

SHEET METAL WORKERS' LOCAL 10 PENSION FUND

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August 8, 2017

Michael Santay, Chair, Auditing Standards Board
Darrel Schubert, Chair, Employee Benefit Plan Reporting Task Force
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036

Transmitted via email to sherry.hazel@aicpa-cima.com

Re: Proposed Statement on Auditing Standards (SAS), *Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA*

Dear Sirs:

We are writing you to express our concerns with the proposed Statement on Auditing Standards (SAS), **Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA**.

This letter is being written on behalf of various multi-employer pension and health funds that provide benefits for approximately 5000 participants within the jurisdiction of the SMART (Sheet Metal Air Rail Transportation) International Union Local #10 which covers a geographic jurisdiction of Minnesota, North Dakota, and South Dakota. As labor and employer trustees for these funds, we are expressing serious concern regarding these changes.

We believe that the proposed **Required Report on Specific Plan Provisions Relating to the Financial Statements** will create significant problems and challenges for our plan and participants. While we support the ASB's goal of improving audit quality, this requirement could result in the auditor reporting information that the plan trustees have no obligation to report in either the plan financial statements or the plan's annual Form 5500 filed with the Department of Labor. Because the auditor's report is attached to the Form 5500, plan participants and regulators would have access to it, perhaps even before the plan administrator has had a chance to address any issues noted.

Furthermore, participants would have no way to distinguish between findings that the auditor may consider to be insignificant and those considered to be more serious. All findings (unless "clearly inconsequential") would be reported the same way. Plan participants and contributing employers may become unduly alarmed by findings included in the report, even when such findings are only routine operating errors, perhaps even already corrected. They may reduce or withdraw their participation in the plan, which could harm our participants' ability to save for retirement or maintain healthcare coverage – the very reason the plan was established.

Additionally, findings of noncompliance may lead to actual or potential litigation. The board of trustees of multiemployer plans, representing an equal number of labor union and management individuals, is especially vulnerable to findings being publicly available - and their magnitude potentially inflated. Relations between labor and management, and between labor union officers and their rank-and-file members, are at times contentious, and the findings could become political fodder.

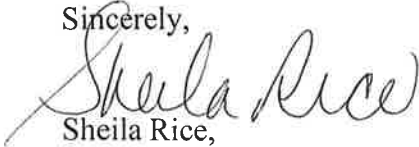
Moreover, plan trustees may need to provide additional communications to participants to explain the findings, and seek assistance from professionals to do so, thereby reducing their ability to carry out other responsibilities.

Finally, we believe that the additional required procedures and reporting of findings will cause plan expenses to rise. In the case of multiemployer plans, such expenses are paid out of the assets of the plan. We anticipate not only an increase in audit fees due to the additional reporting requirements, but in legal fees as well. Since findings of noncompliance with plan provisions is ultimately a matter of legal determination, plan trustees will need to increasingly consult with ERISA counsel, especially in conjunction with the annual audit.

The cost that is harder to quantify is the "human cost" that may arise out of the unintended consequences described above. If participants are ultimately harmed by an overreliance on the auditor's ability to detect noncompliance, an overreaction to findings reported, or the failure of this proposed SAS to improve audit quality, their ability to obtain needed benefits is jeopardized.

We urge the ASB to reconsider the requirement to report findings of noncompliance for the reasons described above. The labor and employer trustees of these Sheet Metal Local #10 multiemployer trust funds appreciate the Board's consideration of these comments and recommendations. Please feel free to contact me if you have any questions.

Sincerely,



Sheila Rice,

Administrator on behalf of the Board of Trustees for the:

Sheet Metal Workers' Local 10 Pension Fund

Sheet Metal #10 Benefit Fund

Sheet Metal Local 10 Supplemental Retirement Fund

Sheet Metal #10 SAFE Plan