

# FINANCIAL ACCOUNTING SERIES



## ACCOUNTING STANDARDS UPDATE

No. 2011-09  
September 2011

### Compensation—Retirement Benefits— Multiemployer Plans (Subtopic 715-80)

Disclosures about an Employer's Participation in a  
Multiemployer Plan

An Amendment of the *FASB Accounting Standards Codification*®

Financial Accounting Standards Board  
of the Financial Accounting Foundation

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September 2011

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## Summary

### Why Is the FASB Issuing This Accounting Standards Update (Update)?

The FASB is issuing this Update to address concerns from various users of financial statements on the lack of transparency about an employer's participation in a multiemployer pension plan. A unique characteristic of a multiemployer plan is that assets contributed by one employer may be used to provide benefits to employees of other participating employers. This is because the assets contributed by an employer are not specifically earmarked only for its employees. If a participating employer fails to make its required contributions, the unfunded obligations of the plan may be borne by the remaining participating employers. Similarly, in some cases, if an employer chooses to stop participating in a multiemployer plan, the withdrawing company may be required to pay to the plan a final payment (the withdrawal liability). Users of financial statements have requested additional disclosure to increase awareness of the commitments and risks involved with participating in multiemployer pension plans. The amendments in this Update will require additional disclosures about an employer's participation in a multiemployer pension plan.

Previously, disclosures were limited primarily to the historical contributions made to the plans. In developing the new guidance, the FASB's goal was to help users of financial statements assess the potential future cash flow implications relating to an employer's participation in multiemployer pension plans. The disclosures also will indicate the financial health of all of the significant plans in which the employer participates and assist a financial statement user to access additional information that is available outside the financial statements.

### Who Is Affected by the Amendments in This Update?

The amendments in this Update apply to nongovernmental entities that participate in multiemployer plans. While the majority of the amendments in this Update apply only to multiemployer pension plans, there also are amendments that require changes in disclosures for multiemployer plans that provide *postretirement benefits other than pensions* as defined in the Master Glossary of the *FASB Accounting Standards Codification*<sup>®</sup>. The amendments do not apply to plans that are not *multiemployer plans* as defined in the Master Glossary, such as multiple-employer plans that are, in substance, aggregations of single-employer plans combined to allow participating employers to pool plan assets for investment purposes or to reduce the costs of plan administration. Those plans maintain separate accounts for each employer so that contributions provide benefits only for employees of the contributing employer.

The amendments in this Update require employers that are subsidiaries that participate in their parent's single-employer defined benefit plan and local chapters of not-for-profit entities that participate in their national organization's single-employer defined benefit pension plan to provide the name of the plan in which the employer participates.

## What Are the Main Provisions?

The amendments in this Update require that employers provide additional separate disclosures for multiemployer pension plans and multiemployer other postretirement benefit plans.

For employers that participate in multiemployer pension plans, the amendments in this Update require an employer to provide additional quantitative and qualitative disclosures. The amended disclosures provide users with more detailed information about an employer's involvement in multiemployer pension plans, including:

1. The significant multiemployer plans in which an employer participates, including the plan names and identifying number
2. The level of an employer's participation in the significant multiemployer plans, including the employer's contributions made to the plans and an indication of whether the employer's contributions represent more than 5 percent of the total contributions made to the plan by all contributing employers
3. The financial health of the significant multiemployer plans, including an indication of the funded status, whether funding improvement plans are pending or implemented, and whether the plan has imposed surcharges on the contributions to the plan
4. The nature of the employer commitments to the plan, including when the collective-bargaining agreements that require contributions to the significant plans are set to expire and whether those agreements require minimum contributions to be made to the plans.

Using the Employer Identification Number, the plan name, and, if applicable, the plan number, users of financial statements would be able to obtain additional information, including the funded status of the plan(s), from sources outside the financial statements, such as the plan's annual report (Form 5500). For other plans for which users are unable to obtain additional publicly available information outside the employer's financial statements, the amendments in this Update require the employer to make additional disclosures about the plan, including the following:

1. A description of the nature of the plan benefits
2. A qualitative 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

3. Other quantitative information, to the extent available, as of the most recent date 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.

The current recognition and measurement guidance for an employer's participation in a multiemployer plan requires that an employer recognize its required contribution to the plan as pension or other postretirement benefit cost for the period and recognize a liability for any contributions due at the reporting date. That guidance is unchanged by these amendments. Furthermore, the amendments do not change the requirement that an employer apply the recognition, measurement, and disclosure provisions for contingencies in Topic 450 if an obligation due to withdrawal from a multiemployer plan is either probable (accrue a liability and disclose the contingency) or reasonably possible (disclose the contingency).

## **How Do the Main Provisions Differ from Current U.S. Generally Accepted Accounting Principles (GAAP) and Why Are They an Improvement?**

The amendments create greater transparency in financial reporting by requiring additional disclosures about an employer's participation in a multiemployer pension plan. The additional disclosures will increase awareness about the commitments that an employer has made to a multiemployer pension plan and the potential future cash flow implications of an employer's participation in the plan.

## **When Will the Amendments Be Effective?**

For public entities, the amendments in this Update are effective for annual periods for fiscal years ending after December 15, 2011, with early adoption permitted. For nonpublic entities, the amendments are effective for annual periods for fiscal years ending after December 15, 2012, with early adoption permitted. The amendments should be applied retrospectively for all prior periods presented.

## **How Do the Provisions Compare with International Financial Reporting Standards (IFRS)?**

Currently, U.S. GAAP differs from IFRS in the recognition and measurement guidance for an employer's participation in multiemployer plans for both plans that provide pension benefits and plans that provide other postretirement benefits. Under U.S. GAAP, the current recognition and measurement guidance

for an employer's participation in a multiemployer plan requires that an employer recognize its required contribution to the plan as pension or other postretirement benefit cost for the period and recognize a liability for any contributions due at the reporting date. Effectively, this means that the plan is accounted for as if it were a defined contribution plan. Under IFRS, an employer should account for a defined benefit multiemployer plan as a defined benefit plan, recognizing a defined benefit asset or liability, if sufficient information is available to do so. However, under IFRS, an employer may account for a defined benefit multiemployer plan as a defined contribution plan if there is insufficient information to apply defined benefit accounting, as is often the case. The IASB issued amendments to IAS 19, *Employee Benefits*, on June 16, 2011, which should be retrospectively applied in annual periods beginning on or after January 1, 2013. Among other provisions, the IASB's amendments enhance the disclosures about an employer's participation in a multiemployer plan. The FASB's amendments in this Update are similar, but not identical, to the IASB's disclosure guidance. The differences primarily relate to the use of information and terminology that is common in U.S. plans (for example, the certified zone status) and the greater level of specificity in the FASB's disclosure requirements.

