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FASB Issues New Disclosure Rules for Employers Participating in Multiemployer Plans

On September 21, 2011, FASB issued Accounting Standards Update 2011-09 applicable to nongovernmental employers that participate in multiemployer pension and other postretirement benefit plans. The revised accounting rules will require enhanced disclosures relating to an employer's participation in a multiemployer pension plan, but more limited disclosures for multiemployer plans that provide postretirement benefits other than pensions. The new rules are effective for public entities for fiscal years ending after December 15, 2011 and for nonpublic entities for fiscal years ending after December 15, 2012.

Background

In September 2010, the Financial Accounting Standards Board (FASB) proposed changes in accounting rules for employers contributing to multiemployer pension and other postretirement benefit plans. (See our August 8, 2011 [For Your Information](#).) The proposed changes were intended to increase transparency through enhanced quantitative and qualitative employer disclosures, including disclosure of an employer's estimated exposure to withdrawal liability. At meetings on May 31 and July 27, 2011, the FASB agreed to eliminate certain previously proposed disclosure requirements, including disclosures of estimated withdrawal liability and whether an employer is represented on the board of trustees of a plan.

BUCK COMMENT. *The FASB's decision to eliminate the disclosure requirement for estimated withdrawal liability is consistent with the approach to accounting disclosures for employers in multiemployer pension plans recently taken by the International Accounting Standards Board (IASB). (See our July 18, 2011 [For Your Information](#).) The FASB's disclosure requirements discussed below are similar to the IASB's disclosures, but require a greater level of specificity.*

Accounting Standards Update 2011-09

On September 21, 2011, the FASB issued Accounting Standards Update 2011-09 (ASU 2011-09), *Compensation – Retirement Benefits – Multiemployer Plans (Subtopic 715-80): Disclosures about an Employer's Participation in a Multiemployer Plan*. ASU 2011-09 applies to nongovernmental employers that participate in multiemployer pension plans and other postretirement benefit plans. The revised accounting standards are effective for public entities for fiscal years ending after December 15, 2011 and for nonpublic entities for fiscal years ending after December 15, 2012.

ASU 2011-09 generally requires annual disclosures by employers. However, interim reporting may be required if significant changes occur.

Multiemployer Pension Plans

While current rules largely limit employer disclosures to total current contributions to all multiemployer pension plans in which they participate, the revised accounting standards will require employers to disclose more information about their financial obligations to the plans. In a significant shift from the FASB's initial proposal, the revised standards will not require disclosure of a participating employer's estimated withdrawal liability or a "point in time" estimate of an employer's obligations with respect to the underfunding of individual plans. Because ASU 2011-09 does not change current requirements for the disclosure of certain loss contingencies, an employer participating in a multiemployer plan would still have to disclose any withdrawal liability that is probable or reasonably possible.

BUCK COMMENT. *The FASB's decision to issue a disclosure standard for multiemployer plans rather than a recognition or measurement standard reflects its view that a multiemployer pension plan and a single-employer plan are substantively different.*

Consistent with conclusions the FASB reached at its July 27, 2011 meeting, the new disclosure requirements for employers participating in multiemployer pension plans provide more detail about an employer's participation based on the most recently available information, such as:

- The plan's legal name, employer identification number, and plan number (if available);
- The plan's most recent certified funded status as determined by its zone status or, if zone status is unavailable, whether the plan is less than 65% funded, between 65% and 80% funded, or greater than 80% funded;
- Expiration date(s) of any collective bargaining agreement(s) and any minimum funding arrangements;
- Whether the employer's contributions represent more than five percent of the total contributions to the plan;
- Which plans, if any, are subject to a funding improvement plan;
- Contributions made to each individually significant plan and the total contributions made to all other plans in the aggregate; and
- The nature and effect of any changes affecting the comparability for each period in which a statement of income is presented.

BUCK COMMENT. *Employers contributing to multiemployer pension funds will automatically receive much of the information they must disclose on statements the funds must issue, such as annual funding notices, schedules under funding-improvement or rehabilitation plans, and notices pursuant to Section 104(d) of the*

Employee Retirement Income Security Act (ERISA). An employer may have difficulty obtaining timely and up-to-date information from the plan, particularly if the employer's filing period does not coincide with the plan years of the multiemployer funds to which it contributes. In such circumstances, an employer should disclose the most recently available information, even if it appears dated.

Multiemployer Plans Providing Other Postretirement Benefits

The FASB originally proposed the same disclosures for multiemployer plans providing pension benefits and multiemployer plans providing other postretirement benefits. Based on feedback from stakeholders, the FASB decided to require more limited disclosures for multiemployer health and welfare plans. The revised accounting standards will require employers participating in multiemployer plans that provide postretirement benefits other than pensions to disclose the amount of their plan contributions for each annual period for which a statement of income or a statement of activities is presented. The disclosures must include a description of the nature and effect of any changes affecting the comparability of total employer contributions from period to period. Additional disclosures must include a description of the nature of benefits provided and the types of employees covered.

Conclusion

The revised accounting standards provide considerably more quantitative and qualitative information for financial statement users than existing disclosures about an employer's financial commitments and risks surrounding its participation in multiemployer pension plans. Practically all information required will be provided to contributing employers through the series of automatic notices from the plans required under ERISA. However, employers also may have to supplement that information from publicly available sources such as the plan's annual report (Form 5500). To satisfy the new disclosure requirements, many employers will have to rely on additional information they maintain internally, which might require significant coordination efforts among different locations. To ensure that they will be able to provide sufficiently detailed disclosures, employers contributing to several multiemployer funds may wish to consider creating a central repository within their organizations to capture all fund-related information if they have not already done so.

Buck's consultants are available to discuss the FASB's new disclosure requirements, plan funding status, and other issues of concern to employers participating in multiemployer plans.

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.