

Accounting Standards Update (ASU) 2011-09

Disclosures about an Employer's Participation in a Multiemployer Plan

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ASU 2011-09 was issued by the Financial Accounting Standards Board (FASB) to address concerns from users regarding the lack of transparency of financial statement disclosures regarding an employer's participation in a multiemployer pension plan. Multiemployer plans are unique in that the assets of one employer may be used to provide benefits to other participating employers' employees. As such, if one participating employer defaults on its obligations, the unfunded obligations of the plan may become the responsibility of the remaining participating employers. Currently, disclosures under U.S. GAAP are primarily limited to the historical contributions under the plan and do not provide users with the information needed to assess the inherent risk of participating in a multiemployer pension plan.

Under the new guidance, additional disclosures will help assist users in assessing the potential future cash flow implications related to the employer's participation in a multiemployer plan (the plan) and will increase awareness in regards to the employer's commitment to the plan. Additional quantitative and qualitative disclosures required by the amendments of this Update include the following:

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

Using the Employer Identification Number, the plan name, and (if applicable) the plan number, users of the financial statements would then be able to obtain additional public information regarding the plan from sources such as the plan's annual report (Form 5500). However, for plans in which users are unable to obtain additional public information outside of the financial statements, this Update requires additional disclosures to be made. The additional disclosures required include a description of the nature of the plan benefits, 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, and other quantitative information to help users understand the financial information about the plan.

Although the majority of the amendments in this Update apply only to multiemployer pension plans as detailed above, there are also amendments contained within the Update that require changes in the disclosures for multiemployer plans that provide postretirement benefits other than pensions. These changes include disclosure of the nature of benefits and types of employees covered by these benefits in addition to changes in the disclosures regarding items that affect the comparability of total employer contributions from period to period.

For public entities, this Update is effective for annual periods for fiscal years ending after December 15, 2011. For non-public entities¹, this Update is effective for annual periods for fiscal years ending after December 15, 2012. Early adoption is permitted.

¹ A nonpublic entity is one that does *not* meet any of the following conditions:

- a) Its debt or equity securities trade in a public market either on a stock exchange (domestic or foreign) or in an 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) It files with a regulatory agency in preparation for the sale of any class of debt or equity securities in a public market.
- d) It is required to file or furnish financial statements with the Securities and Exchange Commission.
- e) It is controlled by an entity covered in criteria (a) through (d).

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