



## FASB Changes Accounting Rules for Employers Contributing to Multiemployer Pension Plans

*FASB has agreed to new accounting rules for employers contributing to multiemployer pension plans. The new rules, which will be officially issued in September, require less disclosure than FASB's 2010 exposure draft would have required. The new rules are effective for publicly held companies for fiscal years ending after December 15, 2011 and for other companies for fiscal years ending after December 15, 2012.*

### Background

In September 2010, the Financial Accounting Standards Board (FASB), which sets accounting rules for U.S. companies, issued an exposure draft titled "Compensation – Retirement Benefits – Multiemployer Plans (ASC 715-80): Disclosure about an Employer's Participation in a Multiemployer Plan." In the exposure draft, FASB proposed increasing significantly the information employers would have to disclose, including estimates of potential withdrawal liability.

FASB received over 300 comments on the exposure draft. At its May 31, 2011 meeting to discuss the proposed changes, FASB tentatively agreed to limit the required disclosures, including not requiring employers to disclose an estimate of withdrawal liability. FASB concluded that requiring estimates of withdrawal liability would be too costly, and it was questionable whether the estimates would provide a true proxy for an employer's proportional share of the underfunded status of a plan. FASB said it would continue to study the issue.

### Action at July 27, 2011 Meeting

FASB met on July 27 to further discuss its tentative conclusions from the May 31 meeting. At that meeting, FASB [agreed](#) to draft a final accounting standard to be issued in September, 2011. FASB also agreed that the new standard would apply to publicly held companies for fiscal years ending after December 15, 2011 and to other companies for fiscal years ending after December 15, 2012.

FASB's agreed-upon disclosures cut back on the disclosures proposed in the 2010 exposure draft by eliminating the requirement to disclose estimated withdrawal liability and whether the employer is represented on the board of trustees of a plan.

Under the new standards, employers participating in multiemployer pension plans will have to disclose:

- The plan's legal name and Employer Identification Number;

- The most recent certified “zone” status or, if not available, whether the plan is less than 65% funded, between 65% and 80% funded, or greater than 80% funded;
- The expiration dates of collective bargaining agreements and any minimum funding arrangements;
- Whether the employer’s contributions represent more than five percent of total contributions to the plan;
- What plans are subject to funding improvement plans;
- Contributions made to each individually material plan and the total contributions made to all other plans in the aggregate; and
- The nature and effect of any changes affecting comparability from period to period for each period in which a statement of income is presented.

## Conclusion

Although the FASB action was expected after the tentative agreement on May 31, it is reassuring to see that FASB has fully concluded that estimates of withdrawal liability are costly and misleading. This conclusion is consistent with the conclusions of the International Accounting Standards Board. (See our July 18, 2011 [For Your Information](#).)

Fortunately, in order to gather much of the required disclosure information, many employers may rely on the statements that multiemployer funds, pursuant to Section 104(d) of the Employee Retirement Income Security Act, must issue to employers within 30 days after the funds file their Form 5500 annual returns. Still, issues of timing exist depending on the employer’s and each fund’s fiscal year. For example, in preparing financial statements in early 2012 for calendar year 2011, information about multiemployer funds’ 2009 plan years might be the most recent and readily available, unless employers search for publicly available information or proactively look to fund administrators to collect more recent information. Employers will have to bear in mind that fund administrators are not likely to have yet established procedures for responding to such employer requests. In addition, many employers contributing to several multiemployer funds might not yet have central repositories within their organizations that gather, consolidate, and analyze the other required information.

Buck’s consultants are available to discuss the issues raised by the FASB requirements.

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*This FYI is intended to provide general information. It does not offer legal advice or purport to treat all the issues surrounding any one topic.*