



FASB Completes Project on Multiemployer Pension Plan Disclosures (Subtopic 715-80)

The FASB has issued Accounting Standards Update No. 2011-09, *Compensation Retirement Benefits—Multiemployer Plans (Subtopic 715-80): Disclosures about an Employer’s Participation in a Multiemployer Plan*, that provides new requirements for the disclosures that an employer should provide related to its participation in multiemployer pension plans. Plans of this type are commonly used by employers to provide benefits to union employees that may work for multiple employers during their working life and thereby accrue benefits in one plan for their retirement.

The revised disclosures will provide users of financial statements with additional information about the plans in which an employer participates, the level of an employer’s participation in the plans, and financial health of significant plans. The disclosures also will enable users of financial information to obtain additional information available outside of the financial statements, including the funded status of the plan. The new standard

eliminates the proposed disclosure of an employer’s withdrawal liability, which was the most controversial aspect of the Exposure Draft.

Why Are These Disclosures Needed?

Users of financial statements have requested additional disclosure to increase awareness of the commitments and risks involved with participating in multiemployer pension plans.

A unique characteristic of a multi-employer plan is that assets contributed by one employer may be used to provide benefits to employees of other participating employers. This is because the assets contributed by an employer are not specifically earmarked only for its employees. If a participating employer fails to make its required contributions, the unfunded obligations of the plan may be borne by the remaining participating employers. Similarly, in some cases, if an employer chooses to stop participating in a multiemployer plan, the withdrawing

company may be required to pay to the plan a final payment (the withdrawal liability).

Previously, disclosures were limited primarily to the historical contributions made to the plans. In developing the new guidance, the FASB’s goal was to help users of financial statements assess the potential future cash flow implications relating to an employer’s participation in multiemployer pension plans. The disclosures also will indicate the financial health of all of the significant plans in which the employer participates and assist a financial statement user to access additional information that is available outside of the financial statements.

Essential Elements of the Disclosures

The essential elements of the disclosures for employers participating in multiemployer pension plans are summarized below.

Essential Elements of the Disclosures

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| Essential Elements of the Disclosures |
| <p>a. For individually significant plans:</p> <ol style="list-style-type: none"> 1. Plan legal name, plan Employer Identification Number, and, if available, the plan number 2. Most recent certified funded status, expressed as a “zone status,” as required by the Pension Protection Act of 2006. If zone status is not available, an employer should disclose whether the plan was: <ol style="list-style-type: none"> i. Less than 65 percent funded ii. Between 65 percent and 80 percent funded iii. A least 80 percent funded 3. Expiration date(s) of collective bargaining agreement(s) and any minimum funding arrangements 4. Indication of whether the employer’s contributions represent more than 5 percent of total contributions to the plan 5. Indication of what plans, if any, are subject to a funding improvement plan |
| <p>b. Contributions made to each individually significant plan and the total contributions made to all other plans in the aggregate</p> |
| <p>c. A description of the nature and effect of any changes affecting comparability from period to period for each period in which a statement of income is presented.</p> |

Feedback and Outreach

On September 1, 2010, the FASB issued the Exposure Draft with proposed disclosure requirements for employers subject to multiemployer pension plans. The Board received more than 300 comment letters on the proposal. In addition to that feedback, FASB members and staff met with representatives from industries in which multiemployer plans are common, including the construction, transportation, and supermarket industries. The staff also met with users of financial statements. The FASB considered the feedback it received in its redeliberations.

Major Feedback from Stakeholders on the Exposure Draft and Changes Made by the FASB in Redeliberations

The feedback received from stakeholders on the Exposure Draft informed the Board's redeliberations. Some of the most significant feedback and associated changes made during redeliberations are described in the table below. The table, however, does not reflect all feedback and changes.

Feedback on the Exposure Draft	Consideration in Redeliberations
<ul style="list-style-type: none"> ■ Many stakeholders supported the FASB efforts to enhance disclosures about an employer's participation in multiemployer plans. However, most stakeholders did not believe the FASB's Exposure Draft achieved the right balance between the cost to prepare the disclosures and the benefits that users would derive from the enhanced disclosures. 	<ul style="list-style-type: none"> ■ The FASB focused and clarified the disclosure requirements to reduce the cost of preparing the disclosures and still provide a significant improvement over existing disclosures for users of financial statements.
<ul style="list-style-type: none"> ■ Many stakeholders were opposed to the proposed requirement to disclose the employer's withdrawal liability. These stakeholders indicated that quantifying the withdrawal liability would be very costly and would not provide relevant information. Particularly, they believed that the withdrawal liability would not be an appropriate proxy for an employer's proportional share of the underfunded status of the plan, which can be determined only through the collective bargaining process. 	<ul style="list-style-type: none"> ■ The FASB decided not to require the disclosure of the withdrawal liability or a point-in-time estimate of an employer's obligations with respect to the underfunded status of the plan.
<ul style="list-style-type: none"> ■ Many stakeholders observed that the proposed disclosure requirements would not be operational for multiemployer health and welfare plans because those plans often combine current benefits for active employees as well as retiree benefits. 	<ul style="list-style-type: none"> ■ The FASB decided that the enhanced disclosures for multiemployer defined benefit pension plans will not be required for multiemployer health and welfare plans. The FASB decided that these plans should provide limited disclosures that, among others, include a description of the nature of the benefits and the types of employees covered by these benefits.
<ul style="list-style-type: none"> ■ Many stakeholders were concerned that some of the proposed disclosure requirements, such as the expected contributions for the next annual period and trends in contributions, would require management predictions of future events outside the control of the employer. These stakeholders expressed concerns about the burdens of preparing this information and about the auditor's ability to audit this information. 	<ul style="list-style-type: none"> ■ The FASB decided that the proposed disclosure of the expected contributions for the next annual period and trends in contributions would not be required in the final standard.
<ul style="list-style-type: none"> ■ Many constituents expressed a concern about the timeliness of available information because the plan's year-end and the employer's year-end may not be the same. Additionally, in situations where the employer and the plan share the same year-end, information about the plan may not be available to include in the employer's financial statements because the plan's financial reporting cycle may be delayed. 	<ul style="list-style-type: none"> ■ The FASB decided that the employer's disclosure should be detailed enough for a user of the financial statements to obtain available information outside of the financial statements, which will have the most up-to-date information available. For example, for a U.S. plan, an employer will be required to provide sufficient information (the plan's name and Employer Identification Number) to allow a financial statement user to access the most recent Form 5500.

The completion of this project marks the culmination of the efforts of a number of FASB stakeholders who volunteered their time and expertise to assist the Board and the FASB staff in developing the analysis and disclosures. The FASB is grateful to those stakeholders who participated in its due process activities.

When Will the Update Be Effective?

For public entities, the enhanced disclosures will be required for annual periods for fiscal years ending after December 15, 2011. For nonpublic entities, the enhanced disclosures will be required for annual periods for fiscal years ending after December 15, 2012. Early application is permitted.

For more information about the project, please visit the FASB's website at www.fasb.org.

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