# Amendments to the *FASB Accounting Standards Codification*®

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## Introduction

1. The Accounting Standards Codification is amended as described in paragraphs 2–8. In some cases, to put the change in context, not only are the amended paragraphs shown but also the preceding and following paragraphs. Terms from the Master Glossary are in **bold** type. Added text is underlined, and deleted text is ~~struck out~~.

## Amendments to Subtopic 715-80

2. Add the following Master Glossary terms to Subtopic 715-80, as follows:

### **Compensation—Retirement Benefits—Multiemployer Plans**

#### **Glossary**

##### **Nonpublic Entity**

An entity that does not meet any of the following criteria:

- a. Its debt or equity securities are traded in a public market, including those traded on a stock exchange or in the over-the-counter market (including securities quoted only locally or regionally).
- b. It is a conduit bond obligor for **conduit debt securities** that are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local or regional markets).
- c. Its financial statements are filed with a regulatory agency in preparation for the sale of any class of securities.

##### **Pension Benefits**

Periodic (usually monthly) payments made pursuant to the terms of the pension plan to a person who has retired from employment or to that person's beneficiary.

##### **Postretirement Benefits Other Than Pensions**

See **Postretirement Benefits**.

## Single-Employer Plan

A pension plan that is maintained by one employer. The term also may be used to describe a plan that is maintained by related parties such as a parent and its subsidiaries.

3. Supersede paragraph 715-80-50-1, amend paragraph 715-80-50-2, and add paragraphs 715-80-50-3 through 50-11, and their related headings, with a link to transition paragraph 715-80-65-1, as follows:

## Disclosure

### General

**715-80-50-1** ~~Paragraph superseded by Accounting Standards Update 2011-09. An employer shall disclose the amount of contributions to multiemployer plans for each annual period for which a statement of income is presented. An employer may disclose total contributions to multiemployer plans without disaggregating the amounts attributable to pension plans and other postretirement benefit plans. The disclosures shall include a description of the nature and effect of any changes affecting comparability, such as a change in the rate of employer contributions, a business combination, or a divestiture. [Content moved to paragraph 715-80-50-11]~~

**715-80-50-2** An employer shall apply the provisions of Topic 450 to its participation in a **multiemployer plan** if it is either probable or reasonably possible that either of the following would occur:

- a. An employer would withdraw from the plan under circumstances that would give rise to an obligation.
- b. An employer's contribution to the fund would be increased during the remainder of the contract period to make up a shortfall in the funds necessary to maintain the negotiated level of benefit coverage (a maintenance of benefits clause).

### **> Multiemployer Plans That Provide Pension Benefits**

**715-80-50-3** An employer shall provide the disclosures required by paragraphs 715-80-50-4 through 50-10 in annual financial statements. The disclosures of the employer's contributions made to the plan in paragraphs 715-80-50-4 through 50-10 include all items recognized as net pension costs (see paragraph 715-80-35-1). The disclosures based on *the most recently available* information shall be the most recently available through the date at which the employer has evaluated subsequent events.

**715-80-50-4** An employer that participates in a multiemployer plan that provides ~~{add glossary link to 2<sup>nd</sup> definition}~~pension benefits~~{add glossary link to 2<sup>nd</sup> definition}~~

**definition}** shall provide a narrative description both of the general nature of the multiemployer plans that provide pension benefits and of the employer's participation in the plans that would indicate how the risks of participating in these plans are different from **{add glossary link to 2<sup>nd</sup> definition}single-employer plans{add glossary link to 2<sup>nd</sup> definition}**.

**715-80-50-5** When feasible, the information required by this paragraph shall be provided in a tabular format. Information that requires greater narrative description may be provided outside the table. For each individually significant multiemployer plan that provides pension benefits, an employer shall disclose the following:

- a. Legal name of the plan.
- b. The plan's Employer Identification Number and, if available, its plan number.
- c. For each statement of financial position presented, the most recently available certified zone status provided by the plan, as currently defined by the Pension Protection Act of 2006 or a subsequent amendment of that Act. The disclosure shall specify the date of the plan's year-end to which the zone status relates and whether the plan has utilized any extended amortization provisions that affect the calculation of the zone status. If the zone status is not available, an employer shall 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:
  1. Less than 65 percent funded
  2. Between 65 percent and 80 percent funded
  3. At least 80 percent funded.
- d. The expiration date(s) of the collective-bargaining agreement(s) requiring contributions to the plan, if any. If more than one collective-bargaining agreement applies to the plan, the employer shall provide a range of the expiration dates of those agreements, supplemented with a qualitative description that identifies the significant collective-bargaining agreements within that range as well as other information to help investors understand the significance of the collective-bargaining agreements and when they expire (for example, the portion of employees covered by each agreement or the portion of contributions required by each agreement).
- e. For each period that a statement of income (statement of activities for {add glossary link to 5<sup>th</sup> definition}nonpublic entities{add glossary link to 5<sup>th</sup> definition}) is presented:
  1. The employer's contributions made to the plan
  2. Whether the employer's contributions represent more than 5 percent of total contributions to the plan as indicated in the plan's most recently available annual report (Form 5500 for U.S. plans).

The disclosure shall specify the year-end date of the plan to which the annual report relates.

- f. As of the end of the most recent annual period presented:
  - 1. Whether a funding improvement plan or rehabilitation plan (for example, as those terms are defined by the Employment Retirement Security Act of 1974) had been implemented or was pending
  - 2. Whether the employer paid a surcharge to the plan
  - 3. A description of any minimum contribution(s), required for future periods by the collective-bargaining agreement(s), statutory obligations, or other contractual obligations, if applicable.

