

May 14, 2015

Lisa A. Snyder
Director of Professional Ethics Division
Professional Ethics Executive Committee
American Institute of Certified Public Accountants

Via e-mail – lsnyder@aicpa.org

Re: Exposure Draft: Affiliate; Proposed Revised Definition

Plante & Moran, PLLC appreciates the opportunity to comment on the exposure draft *Affiliate Proposed Revised Definition*. We support the American Institute of Certified Public Accountants' ("AICPA's") continuing efforts to improve the relevance and understandability of the Affiliate guidance. Following, please find our comments for the Professional Ethics Executive Committee's ("PEEC's") consideration.

Significant Influence over a Multiemployer Plan

We agree with the Committee's comments that "only those entities that participate in the board of trustees of a multiemployer plan could potentially have significant influence over the plan" (page 6). In our opinion, that should be clear from the definition and the proposed revised wording does not accomplish that. We have attached as an Appendix to this letter our suggested edits to items (h) and (k) of the proposed revised affiliate definition.

Significant Influence over a Multiple Employer Plan

It is unclear why the Committee felt all multiple employer plans should be considered affiliates of participating employers. Page 6 of the Exposure Draft indicates that "Unlike the participating employers of a multiple employer plan who can govern all aspects of their plan (for example, terminate the plan and change the structure of the plan)..." We think this is a significant overstatement. While the participating employer could impact *their* participation in the plan (terminate their participation in the plan, make some choices about specific provisions of the plan as it relates to their employees within the parameters established in the plan), we don't believe that the typical participating employer in a multiple employer plan would have the ability to govern *all aspects of the plan* unless it has some role in plan administration. The typical participating employer cannot change the structure of the plan itself, has no say on the custodian or investment strategies or authorized expenses of the plan. The exception to that rule might be a participating employer whose participation is material to the plan – something significant enough that the threat of withdrawal would create significant influence.

We believe that a financial statement attest client that is a participating employer in a multiple employer plan should consider the plan an affiliate if it is the sponsoring association or it demonstrates significant influence either through its involvement in plan administration (or board representation if a board or equivalent committee exists) or because it is a material participant in the plan.

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Lastly, we have multiple employer plan clients where the plan administrator is not a participating employer. Given the ability of the plan administrator to impact the plan, we recommend modifying the definition (i) to include all plan administrators, not just those who are participating employers.

Thank you again for the opportunity to comment on this exposure draft. We would be pleased to respond to any questions the Board or its staff may have about these comments. Please direct any questions to Theresa Banka at theresa.banka@plantemoran.com or 248.223.3572.

Very truly yours.

Plante & Moran, PLLC

Text of Proposed Revised “Affiliate” Definition

[Additions appear in ***bold italic*** and deletions in strikethrough. Terms in italic only are defined terms]

02. **Affiliate.** The following entities are affiliates of a *financial statement attest client*:

- g. The sponsor of a single employer employee benefit plan *financial statement attest client*.
- h. Any ***entity, such as a union, or a group association of employers***, that has *significant influence* over a ~~multiple or multiemployer~~ employee benefit plan *financial statement attest client* ***as a result of its participation on the plan’s governing board and the plan is material to such entity.***
- i. ~~The participating employer that is the plan administrator of a multiple employer employee benefit plan financial statement attest client.~~
- ij. An employee benefit plan sponsored by either a *financial statement attest client* or an entity controlled by the *financial statement attest client*. A *financial statement attest client* that ***is a participating employer in a multiple employer plan should consider that plan an affiliate if it is the sponsoring association or it demonstrates significant influence either through its involvement in plan administration (or board representation if a board or equivalent committee exists) or because it is a material participant in the plan.*** ~~sponsors an employee benefit plan includes, but is not limited to, a union whose members participate in the plan and all participating employers of a multiple employer or multiemployer plan.~~
- jk. A multiemployer plan when a *financial statement attest client* or entity controlled by the *financial statement attest client* has significant influence over the plan ***as a result of its participation on the plan’s governing board*** and the plan is material to the *financial statement attest client*.
- kl. An investment adviser, a general partner, or a trustee of an investment company *financial statement attest client* (fund) if the fund is material to the investment adviser, general partner, or trustee that is deemed to have either *control* or *significant influence* over the fund. When considering materiality, *members* should consider investments in, and fees received from, the fund.