

## CLIENT BULLETIN

### ***FASB Drops Push To Disclose Employer Withdrawal Liability As Part Of Disclosures About An Employer's Participation In A Multiemployer Pension Plan***

---

On May 31, 2011, the Financial Accounting Standards Board (FASB) continued its redeliberations of its September 2010 Exposure Draft of proposed Accounting Standards Update, *Compensation—Retirement Benefits—Multiemployer Plans (Subtopic 715-80): Disclosure about an Employer's Participation in a Multiemployer Plan*, making the following tentative decisions that apply only to multiemployer pension plans. The handout from the meeting is available by "[clicking here](#)."

The tentative decisions are a dramatic shift from what the FASB was originally considering. The most troublesome aspect of the original proposal was for employers participating in multiemployer defined benefit plans to disclose their potential withdrawal liability, as a proxy for the employer's share of the Plan's unfunded liability. This shift represents a victory for common-sense and real transparency. See [Client Bulletin 2010-25](#) and [Client Bulletin 2010-84](#) for background on the issue.

Under the tentative decision, summarized by FASB:

1. An employer would **not** be required to disclose the estimated withdrawal liability as proposed. Instead, an **employer would disclose the following** for each multiemployer plan for which contributions are individually material in relation to the employer's participation in such plans:
  - a. Legal name of the plan
  - b. Employer Identification Number of the plan
  - c. As of the date of each annual balance sheet presented, the most recent certified zone status, as required by the Pension Protection Act of 2006, if available. If zone status is not available, an employer should disclose whether the plan was:

- i. Less than 65 percent funded,
    - ii. Between 65 percent and 80 percent funded, or
    - iii. Greater than 80 percent funded.
  - d. Whether a funding improvement plan or rehabilitation plan had been implemented or was pending
  - e. For each annual period that an income statement is presented, contributions made to the plan
  - f. Whether the entity paid a surcharge to the plan
  - g. The expiration date of the plan's associated collective bargaining arrangement, if any
  - h. Whether the employer's contributions represent more than five percent of total contributions to the plan
2. For each **annual period** for which an income statement is presented, an employer would disclose the total contributions made to all multiemployer plans and:
- a. The contributions made to each individually material plan (see item 1 above)
  - b. The total contributions made to all other plans in the aggregate.
3. An entity would **not be required to provide** the following disclosures proposed in the Exposure Draft:
- a. The number of multiemployer plans in which the employer participates
  - b. The total assets and the accumulated benefit obligation of multiemployer plans
  - c. The contributions to a plan as a percentage of total contributions
  - d. The percentage of employer's employees that are covered by multiemployer plans
  - e. Supplemental information about the plans in which the information about the withdrawal liability is not available

The FASB directed its staff to conduct outreach with users about these tentative decisions. The results of that outreach will be discussed at a future meeting. The staff is to be commended for digging into the complex subject of employer withdrawal liability (and all of its industry-specific intricacies) and coming to the conclusion that employer withdrawal liability is NOT a good proxy for an employer's share of unfunded liabilities. We will report again after the next FASB meeting.

\* \* \*

**LEGAL DISCLAIMER:** Information contained in this publication is not legal advice, and should not be construed as legal advice. If you need legal advice upon which you can rely, you should seek a legal opinion from your attorney.