Factors other than the amount of the employer's contribution to a plan, for example, the severity of the underfunded status of the plan, may need to be considered when determining whether a plan is significant.

**715-80-50-6** An employer shall provide a description of the nature and effect of any significant changes that affect comparability of total employer contributions from period to period, such as:

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

**715-80-50-7** The requirements in paragraph 715-80-50-5 assume that the other information about the plan is available in the public domain. For example, for U.S. plans, the plan information in Form 5500 is publicly available. In circumstances in which plan level information is not available in the public domain, an employer shall disclose, in addition to the requirements of paragraphs 715-80-50-5 through 50-6, the following information about each significant plan:

- a. A description of the nature of the plan benefits
- b. A qualitative 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
- c. Other quantitative information, to the extent available, as of the most recent date 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 the quantitative information in paragraph 715-80-50-5(c), 715-80-50-5(e)(2), or 715-80-50-7(c) cannot be obtained without undue cost and effort, that quantitative information may be omitted and the employer shall describe what information has been omitted and why. In that circumstance, the employer also shall provide any qualitative information as of the most recent date available that

would help users understand the financial information that otherwise is required to be disclosed about the plan.

**715-80-50-8** Disclosures about multiemployer plans that are subject to the guidance in the preceding paragraph shall be included in a separate section of the tabular disclosure required by paragraph 715-80-50-5.

**715-80-50-9** In addition to the information about the significant multiemployer plans that provide pension benefits required by paragraphs 715-80-50-5 and 715-80-50-7, an employer shall disclose in a tabular format for each annual period for which a statement of income or statement of activities is presented, both of the following:

- a. Its total contributions made to all plans that are not individually significant
- b. Its total contributions made to all plans.

**715-80-50-10** See Example 1 (paragraph 715-80-55-6) for an illustration of the application of the disclosure requirements in paragraphs 715-80-50-4 through 50-9).

#### **> Multiemployer Plans That Provide Postretirement Benefits Other Than Pensions**

**715-80-50-11** An employer shall disclose the amount of contributions to ~~{remove glossary link}~~multiemployer plans~~{remove glossary link}~~ that provide postretirement benefits other than pensions for each annual period for which a statement of income or statement of activities is presented. An employer may disclose total contributions to multiemployer plans without disaggregating the amounts attributable to pension plans and other postretirement benefit plans. The disclosures shall include a description of the nature and effect of any changes affecting that affect comparability of total employer contributions from period to period, such as a change in the rate of employer contributions, a business combination, or a divestiture as:

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

The disclosures also shall include a description of the nature of the benefits and the types of employees covered by these benefits, such as medical benefits provided to active employees and retirees. [Content amended as shown and moved from paragraph 715-80-50-1]

4. Add paragraphs 715-80-55-6 through 55-8, and their related headings, with a link to transition paragraph 715-80-65-1, as follows:

## Implementation Guidance and Illustrations

### > Illustrations

#### > > **Example 1: Disclosures for Multiemployer Plans That Provide Pension Benefits**

**715-80-55-6** This Example illustrates certain, but not all, of the disclosure requirements in paragraphs 715-80-50-4 through 50-9.

**715-80-55-7** Entity A contributes to a number of multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover its union-represented employees. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If Entity A chooses to stop participating in some of its multiemployer plans, Entity A may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

**715-80-55-8** Entity A's participation in these plans for the annual period ended December 31, 20X0, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 20X0 and 20X9 is for the plan's year-end at December 31, 20X9, and December 31, 20X8, respectively. The zone status is based on information that Entity A received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date(s) of the collective-bargaining agreement(s) to which the plans are subject. Finally, the number of employees covered by Entity A's multiemployer plans decreased by 5 percent from 20X9 to 20X0, affecting the period-to-period comparability of the contributions for years 20X9 and 20X0. The significant reduction in covered employees corresponded to a reduction in overall business. There have been no significant changes that affect the comparability of 20X8 and 20X9 contributions. **[For ease of readability, the table is not underlined as new text.]**

| Pension Fund                                                                                                        | EIN/Pension Plan Number | Pension Protection Act Zone Status |                        | FIP/RP Status Pending/ Implemented | Contributions of Entity A |                      |                      | Surcharge Imposed | Expiration Date of Collective-Bargaining Agreement |
|---------------------------------------------------------------------------------------------------------------------|-------------------------|------------------------------------|------------------------|------------------------------------|---------------------------|----------------------|----------------------|-------------------|----------------------------------------------------|
|                                                                                                                     |                         | 20X0                               | 20X9                   |                                    | 20X0                      | 20X9                 | 20X8                 |                   |                                                    |
| ABC Fund 34                                                                                                         | 32-1899999              | Red as of 9/30/2009                | Yellow as of 9/30/2008 | Yes                                | \$ 1,883,000              | \$ 2,309,000         | \$ 2,226,000         | Yes               | 12/31/20X3                                         |
| ABC Fund 37                                                                                                         | 52-5599999 - .002       | Green                              | Yellow                 | No                                 | 3,342,000                 | 3,609,000            | 3,586,000            | No                | 12/31/20X2 to (a) 12/31/20X3                       |
| ABC Fund 40                                                                                                         | 92-3499999              | Yellow                             | Yellow                 | No                                 | 5,798,000                 | 6,435,000            | 6,374,000            | No                | 12/31/20X5                                         |
| ABC Fund 43                                                                                                         | 82-4299999              | Red                                | Red                    | Pending                            | 3,539,000                 | 3,234,000            | 3,218,000            | Yes               | 12/31/20X4                                         |
| ABC Fund 46 (b)                                                                                                     | 82-6899999              | Green                              | Green                  | No                                 | 778,000                   | 816,000              | 833,000              | No                | 12/31/20X3                                         |
| ABC Fund 49                                                                                                         | 52-6199999              | Yellow                             | Yellow                 | No                                 | 534,000                   | 547,000              | 491,000              | No                | 12/31/20X2                                         |
| ABC Fund 52                                                                                                         | 72-8599999 - .001       | Red                                | Green                  | Implemented                        | 1,345,000                 | 1,134,000            | 1,050,000            | No                | 12/31/20X5                                         |
| ABC Fund 55                                                                                                         | 82-2999999              | Green                              | Green                  | No                                 | 1,224,000                 | 1,046,000            | 1,151,000            | No                | 12/31/20X4                                         |
| <b>Plans for which plan financial information is not publicly available outside Entity A's financial statements</b> |                         |                                    |                        |                                    |                           |                      |                      |                   |                                                    |
| ABC Fund 61 (c)                                                                                                     | N/A                     | N/A                                | N/A                    | N/A                                | 418,000                   | 482,000              | 491,000              | N/A               | 12/31/20X2                                         |
| ABC Fund 73 (d)                                                                                                     | N/A                     | N/A                                | N/A                    | N/A                                | 1,872,000                 | 1,764,000            | 1,693,000            | N/A               | 12/31/20X2                                         |
| <b>Other funds</b>                                                                                                  |                         |                                    |                        |                                    | 147,000                   | 160,000              | 169,000              |                   |                                                    |
|                                                                                                                     |                         |                                    |                        | <b>Total contributions:</b>        | <u>\$ 20,884,000</u>      | <u>\$ 21,536,000</u> | <u>\$ 21,282,000</u> |                   |                                                    |

