

LATEST UPDATES ON DISCLOSURES FOR MULTI-EMPLOYER PENSION PLANS

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In March of 2010, the Financial Accounting Standards Board (FASB) put on their agenda a project to determine if additional disclosure would be necessary for a contractor who participates in a multi-employer pension plan. This project was formed in response to concerns about the relative lack of required disclosures. Furthermore, pension plans lacked information in the financial statements beyond the contributions made and the contractor's participation in a multiemployer plan. If passed, the proposed disclosures would have created several challenges, not only for contractors, but for professionals as well. Of course, there would have been the added increase in fees to the professionals who would assist the contractor in complying with the new disclosures and there would be additional time required to ensure the accuracy of these new disclosures which could impact the deadlines for financial statements. I could only imagine how Bankers and Surety's would have reacted if the proposals were passed!

Thanks to roughly 300 comment letters, contractors finally received good news on May 31, 2011, regarding the proposed disclosure requirement, which would have required contractors to provide a quantitative estimate of withdrawal liability on their financial statements for pension withdrawals. According to the Members of the Financial Accounting Standards Board, *it would have been too costly*. That's the good news.

Now for the not so good news:

In a four-vote majority, the FASB tentatively approved an alternative disclosure plan which was initially offered this past March by the Construction Industry FASB Coalition (CIFC), an organization of construction employer groups. This new disclosure will provide more information to help investors and creditors assess a plan's risk. It is all about being transparent! According to board members of the FASB, *the alternative disclosure plan is a good improvement over what is currently required and eliminates the cost and other concerns related to the proposals in the exposure draft*. Under the new rules, a contractor participating in a multi-employer plan will need to disclose the following:

- The plan's identifying information
- Pension Protection Act of 2006 zone status, including information for a two year period if available
- Employers must disclose two years of contributions
- Whether a surcharge has been imposed
- The expiration date of the collective bargaining agreement for each plan the contractor participates in and whether the employer's contributions represent more than 5% of total contributions to the plan

The board also decided to revisit two other disclosures for more discussions at a future meeting:

- The quantitative information about the contractor's participation in the plans, i.e. the number of its employee participants as a percentage of total plan participants disaggregated between active and retired participants, if obtainable, as of the most recent data available
- The expected contributions for the next annual period

The word on the street is that the FASB is most likely going to finalize the disclosure requirements this summer so the new disclosures can take effect for the 2011 calendar year financial statements. So stay tuned and feel free to contact me if you have any questions or concerns as we finally get to the finish line regarding this trying topic.