

## **New Standards for Multiemployer Pension Plans Disclosures**

By: Stephen J. Mannhaupt, CPA, Partner

Last year, the Financial Accounting Standards Board (FASB) issued an exposure draft that would require expanded disclosure requirements for participants in a multiemployer pension plan. Included in the proposal was a requirement for an employer to disclose, among other information, the estimated amount of the withdrawal liability for their proportional share of the unfunded status of a multiemployer pension plan. This proposal caused significant concern within the construction industry. Recently, FASB decided to ease up on many of the controversial requirements included in the exposure draft.

The original proposal was in response to many requests from investors and creditors for more transparency and additional information to be included in the financial statements. The proposal did not anticipate the amount of time and effort required to obtain the appropriate information to be included in the financial statements.

FASB received numerous comment letters to the exposure draft, many of which argued that the calculation of the estimated liability would require excessive costs and the disclosures would ultimately confuse the financial statement users. In our firm's letter to FASB, we brought up concerns that this disclosure requirement would make many financial statements misleading and cause them to be overly reliant on assumptions (e.g., future funding, discount rates, return on assets, etc.). From our perspective, these rules could be both costly and time consuming for contractors, as well as for their plan actuaries and accountants. (To read CFMA's letter to FASB, [click here](#)

<http://www.cfma.org/sites/default/files/FASB%20Multi%20Plans%20CFMA%20Response%20Final.doc>.)

The construction industry also argued that the disclosure of the amount of the withdrawal liability was not relevant or useful information in a contractor's financial statement. This is because an actual withdrawal liability is only incurred when an employer is no longer obligated to contribute to the plan but still continues to perform the same type of work in the same area as was covered by the union agreement and does not contribute on the work performed. A contractor that decides to retire, close, or sell the business and not continue to work in the same area does not face a withdrawal liability. Based on the proposed rules, the contractor would still be required to disclose the amount of the withdrawal liability even if it is not subject to the liability.

In consideration of the public's response, FASB decided to drop the requirement for employers to disclose the amount of the withdrawal liability. Although FASB felt that the proposal would provide information the financial statements users requested, they agreed it would be too difficult to determine the right measure to be useful. In addition, FASB was not convinced the proposal would be useful information and could cause problems regarding comparability. We consider this a win for the construction industry.

In September 2011, FASB issued the final version of the standards, ASU 2011-09, Compensation-Retirement Benefits-Multiemployer Plans: Disclosures about an Employer's Participation in a Multiemployer Plan including these changes. These new standards will still require additional disclosure related to funded status of the multiemployer plans, expiration dates of the collective bargaining agreements, surcharges paid to the plans, and whether an employer's contribution

represents more than 5% of the total contributions to the plans. For public entities, the amendments are effective for years ending after December 15, 2011. For nonpublic entities, the amendments are effective for years ending after December 15, 2012.

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