



National Electrical Contractors Association

The voice of the electrical construction industry

FASB's Final Vote On Multiemployer Pension Disclosures Proposal

The Financial Accounting Standards Board (FASB) issued a July 27 statement withdrawing a proposed requirement for employer's participating in multiemployer defined benefit pension plans to disclose withdrawal liability.

In a letter to members of Congress contacted by NECA, FASB provided the following:

"In further response to your May 27, 2011 letter to FASB Chairman, Leslie Seidman, regarding the FASB's Multiemployer Plan proposal, I wanted to let you know that earlier today, the FASB completed deliberations and revised the disclosure requirements employers will need to provide for their multiemployer plans. Additionally, during its due process and redeliberations of this proposal, the FASB decided to drop its original proposal to require disclosure of withdrawal liabilities. "

FASB had been redeliberating its original 715-80 proposal since the spring and "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."

Instead, FASB approved a revised accounting standard with disclosures from an alternative construction -industry provided proposal that intends to provide more information about an employer's financial obligations to multiemployer pension plans, including, but not limited to:

- 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 five percent 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
 - 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.

For public entities, the **effective date** of the new requirements will be for fiscal years ending after December 15, 2011, while for non-public entities, the enhanced disclosures will be required in fiscal years ending after December 15, 2012.

[Click here for FASB's news release on its July 27, 2011, vote. \(http://www.fasb.org/cs/ContentServer?site=FASB&c=FASBContent_C&pagename=FASB%2FFASBContent_C%2FNewsPage&cid=1176158794021\)](http://www.fasb.org/cs/ContentServer?site=FASB&c=FASBContent_C&pagename=FASB%2FFASBContent_C%2FNewsPage&cid=1176158794021)

FASB's announcement follows nearly 10 months of effort on the part of NECA and our members, other construction associations, accountants and actuaries who assembled to form a coalition to oppose FASB's proposal. Over the past year, this issue has consumed an extraordinary amount of attention and is a victory for NECA's members who participate in multiemployer defined benefit plans.

NECA recognizes and applauds those accounting and financial professionals in the coalition, who established credibility at the outset, who articulated that withdrawal liability would not be a good proxy for an employer's share of the underfunded status of the plan and offered that the employer's share could only be determined through collective bargaining and not through a "point-in-time" estimate.

NECA believes another determining factor in FASB's decision-making was pressure from Congress. In several letters sent to FASB, legislators expressed their concerns with a proposal which clearly usurped existing ERISA statutes. In the end, the construction task force offered the alternative, reasonable compromise that helped achieve FASB's goals of transparency.

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