1860-100 Comment Letter No. 216

1840-100 Comment Letter No. 364

AES Electrical, Inc.

dba Freestate Electrical Construction Freestate Electrical Service T.A. Beach Corporation

November 1, 2010

Submitted Via Email

Technical Director
File Reference No 1860-100 (FASB 450 & FASB 715-80)
Financial Accounting Standards Board
401 Merritt 7
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Gentlemen,

Our firm is a participant in a multiemployer pension plan, and we strongly disagree with the changes proposed in FASB 450 and FASB 715-80. While we certainly support the goal of improving the relevance and transparency of financial statements to all stakeholders and third parties, we feel that the changes proposed in both FASB 450 and FASB 715-80 are over reaching, unduly burdensome and potentially misleading.

With regards to FASB 450, "Disclosure of Certain Loss Contingencies", we do not feel that the proposed expansion of disclosure requirements from "probably or reasonably possible" to "remotely possible" will produce the desired impact of improving reporting transparency and accuracy. In theory, many potential outcomes are "remotely possible" and one could make an argument that all multiemployer plans could potentially trigger this type of disclosure. This logic is obviously flawed and in the long run, it could do more harm than good.

The second proposal, FASB 715-80, presents several areas of disagreement, which are summarized as follows:

1. Adoption of these enhanced disclosures could produce misleading and inaccurate information. By the time the financial statements are published, the liability estimates could be one year or more out of date, which in today's volatile market, makes them virtually useless. The construction industry (of which we are part of) faces some serious challenges when it comes to tracking and accounting for a very mobile and transient workforce. It is not clear as to what point in time, an employer would have to account for its participants, and furthermore, the proposal does not clarify a minimum service requirement for employees, thus making it extremely difficult to identify who is covered.

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- 2. It would appear that the adoption of FASB 715-80 goes against recent changes implemented by Congress that were aimed at strengthening employer sponsored pension plans by imposing a "one size fits all" approach. Congress has already passed specific laws (ERISA) for the construction industry with respect to withdrawal liability, and the new proposal does not strengthen or enhance the current set of rules.
- 3. The requirement that each employer disclose and determine their withdrawal liability irrespective of their status as an ongoing member of a multiemployer plan is over reaching. The reality is that most employers have not, and will not take the steps necessary to cease contributions to a plan and "go non-union" within five years.
- 4. The cost and administrative burdens of compliance with FASB 715-80 will place an unreasonable burden on employers. The cost of having the required actuarial calculations done for both plans and employers will be increased unnecessarily, and the ability of actuaries to accomplish this task will be daunting due to the higher demand for their services. It is entirely possible that the timeliness of these calculations will be significantly delayed, thus causing an even greater gap in the relevance of this information as pointed out above.
- 5. The disclosure of strategic decisions or other information related to multiemployer plans will be viewed as an inappropriate violation of privacy, and could compromise future negotiations with regards to collective bargaining agreements. The implementation of FASB 715-80 will prove to be a detriment to both "healthy" plans, and those that are in the process of resolving their funding issues because the proposed solutions could be proprietary in nature, and in all likelihood would not normally be made public.
- 6. While we fully support transparency in financial reporting, and the high accounting standards that accompany this, we feel that FASB 450 and FASB 715-80 could involve the inclusion of misleading and inaccurate information and will negatively impact an employer's ability to obtain capital and surety credit. More than likely, banks, bonding companies and other entities who are actively engaged in financing activities will view these proposed disclosures in an unnecessary negative light, and could potentially cut off these much needed resources to companies who are seeking to grow and/or maintain their current workload.

In summary, we are strongly opposed to the adoption of FASB 450 and FASB 715-80 for the reasons noted above, and we ask that these Exposure Drafts not be adopted.

Sincerely,

Timothy S. Miller Chief Financial Officer