions should only be disclosed if delinquent contributions actually exist.
- d. Disclosure of rates of contributions could be overly complex if there are multiple plans. The plans likely have different rates for different classes of employees, and some may have different rates for employees, depending upon when participation began.
 - e. The requirement to disclose total assets and accumulated benefit obligations seems to cover all plans the entity participates in. This information should be limited to those plans which are underfunded. The underfunded plans are those which present risk of adverse cash flows. The information for plans not underfunded is really not useful in assessing any risk, and just adds unnecessary bulk to the volume of disclosures.
 - f. The information regarding the relative size of the employer's contributions compared to the total contributions has no bearing on assessing the future cash flows of the entity and should be dropped. The provisions in g, h, j, and k are sufficient for this purpose. Additionally, the extra cost could fall on the plan, thus using resources meant to provide benefits for participants and possibly raising fiduciary issues under ERISA.
 - i. Most multi-employer plans' participants have worked for more than one participating employer. It is therefore impractical to determine any percentage of employees disaggregated between active and retired compared to the total Plan participants. Even the disclosure in example in 715-80-55-8 recognizes the impracticability of obtaining this information. It therefore makes no sense to make this a requirement. At most, it should read, "*Consider disclosing, if available, qualitative information...*", thereby making the disclosure optional.
 - l. Given that underfunded plans are disclosed, this provision is redundant. Trends can be put together by any competent user and combined with the disclosures in other items of this section will give the desired information. Let's not force preparers to do the work of users.
 - m. This provision should be required only of plans that are explicitly in windup or the employer has elected to withdraw. Otherwise, the low benefit of the information does not justify the cost of developing and providing the information.

Please carefully consider these and any other comments in your final deliberations on this proposal. Thank you for your attention.

Your Truly,
David L Wagner