- (a) Entity A is party to two significant collective-bargaining agreements that require contributions to ABC Fund 37. Agreements D and E expire on 12/31/20X2, and 12/31/20X3, respectively. Of the two, Agreement D is more significant because 70 percent of Entity A's employee participants in ABC Fund 37 are covered by that agreement. Agreement E also is significant because its participants are involved in multiple projects that Entity A is scheduled to start in 20X4.
- (b) ABC Fund 46 utilized the special 30-year amortization rules provided by Public Law 111-192, Section 211 to amortize its losses from 2008. The plan recertified its zone status after using the amortization provisions of that law.
- (c) Plan information for ABC Fund 61 is not publicly available. ABC Fund 61 provides fixed, monthly retirement payments on the basis of the credits earned by the participating employees. To the extent that the plan is underfunded, the future contributions to the plan may increase and may be used to fund retirement benefits for employees related to other employers who have ceased operations. Entity A could be assessed a withdrawal liability in the event that it decides to cease participating in the plan. ABC Fund 61's financial statements for the years ended June 30, 20X0 and 20X9 indicated total assets of \$62,000,000 and \$51,000,000, respectively, total actuarial present value of accumulated plan benefits of \$120,000,000 and \$110,000,000, respectively, and total contributions for all participating employers of \$9,000,000 and \$8,000,000, respectively. The plan's financial statements for the plan years ended June 30, 20X0 and 20X9 indicate that the plan was less than 65 percent funded in both years.
- (d) Plan information for ABC Fund 73 is not publicly available. ABC Fund 73 provides fixed retirement payments on the basis of the credits earned by the participating employees. However, in the event that the plan is underfunded, the monthly benefit amount can be reduced by the trustees of the plan. Entity A is not responsible for the underfunded status of the plan because ABC Fund 73 operates in a jurisdiction that does not require withdrawing participants to pay a withdrawal liability or other penalty. Entity A is unable to provide additional quantitative information on the plan because Entity A is unable to obtain that information without undue cost and effort. The collective-bargaining agreement of ABC Fund 73 requires contributions on the basis of hours worked. The agreement also has a minimum contribution requirement of \$1,000,000 each year.

Entity A was listed in its plans' Forms 5500 as providing more than 5 percent of the total contributions for the following plans and plan years: **[For ease of readability, the table is not underlined as new text.]**

| <b>Pension Fund</b> | <b>Year Contributions to Plan Exceeded More Than 5 Percent of Total Contributions (as of December 31 of the Plan's Year-End)</b> |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------|
| ABC Fund 34         | 20X9 and 20X8                                                                                                                    |
| ABC Fund 43         | 20X8                                                                                                                             |
| ABC Fund 52         | 20X8                                                                                                                             |
| ABC Fund 61         | 20X9                                                                                                                             |

At the date the financial statements were issued, Forms 5500 were not available for the plan years ending in 20X0.

5. Add paragraph 715-80-65-1, and its related heading, as follows:

**> Transition Related to Accounting Standards Update No. 2011-09, Compensation—Retirement Benefits—Multiemployer Plans (Subtopic 715-80): Disclosures about an Employer's Participation in a Multiemployer Plan**

**715-80-65-1** The following represents the transition and effective date information related to Accounting Standards Update No. 2011-09, *Compensation—Retirement Benefits—Multiemployer Plans (Subtopic 715-80): Disclosures about an Employer's Participation in a Multiemployer Plan*:

- a. The pending content that links to this paragraph shall be applied in annual periods for fiscal years ending after December 15, 2011, except for **{add glossary link to 5<sup>th</sup> definition}nonpublic entities{add glossary link to 5<sup>th</sup> definition}**, which shall apply the pending content that links to this paragraph in annual periods for fiscal years ending after December 15, 2012.
- b. In the period of initial adoption, the reporting entity shall provide for comparative purposes for any previous periods presented the disclosures required by the pending content that links to this paragraph.
- c. Earlier application of the pending content that links to this paragraph is permitted.

## Amendments to Subtopic 715-30

6. Amend paragraphs 715-30-55-63 through 55-64, with a link to transition paragraph 715-80-65-1, as follows:

### **Compensation—Retirement Benefits—Defined Benefit Plans—Pension**

#### **Implementation Guidance and Illustrations**

##### **> > Multiemployer, Multiple-Employer, and Single-Employer Plans**

**715-30-55-62** Subtopic 715-80 provides guidance on multiemployer plans. Paragraph 715-30-35-70 provides guidance on **multiple-employer plans** that distinguishes multiemployer from multiple-employer plans and requires that multiple-employer plans be viewed as in-substance aggregations of **single-employer plans**. The following example illustrates the guidance in that paragraph.

