



## CLIENT BULLETIN

### ***FASB Adopts Limited Disclosure Standard for Employers Participating in Multiemployer DB Plans***

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After meeting on July 27, the Financial Accounting Standards Board (FASB) approved a revised accounting standard intended to provide more information about an employer's financial obligations to multiemployer pension plans. At issue was the proposal for employers to disclose information about their possible withdrawal liability. The proposal generated a firestorm in the multiemployer plan community as the original proposal was unknowingly unrealistic when released. See [Client Bulletins 2010-25](#) and [2010-84](#) for background on the original proposal.

As part of its redeliberations, the FASB decided to delete a proposal to require employers to disclose their withdrawal liability to all plans in which they participate, or provide a "point-in-time" estimate of its obligations with respect to the underfunded status of individual plans. A copy of the July 27 meeting handout is available by "[clicking here](#)." The approved revisions are expected to be finalized in September 2011.

- For public entities, the enhanced disclosures will be required in fiscal years ending after December 15, 2011.
- For nonpublic entities, the enhanced disclosures will be required in fiscal years ending after December 15, 2012.

Prior to the new standard, employers were required to disclose only their total contributions to all multiemployer plans in which they participate.

The initial proposal requested information on possible withdrawal liability a participating employer "may" have and requested quite a bit of detailed information that would have imposed additional costs on employers and pension plans alike without adding any real meaningful transparency to a participating employer's financial status.

Pursuant to the FASB's decisions, the proposed disclosures have been significantly narrowed and will only include:

- The amount of employer contributions made to each significant plan and to all plans in the aggregate.
- An indication of whether the employer's contributions represent more than 5% of total contributions to the plan.
- An indication of which plans, if any, are subject to a funding improvement plan.
- The expiration date(s) of collective bargaining agreement(s) and any minimum funding arrangements.
- The most recent certified funded status of the plan, as determined by the plan's so-called "zone status," which is required by the Pension Protection Act of 2006. If the "zone status" is not available, an employer will be required to disclose whether the plan is:
  - Less than 65 percent funded,
  - Between 65 percent and 80 percent funded, or
  - Greater than 80 percent funded
- A description of the nature and effect of any changes affecting comparability for each period in which a statement of income is presented.

We will report on the finalized standard when it is released. Until then, employers who contribute to multiemployer defined benefit pension plans can breathe easier.

This change in FASB's position was due to the many organizations (such as the NCCMP, IFEBP, etc), companies and individuals who provided comments to the FASB, the diligence of FASB staff assigned to the project to pay heed to such comments and work with the multiemployer pension plan community to understand why the proposal generated so many comments, and also to the FASB members for spending the time to redeliberate the proposal until they came up with a workable proposal. We applaud the efforts of all parties involved to work through this issue.

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