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IASB Announces Changes to Accounting Disclosures for Employers in Multiemployer Pension Plans

On June 16, 2011, the IASB released an amendment to IAS 19 that significantly alters how employers account for their post-employment benefit plans. The amended standard includes changes to the disclosure rules for multiemployer pension plans. The amendments are generally effective for 2013 and later fiscal years, with earlier adoption permitted.

Background

In 2002, the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) agreed to work toward the long-term convergence of international and U.S. accounting standards with the goal of producing a single set of high-quality standards. In 2006, they added accounting for post-retirement benefit plans to this agenda but listed it as an area in which each Board would initially work independently on a limited-scope Phase 1 with a mutual goal of full convergence later in a joint Phase 2. Phase 2 will include a review of the fundamental issues regarding measurement of employee benefit plan liabilities and expense. The Boards' reviews are in response to complaints from the users of financial statements that those statements do not reflect sufficiently the fair value of plans' assets and obligations and the impact of economic events that occur during the fiscal year. The users also complained that the statements are confusing and do not facilitate comparisons between companies.

Since the launch of its Phase 1 project in March 2008, the IASB issued a discussion paper and two exposure drafts (ED). The last ED, which was released in April 2010, presented the IASB's tentative conclusions on recognition and presentation of the employer's obligation and expense for employee benefits. The IASB received over 200 comment letters.

IAS 19

On June 16, 2011, the IASB issued an amendment to International Accounting Standards (IAS) 19. The amended standard completely restates the disclosure provisions under IAS 19. Different rules apply for single-employer plans and multiemployer plans.

Under the amended standard, an employer participating in a multiemployer plan will have to describe the method used to determine the employer's rate of contribution, any applicable minimum funding requirements, and the extent to which the employer would be liable for the benefits for employees of other employers. The employer will also have to provide an indication of the employer's level of participation in the plan relative to other participating employers (e.g., the proportion of total members or total contributions) and a description of potential withdrawal or wind-up liabilities.

The amendments to IAS 19 do not change the fundamental approach to accounting for the benefits provided under multiemployer arrangements. Thus, the employer will generally be required to apply the rules for defined benefit plans (including the disclosure information noted above). If information is insufficient, the employer is to base accounting for the multiemployer plan on the rules for defined contribution plans. In that case, benefit expense will be equal to the employer contributions payable to the plan for service during the reporting period. Where there is insufficient information, employers will have to disclose the reason why sufficient information is not available, the amount of expected contributions for the next year, and the possible effect of the plan's surplus or deficit on future contributions.

> ***BUCK COMMENT****. These recent developments are likely to place additional administrative burdens on the many funds that are currently in the process of developing and administering formal funding-improvement or rehabilitation programs. In addition, the multiemployer community should remain mindful of the fact that tax-qualified retirement trusts are required to use their assets and resources to fulfill their obligations to provide benefits for their beneficiaries and the associated administrative expenses; the tracking, assembly and furnishing of additional auditor-required employer disclosure information may not be part of a multiemployer defined benefit pension fund's mission.*

Conclusion

The changes to IAS 19 are generally effective for fiscal years beginning on or after January 1, 2013.

Buck's consultants are prepared to assist you in analyzing the effect of the amended IAS 19 on your operations.