



## **NEWS RELEASE**

**Mechanical Contractors Association of America**

1385 Piccard Drive, Rockville, MD 20850-4340

**FOR IMMEDIATE RELEASE**

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**FOR MORE INFORMATION:**

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**MCAA, CQC File Comments on  
Financial Accounting Standards Board  
*Disclosure of Certain Loss Contingencies*  
Exposure Draft Topic 450  
*Comments Draw Attention to Potential for  
Misleading Financial Disclosures if Standards Are Enacted***

ROCKVILLE, MD—Proposed new financial accounting rules for construction companies sponsoring multiemployer defined benefit plans will produce misleading information to users of financial statements, while at the same time undermining the market position of sponsoring employers and their construction industry multiemployer pension plans, according to the Mechanical Contractors Association of America (MCAA) and the Campaign for Quality Construction (CQC) comments filed in a detailed legal and actuarial analysis submitted to the Financial Accounting Standards Board (FASB) on September 9, 2010.

Because the legal rules for incurring liability under construction industry multiemployer pension plans are far different than for other types of plans, the MCAA/CQC comments delineate, the new FASB proposal presents the real possibility that users of construction industry employer's financial statement will see misleading information about a potential liability that is only merely speculative and not actually incurred. Furthermore, an actuarial analysis of actual plan experience shows that the time lag time between plan valuations and disclosure on financial statements could produce vastly misleading assessments of funding status, compounding the



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errors of the proposed rules. The data analysis provided by Horizon Actuarial Services for the MCAA/CQC comments shows the absolute values and steep magnitude of valuation misstatements, based on actual plan data.

MCAA and the CQC continue to reach out to CPA's, surety firms, commercial lenders, and project owners, for a balanced assessment of the proposed new FASB rules in attempts of gaining modifications that give full recognition to the unique aspects of legislative and regulatory rules bearing on construction industry multiemployer plans, to avoid the present and substantial risks of unintended severe consequences from imposing accounting rules that don't fully respect the industry's specific rules and regulations. Accounting rules that require audited firms to adduce out-of-date information, that really isn't matured into an incurred obligation, would only mislead users of financial statement, and could also nevertheless affect the financial and surety credit, company valuation of contributing employers, or possibly even increase bonding, lending and other soft project costs to construction project owners. Moreover, the administrative burden and expense of producing annual actuarial calculations for all contributing employers could be a crushing burden on plans assets, or employer expense, again all to adduce out-of-date and speculative information that is more likely to mislead than it is to inform, with the concomitant risks of severe negative unintended market consequences for contributing employers, their plans, and participants and beneficiaries of those plans.

MCAA and the CQC Coalition are confident that a broad and comprehensive industry response to the FASB initiative, along with constructive commentary on ways to shore up transparency and disclosure of actual incurred under funding obligations will result in a revised set of proposals that achieves FASB's goals while avoiding severe unintended and unwarranted



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negative consequences. For a copy of MCAA/CQC's comments and other related information, go to [www.mcaa.org/fasb](http://www.mcaa.org/fasb).

The Mechanical Contractors Association of America, Inc. (MCAA) serves the unique needs of approximately 2,500 firms involved in heating, air conditioning, refrigeration, plumbing, piping, and mechanical service. We do this by providing our members with high-quality educational materials and programs to help them attain the highest level of managerial and technical expertise. MCAA includes the Mechanical Service Contractors of America, the Plumbing Contractors of America, the Manufacturer/Supplier Council, the Mechanical Contracting Education and Research Foundation and the National Certified Pipe Welding Bureau.

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