**715-30-55-63** Assume a not-for-profit entity (NFP) has a defined benefit pension plan that covers employees at the national and all local chapters and each chapter is required to contribute to the pension plan based on a predetermined formula (for example, on a percentage-of-salary basis), plan assets are not segregated or restricted on a chapter-by-chapter basis, and if a chapter withdraws from the pension plan, the pension obligations for its employees are retained by the pension plan as opposed to being allocated to the withdrawing chapter. This arrangement should be accounted for as a single-employer pension plan in the NFP's consolidated financial statements. However, in each chapter's separate financial statements the arrangement should be accounted for as a multiemployer pension plan. It is unclear how an allocation of net periodic pension cost or the overfunded or underfunded status of the defined benefit pension plan would be made if each chapter were to view its respective participation as a single-employer pension plan because the assets are not segregated or restricted by chapter and obligations are not assumed by a withdrawing chapter. Accounting for the pension plan as a multiemployer pension plan requires that a chapter's contribution for the period (in this example, the amount required to be contributed to the pension plan based on a percentage of its employees' salaries) be recognized as net periodic pension cost. A liability would be recognized for any contributions due and unpaid. The disclosures required by Section 715-80-50 do not apply in this situation. Instead, each chapter should provide the disclosures required by paragraph 715-80-50-4disclose the name of the plan in which it participates and the amount of contributions it made in each annual period for which a statement of income (statement of activities for {add glossary link to 5th definition}nonpublic

entities{add glossary link to 5th definition}) is presented, as well as any related-party disclosures required by Subtopic 850-10.

**715-30-55-64** The conclusions in the preceding paragraph would also be true in a similar parent-subsidiary arrangement if the subsidiaries issue separate financial statements. In a similar arrangement, each subsidiary should account for its participation in the overall single-employer pension plan as a participation in a multiemployer pension plan. The disclosures required by Section 715-80-50 do not apply in this situation. Instead, each subsidiary should disclose the name of the plan in which it participates and the amount of contributions the subsidiary made in each period for which a statement of income or statement of activities is presented. The parent entity should, of course, account for the pension plan as a single-employer pension plan in its consolidated financial statements.

7. Amend paragraph 715-80-00-1 as follows:

**715-80-00-1** ~~No updates have been made to this subtopic.~~The following table identifies the changes made to this Subtopic.

| <b>Paragraph Number</b>                     | <b>Action</b> | <b>Accounting Standards Update</b> | <b>Date</b> |
|---------------------------------------------|---------------|------------------------------------|-------------|
| Nonpublic Entity                            | Added         | 2011-09                            | 09/21/2011  |
| Pension Benefits                            | Added         | 2011-09                            | 09/21/2011  |
| Postretirement Benefits Other Than Pensions | Added         | 2011-09                            | 09/21/2011  |
| Single-Employer Plan                        | Added         | 2011-09                            | 09/21/2011  |
| 715-80-50-1                                 | Superseded    | 2011-09                            | 09/21/2011  |
| 715-80-50-2                                 | Amended       | 2011-09                            | 09/21/2011  |
| 715-80-50-3 through 50-11                   | Added         | 2011-09                            | 09/21/2011  |
| 715-80-55-6 through 55-8                    | Added         | 2011-09                            | 09/21/2011  |
| 715-80-65-1                                 | Added         | 2011-09                            | 09/21/2011  |

8. Amend paragraph 715-30-00-1 as follows:

**715-30-00-1** ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

| Paragraph Number | Action  | Accounting Standards Update | Date       |
|------------------|---------|-----------------------------|------------|
| 715-30-55-63     | Amended | 2011-09                     | 09/21/2011 |
| 715-30-55-64     | Amended | 2011-09                     | 09/21/2011 |

*The amendments in this Update were adopted by the affirmative vote of five members of the Financial Accounting Standards Board. Messrs. Linsmeier and Schroeder dissented.*

Messrs. Linsmeier and Schroeder dissent from the issuance of this Accounting Standards Update because they believe that the required disclosures do not provide, in a cost-effective manner, decision-useful information to users (including current and potential investors, lenders, and other creditors). Chapter 3 of FASB Concepts Statement No. 8, *Conceptual Framework for Financial Reporting*, establishes the qualitative characteristics of decision-useful financial information, including “relevance” (see paragraphs QC6 through QC10) and “faithful representation” (see paragraphs QC12 through QC16). For financial information to be relevant (that is, “capable of making a difference in the decisions made by users”), it must have “predictive value, confirmatory value, or both.” Financial information has predictive value if it can be used as an input to processes employed by users to predict future outcomes and it has confirmatory value if it provides feedback about previous evaluations. Additionally, to be useful, financial information “must faithfully represent the phenomena that it purports to represent,” which, among other things, requires that the information be complete. “A complete depiction includes all information necessary for a user to understand the phenomenon being depicted. . . .”

Messrs. Linsmeier and Schroeder agree with the majority that the amendments in this Update will point users in the direction of significant data about significant multiemployer plans that are not contained within the entity’s financial statements. However, as more fully discussed below, they believe that the Update’s amendments do not provide users with sufficient financial information with predictive or confirmatory value to assess the effect that multiemployer pension plans, individually or collectively, may have on an entity’s future cash flows and, consequently, on future operating results.

To gain such understanding, Messrs. Linsmeier and Schroeder believe that users would benefit from additional information on the proportion of total employee compensation paid to participants in multiemployer pension plans over time, which may be affected by the underfunded or overfunded status of the plan, and the entity's relative proportion of the total contributions to multiemployer plans. They believe that contributions are a significant component of compensation costs (and cash flow) that can vary over time based on the degree to which a plan is underfunded. Absent being provided with the entity's estimate of its liability associated with underfunded plans, users attempting to assess the potential future cash flow implications relating to an employer's participation in a multiemployer pension plan must be able at an entity level to analyze changes over time in the various relationships between the required disclosures (such as contributions, changes in funding status of plans, and when new collective-bargaining agreements go into effect) and the additional suggested information.

