



NATIONAL ASSOCIATION OF SURETY BOND PRODUCERS

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September 3, 2010

Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Re: Comments on IAS 19 – Defined Benefit Plans Exposure Draft

Dear Sir David,

On behalf of the National Association of Surety Bond Producers (NASBP), an international trade association of firms employing surety bond professionals, I am writing you to express our comments on and concerns about Exposure Draft IAS 19. Our comments focus on Paragraphs 29–33A regarding multiemployer plans. As end-users of employer audited financial statements, we have a unique view with respect to the proposed increase in disclosure. Although we generally applaud an increase in transparency regarding an employer's potential liability with respect to multiemployer plans, we believe that the proposed amendments will provide misleading information to end-users that will impair, not enhance, the ability to determine the financial wherewithal of construction employer's which seek surety bonding. NASBP is not aware of any entity in the surety bond industry that has requested or suggested that the IASB amend its standards as set forth in the Exposure Draft.

NASBP was founded in 1942. NASBP bond producers specialize in providing surety bonds, such as bid, performance and payment bonds, for construction contracts and other purposes to companies and individuals needing the assurance offered by surety bonds. NASBP bond producers engage in contract and commercial surety production throughout the United States, Puerto Rico, Guam, and a number of countries. NASBP members have broad knowledge of the surety marketplace and the business strategies and underwriting differences among surety companies.

As trusted advisors, surety bond producers act in many key roles to position their clients to meet the underwriting requirements for surety credit. Bond producers refer clients to and interface with lenders, certified public accountants, and attorneys to ensure that construction businesses, contractors, subcontractors and suppliers, evidence the capital, capacity, and character needed to merit surety credit. Critical to the underwriting process for surety credit is an assessment of the financial wherewithal of the business seeking such credit. For that reason, the surety industry is a significant user of company financial statements and has a deep and singular interest in ensuring the accuracy and completeness of such statements.

It is worth noting that surety bonding is a key ingredient of the construction marketplace in the United States, providing the protections of prequalification and guarantees of performance and payment. Public construction projects and many private construction projects require surety bonds. Statutes at federal, state, and local levels require surety bonds for public construction contracts exceeding certain dollar thresholds, ensuring that virtually all public construction contracts of any significant size are bonded, a distinctive feature of the United States construction contracting environment. It is in the interest of promulgators of proposed accounting rules impacting the financial statements of U.S. construction and related businesses to take into account the comments and concerns of the surety industry.

Among our principal concerns is that the Exposure Draft requires that employers that contribute to multiemployer plans disclose information which, in our opinion, will be misleading. In many instances, an employer will be required to note a substantial liability when, under the law, the employer may meet an exception to the assessment of that liability under the Employee Retirement Income Security Act of 1974, as amended. In addition, a statement of the withdrawal liability that a plan may assess against a particular employer may overstate the amount which would be required by law depending upon circumstances that can only be determined at the time of a withdrawal. Even if the estimate provided by a plan accurately portrayed the potential liability to the employer, the data used is stale and does not give an accurate picture of the employer's current financial obligation. Thus, the information provided under the proposed amendments will provide misinformation. That misinformation may wrongly decrease the availability of surety bonds to such employers, hampering their ability to compete for award of contracts, and, in turn, lessening the overall competitiveness of the U.S. construction marketplace.

For that reason, the impact of the Exposure Draft portends profound and far-ranging implications for the construction and surety industries in the United States. Clearly, this is a complicated area which deserves additional time for evaluation of the issues presented by IAS 19. In the United States, FASB Exposure Draft 715-80 was released on September 1, 2010. Comments to that Exposure Draft are due November 1, 2010. We request that the IASB extend the comment period for IAS 19 until November 1, 2010 in order to coordinate our comments with the FASB proposal.

A further concern is that the Exposure Draft will inject additional uncertainty and subjectivity into the evaluation of financial statements, a cornerstone of the surety underwriting process. Given the general unavailability of the information required and the differences in each country's laws regarding multiemployer funding liability, the information provided in financial statements to comply with the dictates of the Exposure Draft will not form a reliable basis on which the surety bond industry can compare the financial positions of employers.

We respectfully request that the IASB consider deleting the requirement that multiemployer plans be treated as defined benefit plans unless there is current, extrinsic evidence that the employer has withdrawn or has agreed to withdraw from a multiemployer plan. In addition, we request that the information required to be disclosed by multiemployer plans treated as defined contribution plans be

Letter to Sir David Tweedie
September 3, 2010
Page 3 of 3

limited to information which is based on current extrinsic evidence. In our view, speculative estimates based on contingent events are not appropriate when the accuracy of the information is highly suspect as is required by proposed amendments set forth in Exposure Draft 19.

The concerns raised in this letter are of tremendous importance to NASBP members. We look forward to working with you to resolve our concerns. Please do not hesitate to contact us should you wish further information. Thank you for your consideration of our views.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark H. McCallum", with a long, sweeping horizontal line extending to the right.

Mark H. McCallum
Chief Executive Officer