



PENSION ANALYST COMPLIANCE BULLETIN



FASB revises disclosure requirements for multiemployer pension plans

The Financial Accounting Standards Board (FASB) recently revised its position on the disclosure requirements for employers participating in multiemployer defined benefit plans. According to FASB's new position, the annual financial statements of participating employers must include additional financial information to provide more information about an employer's financial obligation to the plan.

Background

Previously, employers that participated in multiemployer plans were required to disclose in their annual financial statements the amounts of prior contributions made to those plans. However, users of financial statements asked for additional disclosures to help them better understand the commitments and risks involved with employer participation in multiemployer pension plans. To address concerns regarding the lack of transparency about an employer's participation in a multiemployer pension plan and concerns about the plan's funding, FASB has amended its accounting standards to require additional disclosures about multiemployer pension plan participation. In developing the new guidance, FASB's intent is to assist users of financial statements in assessing the potential future cash flow implications relating to this type of plan participation.

Summary of changes

A participating employer must provide a narrative description both of the general nature of the multiemployer plan and of the employer's participation in the plan. This description must indicate how the risks of participation in the plan are different from the risks of sponsoring a single-employer plan.

Employers must provide detailed information for each multiemployer plan that includes:

- The legal name of the plan;
- The employer's identification number (EIN) and the plan's number, if available;
- The most recent certified zone status as defined by the Pension Protection Act of 2006. The disclosure must specify the date to which the zone status relates and whether the plan has used any extended amortization provisions that affect the calculation of this status. If the zone status is not available, an employer must disclose, as of the most recent date available, on the basis of the financial statements provided by the plan, the total plan assets and accumulated benefit obligations, whether the plan was:
 - Less than 65% funded;
 - Between 65% and 80% funded; or
 - At least 80% funded.
- The level of an employer's participation in the plan, including the employer's contributions made to the plan and an indication of whether the employer's contributions represent more than 5% of the total contributions made to the plan by all contributing employers;
- The financial health of the plan including the funded status, whether funding improvement plans are pending or implemented, and whether the plan has imposed surcharges on plan contributions; and
- The nature of the employer commitments to the plan, including the expiration dates of the collective bargaining agreements and whether those agreements require minimum contributions to be made to the plan.

In addition, an employer must provide a description of the nature and effect of any changes that affect total employer contributions, such as:

- A business combination or a divestiture;
- A change in the contractual employer contribution rate; or
- A change in the number of employees covered by the plan during each year.

Additional plan information is available to the public by viewing the Form 5500. However, in circumstances where an employer does not file a Form 5500 (e.g., foreign multiemployer plans), the employer must also disclose the following plan information:

- A description of the nature of the benefits;
- A description of the extent to which the employer could be responsible for the obligations of the plan, including benefits earned by employees during employment with another employer; and
- Other information, to the extent available, to help users understand the financial information about the plan, such as total plan assets, actuarial present value of accumulated plan benefits, and total contributions received by the plan.

If certain financial information cannot be obtained without undue cost and effort, that information may be omitted, but the employer must describe what information has been omitted and the reason for the omission. In that event, the employer must also provide any available information that would help users understand the financial information that otherwise is required to be disclosed about the plan.

Effective date

For publicly held companies, the revised disclosure requirements are effective for fiscal years ending after December 15, 2011. For privately held companies, the requirements are effective for fiscal years ending after December 15, 2012. Early adoption is permitted. The disclosure requirements should be applied retrospectively for all prior periods presented.

Next steps

Employers participating in multiemployer plans should become familiar with the guidance described in this publication. The plan's enrolled actuary is in the best position to provide assistance regarding the required information to satisfy the new disclosure obligations. You should contact the plan's enrolled actuary to discuss these disclosure requirements. If Prudential Retirement provides the actuarial services for your plan, you may want to discuss any questions with your Prudential enrolled actuary.

Compliance Bulletin by Prudential Retirement

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