Messrs. Linsmeier and Schroeder believe that financial information on which such analyses can be performed would meet the relevance and faithful representation criteria and, therefore, are important to users seeking to assess the prospects for future net cash inflows to an entity. Such entity-level analysis could lead users to the more timely identification of potential issues that may arise from underfunded plans and to ask more informed questions about those plans and the potential consequences to the future operations of the entity.

Messrs. Linsmeier and Schroeder recognize that cost is a pervasive constraint on the information that can be provided by financial reporting. They further acknowledge that reporting financial information imposes costs, and it is important that those costs are justified by the benefits of reporting that information.

While Messrs. Linsmeier and Schroeder believe that the amendments impose minimal costs on preparers, they believe that a significant, unwarranted cost burden remains on users to gather, analyze, and interpret a large quantity of data in an effort to assess the potential net cash flow implications of an entity's participation in underfunded plans. They also note that for every preparer there are multiple users, each incurring costs that could have been borne once by the preparer, especially when some of the additional data are publicly available in Form 5500 issued by the multiemployer pension plan. They believe that if the minimal additional disclosures noted above had been included in the amendments, the cost burden that will be borne by users would have been reduced and decision-useful information would have been enhanced. They also believe that if the inclusion of such information raises issues with audit costs, then the information could have been included in the disclosures and identified as unaudited.

*Members of the Financial Accounting Standards Board:*

Leslie F. Seidman, *Chairman*

Daryl E. Buck

Russell G. Golden

Thomas J. Linsmeier

R. Harold Schroeder

Marc A. Siegel

Lawrence W. Smith

## Background Information and Basis for Conclusions

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BC1. The following summarizes the Board's considerations in reaching the conclusions in this Update. It includes reasons for accepting certain approaches and rejecting others. Individual Board members gave greater weight to some factors than to others.

### Background Information

BC2. The recent economic crisis exposed participating employers in multiemployer plans to increased risks because of increased levels of underfunding and financial struggles of other participating employers. A number of stakeholders, primarily users of financial statements, recommended that the Board require additional disclosures about an employer's participation in a multiemployer plan to increase awareness of the commitments and risks involved with participating in that type of plan. The current disclosure requirements are limited to disclosure of the current contributions to multiemployer plans.

BC3. In its basis for conclusions in FASB Statement No. 87, *Employers' Accounting for Pensions*, the Board concluded that there were substantive differences between a multiemployer plan and a single-employer plan. Consistent with that view, the Board decided to issue a disclosure standard rather than a recognition or measurement standard relating to multiemployer plans. The Board considered the following unique characteristics of multiemployer plans:

- a. Multiemployer plans are cost-sharing plans subject to collective-bargaining agreements.
- b. Employers may have difficulty obtaining timely information from the plans.
- c. The regulatory requirements for multiemployer pension plans vary across different industries and regulatory zones.

### Disclosure about an Employer's Participation in a Multiemployer Plan That Provides Pension Benefits

BC4. The objective of the amendments in this Update is to enhance the transparency of disclosures about an employer's level of participation and commitments arising from its participation in a multiemployer plan.

BC5. In September 2010, the Board issued an Exposure Draft of proposed Accounting Standards Update, *Compensation—Retirement Benefits—*

*Multiemployer Plans (Subtopic 715-80): Disclosure about an Employer's Participation in a Multiemployer Plan.* The Board received more than 300 comment letters on the Exposure Draft. In addition to that feedback, Board members and staff met with representatives from industries for which multiemployer plans are common. Board members and staff also met with users of financial statements. The Board considered the feedback it received in its redeliberations.

BC6. When the Board issued the proposed Update, it believed that the details of any deficit or surplus allocation on windup and the withdrawal liability should be provided as a proxy for an employer's share of the funded status of the plan (although often those details will be available only for a period before the reporting date of the employer). Many stakeholders were opposed to the proposed guidance to disclose the employer's withdrawal liability and noted that while the amount of the liability is available upon request, it would be costly to obtain from the trustees of the plan. Stakeholders also noted that quantifying an employer's withdrawal liability would not be an appropriate proxy for its proportional share of the unfunded status of the plan because the withdrawal liability is paid over time and is subject to legal constraints that limit the total amount of required payments. In addition, employers in some industries are able to stop contributing to a multiemployer plan without incurring a withdrawal liability. Lastly, because of these last two factors an estimate of the withdrawal liability may not represent the amount that an employer would actually pay in the event of withdrawal because the amount is often negotiated, resulting in a payment different from the one that would be required by the plan's formula. Because of these costs and concerns, the Board decided not to require the disclosure of an employer's withdrawal liability in situations in which a withdrawal was not at least reasonably possible. Also, the Board did not change the guidance in Topic 450 that requires recognition, measurement, and/or disclosure of a withdrawal liability if withdrawal from a multiemployer plan requires a payment that is probable or reasonably possible.

BC7. In its redeliberations, the Board considered other proxies for the employer's proportional share of the underfunded status of the plan. Some users of financial information indicated that they multiply the funded status of the plan by the percentage of the employer's contribution of the total contributions received from all participating employers to the plan to estimate an employer's share of the underfunded status of the plan. The Board considered prescribing such a calculation; however, it decided against doing so because in certain situations the ratio of an employer's contributions to the total contributions to the plan may be very volatile and may not represent the employer's potential obligations to the plan. The Board was concerned that any prescribed methodology it could provide for calculating an employer's share of the unfunded status of the plan may not result in a reliable or representative number. The Board considered allowing an employer to consider its unique facts and circumstance to develop its own estimate of its proportional share of the

underfunded status of the plan and have the employer describe the basis of its estimate. However, the Board decided not to follow this approach because such a disclosure could be viewed as prejudicial and could affect the results of future bargaining related to the plans.

BC8. Because none of the approaches were deemed sufficiently satisfactory for providing a representative level of an employer's proportional share of the underfunded status of the plan in a cost-effective manner, the Board decided not to require such a disclosure.

BC9. The Board considered requiring disclosure of a plan's assets and liabilities and the total contributions received by the plan. This disclosure would have allowed users of financial information who were inclined to use the funded status of the plan and the ratio of the employer's contribution to the total contributions received from all participating employers of the plan to estimate an employer's share of the underfunded status of the plan without having to access this information in Form 5500. However, stakeholders expressed concern about whether such a disclosure could be audited by an employer's auditor. An employer's auditor would need to perform procedures to obtain evidence about the reliability of the reported numbers. However, the plan's auditor may not yet have issued an opinion on some of these amounts. Therefore, an employer's auditor would be required to perform additional procedures on the plan level information to obtain evidence related to those disclosures. The employer's auditor may not be able to access such information or have the cooperation of the plan to obtain evidence corroborating the reported results. Even if the auditor did have access to the required evidence and the plan's cooperation, the additional audit procedures could be costly and the benefit of providing this information would be reduced by the fact that the information provided would be out of date. Investors indicated that even if an employer disclosed this high-level plan information, they would still seek more up-to-date financial information about the plan's financial health from information outside the employer's financial statements (the plan's Form 5500).

BC10. The Board considered allowing the high-level plan information to be provided on an unaudited basis. However, the Board members concluded that combining audited and unaudited information in a tabular disclosure would have been inappropriate. The Board decided that the use of unaudited information in financial statements should be considered in the broader disclosure framework project rather than on a project-by-project basis.

BC11. The Board then focused on providing users with more detailed information about an employer's involvement in multiemployer pension plans, including providing the following information:

- a. The significant multiemployer plans in which an employer participates, including the plan names and identifying number(s)
- b. The level of an employer's participation in the significant multiemployer plans, including the employer's contributions made to the plans, and an

indication of whether the employer's contributions represented more than 5 percent of the total contributions made to the plan by all contributing employers

- c. The financial health of the significant plans, including the zone status, whether funding improvement plans are pending or implemented, and whether the plan has imposed surcharges on the contributions to the plan
- d. The nature of the employer's commitments to the plan, including when the collective-bargaining agreements that require contributions to the significant plans are set to expire and whether those agreements require that minimum contributions be made to the plans.

BC12. The Board decided to require the plan names and identifying number(s) to assist users of financial information in obtaining additional information available outside the financial statements, such as the plan's annual report (Form 5500).

BC13. The Board decided that an employer should disclose the contributions it made to the plans and provide an indication of whether the employer's contribution to each plan represented more than 5 percent of the total contributions made to the plan by all contributing employers. This information will assist users of financial information in evaluating the significance of the individual plans in which the employer participates and in deciding whether further information about the plans should be obtained by accessing their annual reports (Forms 5500).

BC14. The Board decided to require information about the financial health of the significant plans to provide users of financial information with additional information to consider. Users told the Board that they would be most interested in plans that are significantly underfunded. The Board considered plan information available to the employers from other sources and decided to require disclosure of the zone status, whether funding improvement plans are pending or implemented, and whether the plan has imposed surcharges on the contributions to the plan. A plan's certified zone status, as currently defined by the Pension Protection Act of 2006, is a color-coded designation based on the funded status of the plan. If the zone status is unavailable for plans outside the jurisdiction of the Act, the Board decided to require comparable information about the funded status of the plan. Additionally, whether a plan has a funding improvement plan or a rehabilitation plan pending or implemented provides insight into the actions the plan's trustees are taking to improve the financial health of the plan and may affect the amount of future contributions from the employer. Lastly, whether the plan is assessing surcharges may provide insight into the status of the negotiations between the employer and the plan with respect to funding improvements and also may affect the amount of future contributions from the employer.

BC15. The Board decided to require disclosure of the nature of the employer's commitments to the plan, including when the collective-bargaining agreements that require contributions to the significant plans are set to expire and whether those agreements require minimum contributions be made to the plans. The expiration date(s) of the collective-bargaining agreement or agreements that govern contributions to the multiemployer plan will provide users of financial information with an indication of when the employer's commitments may change in the future. Additionally, the Board decided to require a qualitative disclosure for situations in which multiple collective-bargaining agreements require contributions to a plan; this qualitative disclosure is intended to provide additional information about the importance of the agreements. Lastly, if the collective-bargaining agreements require minimum contributions that do not fluctuate with the volume of labor units, then users of financial information would consider the fixed commitments differently than variable commitments to these plans.

BC16. To assist users of financial information in understanding these different risks, the Board decided that an employer that participates in a multiemployer plan that provides pension benefits should provide a general disclosure that describes the multiemployer plans and the major differences in the risks of participating in a multiemployer plan versus a single-employer plan.

BC17. The disclosures in this Update are required on an annual basis. However, under certain circumstances, Topic 270, Interim Reporting, may require employers to disclose additional information if significant changes occur in the interim periods.

BC18. The Board considered requiring disclosure of unit-level information, such as the rate of contributions or the amount of full-time equivalent employees, to provide users of financial information with additional data points with which to analyze the contributions. However, different classes of employees often have different rates of contributions, making disclosures of the rates cumbersome and disclosure of full-time equivalents an unreliable point for analysis.

BC19. The Board also considered requiring disclosure of the total wages paid to employees covered by multiemployer pension plans and the total wages paid to all employees. This disclosure would have provided users of financial information with additional data points with which also to analyze the contributions. However, wages and contributions to these plans are only two parts of the total compensation and benefits package for the employees covered by these plans. Often the compensation and benefits are negotiated based on the total cost of the package and then allocated to the various components. Therefore, comparing two components may be of limited benefit in analyzing an employer's cost structure. Additionally, obtaining this information both for covered employees and in total could be costly, particularly for employers that track their information on a project-by-project basis and do not have integrated systems to track this information across projects and divisions. The Board decided not to require this

disclosure because the costs to prepare the required information outweigh the potential benefits.

BC20. In the proposed Update, the new disclosure guidance would have applied to all multiemployer plans, including those providing pension benefits and those providing postretirement benefits other than pensions. Many stakeholders noted that the proposed disclosures would not have been operational for multiemployer plans that provide other postretirement benefits because those plans often combine current benefits for active employees with retirement benefits and allocating the contributions for each type would not be possible. During its outreach efforts, the Board learned that users of financial information were primarily concerned about the lack of transparency in disclosures of multiemployer plans that provide pension benefits. Some users noted that the nature of the obligations to plans that provide other postretirement benefits is different from those that provide pension benefits because other postretirement benefit plans do not impose a withdrawal liability on employers exiting the plans and because the benefits in these plans do not vest. Based on the total mix of the feedback received from stakeholders, the Board decided not to require the same disclosures for multiemployer plans that provide other postretirement benefits that it is requiring for multiemployer plans that provide pension benefits. The Board decided to clarify that the disclosure for multiemployer plans that provide other postretirement benefits should include information about the types of benefits provided and the types of employees that are covered by these benefits. The Board concluded that this information will help stakeholders better understand the employers' participation in these plans without placing an undue burden on employers.

BC21. Under current U.S. GAAP, subsidiaries that participate in their parent entity's single-employer defined benefit pension plan and local chapters of not-for-profit entities that participate in their national organization's defined benefit pension plan have accounted for and disclosed their participation in such plans as multiemployer plans. Some of the disclosures required by the amendments in this Update are less relevant in these situations. The Board noted that stakeholders have not cited a lack of information about the subsidiaries' and not-for-profit chapters' involvement with these plans that would warrant significant changes to the historical disclosures. The Board amended the disclosure requirements for subsidiaries that participate in their parent entity's single-employer defined benefit pension plan and for local chapters of not-for-profit entities that participate in their national organization's defined benefit pension plan. These subsidiaries and not-for-profit chapters are only required to disclose the name of the parent plan and the amount of contributions made to the plan in each annual period for which an income statement is presented.

BC22. The Board acknowledges that sometimes only limited information may be available to a participating employer. Also, the Board acknowledges that some information only is available on a delayed basis and that some foreign multiemployer plans may not be subject to the same or similar reporting

requirements as the multiemployer plans in the United States. Users told the Board that limited or delayed information is better than no information. The Board considered these circumstances and provided guidance for these situations that will allow an employer to comply with the requirements and also provide users of financial information with as much relevant information as the employer has available, including how the risks associated with foreign plans may be different from plans traditionally found in the United States.

BC23. The IASB issued amendments to IAS 19, *Employee Benefits*, on June 16, 2011, which should be retrospectively applied in annual periods beginning on or after January 1, 2013. Among other provisions, the IASB's amendments enhance the disclosures about an employer's participation in a multiemployer plan. The FASB's amendments in this Update are similar, but not identical, to the IASB's guidance. The Board decided that the differences, which primarily relate to the use of information and terminology that is common in U.S. plans (for example, the certified zone status) and the greater level of specificity in the FASB's disclosure requirements, would reduce the cost of compliance and enhance the quality and consistency of the information provided by the disclosures.

## Effective Date and Transition

BC24. The Board decided that the amendments in this Update should be effective for public entities for fiscal years ending after December 15, 2011. The Board deferred the effective date for nonpublic entities for one year because unlike public entities, nonpublic entities typically lack the resources needed to implement the requirements quickly. An extra year will allow nonpublic entities enough time to reallocate resources to comply with the new requirements. The Board concluded that it is important that the enhanced disclosures be made soon and that it is feasible for public entities to begin providing the information for fiscal years ending after December 15, 2011.

BC25. The Board decided that the amendments should be required for earlier periods that are presented for comparative purposes because the required information is accessible by entities and the comparability would significantly enhance the benefits of disclosures for users of financial statements.

BC26. The Board is permitting early application of the amendments. If entities are willing and able to provide the required information before the effective date, users should benefit from the disclosures.

## Benefits and Costs

BC27. The objective of financial reporting is to provide information that is useful to present and potential investors, creditors, donors, and other capital market

participants in making rational investment, credit, and similar resource allocation decisions. However, the benefits of providing information for that purpose should justify the related costs. Although the costs to implement new guidance are borne primarily by present investors, present and potential investors, creditors, donors, and other users of financial information benefit from improvements in financial reporting. The Board's assessment of the costs and benefits of issuing new guidance is unavoidably more qualitative than quantitative because there is no method to objectively measure the costs to implement new guidance or to quantify the value of improved information in financial statements.

BC28. The Board considered the balance between the costs borne by the employers associated with preparing the information in financial statements and the costs borne by users of financial information associated with obtaining and analyzing information outside the financial statements in Forms 5500. The Board was unable to develop a proxy for the potential withdrawal liability that would be appropriate in all circumstances. The Board also became aware that users would usually seek additional information in Forms 5500 to supplement any summary disclosure of potential exposure. The Board decided to require a disclosure that clearly identifies which plans are underfunded and makes it easier for users to locate additional information. The Board also concluded that the amendments in this Update present a significant improvement to disclosures about an employer's participation in a multiemployer plan. The amendments will provide users of financial statements with enhanced information about an employer's participation in a multiemployer plan, for which minimal disclosures currently exist. The Board concluded that this information will make financial statements more transparent and comparable.

## Amendments to the XBRL Taxonomy

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Details about changes to the U.S. GAAP Financial Reporting Taxonomy (UGT) that result from the amendments to the *FASB Accounting Standards Codification*<sup>®</sup> in this Update are available on the FASB's website on the [ASU Taxonomy Changes](#) page.<sup>1</sup> The FASB will make the following documentation available approximately 30 days after the issuance date of this Update:

1. A separate taxonomy change published in the FASB Taxonomy Online Review and Comment System detailing the changes that will be made to the 2011 UGT arising from the *FASB Accounting Standards Codification*<sup>®</sup> (as part of the process for issuing the Update)
2. A human-readable XBRL document that exercises the element changes to the taxonomy change and illustrates how those changes may be used to tag the disclosures
3. Release notes that provide a narrative about the changes made to the taxonomy change and how those changes relate to amendments to the *FASB Accounting Standards Codification*<sup>®</sup>. Release notes also provide quantitative information about the changes made to the taxonomy.

<sup>1</sup>The absolute hyperlink is provided below:

<https://www.fasb.org/cs/ContentServer?site=FASB&C=Page&pagename=FASB%2FPPage%2FSectionPage&cid=1176158584096>.