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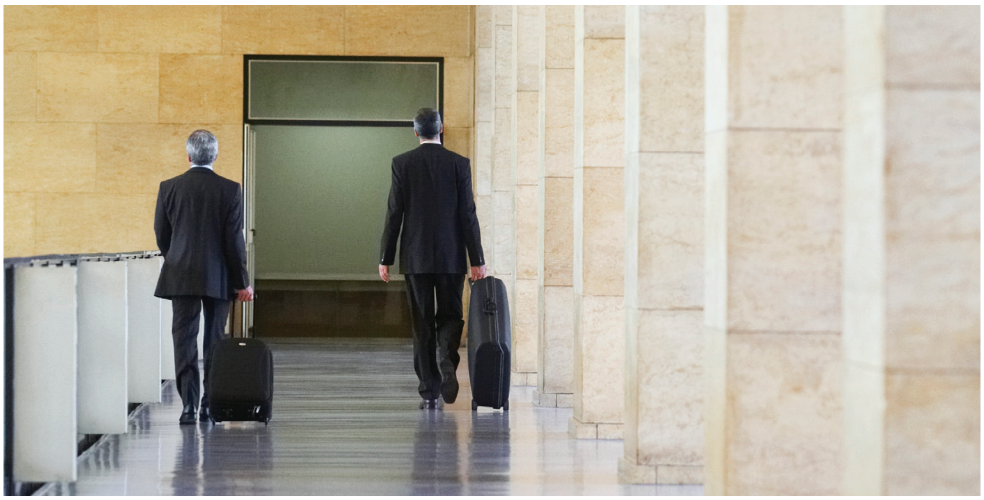
THE NEWSLETTER FROM BDO'S NATIONAL ASSURANCE PRACTICE

BDO KNOWS: MULTIEMPLOYER PENSION PLANS



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SUMMARY

FASB ASU 2011-09[1] requires additional quantitative and qualitative disclosures about an employer's participation in a multiemployer defined benefit pension plan. One of the main characteristics of a multiemployer pension plan is that the assets contributed by one employer may be used to pay benefits to employees of other participating employers. In the past, the disclosures available to a user of an employer's financial statements about multiemployer pension plans were limited to historic contributions. The FASB added the multiemployer plan project to its agenda in response to financial statement user concerns that companies participating in multiemployer plans are not required to provide the information users considered necessary to determine the company's obligation to these often underfunded plans.

Users generally supported the FASB's Exposure Draft (ED) that would have required a company to disclose its withdrawal liability for each of the multiemployer plans in which it participates. Many companies did not agree with the ED and argued in their comment letters that disclosure of the withdrawal liability would not be an appropriate representation of a company's unfunded share of a multiemployer plan. Further, many companies contended that this information is costly to obtain from the trustees of a multiemployer plan. Ultimately, the Board decided not to require employers that participate in multiemployer plans to disclose withdrawal liabilities. However, the existing guidance for contingent losses continues to apply (ASC Topic 450). It requires the recognition of a withdrawal liability if withdrawal from a plan that requires a payment is considered probable, or footnote disclosure if the withdrawal is only considered reasonably possible.

This BDO Knows newsletter summarizes the disclosures required by the ASU. It also includes a sample disclosure and a sample request letter for employers to send to multiemployer plan trustees to request the information required for the new disclosures.

1 *Disclosures About an Employer's Participation in a Multiemployer Plan*

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DISCLOSURES

Although ASU 2011-09 does not change the recognition and measurement guidance for multiemployer pension plans, it does require employers that participate in multiemployer plans to disclose more detailed information for each individually significant plan than in the past, including:

- Identifying plan information (e.g., plan's legal name, EIN and plan number) to enable users to access additional information from a plan's public filing (e.g., Form 5500). If the plan does not have publicly available information, the ASU requires the employer to disclose qualitative and quantitative information about the plan.
- The employer's level of participation in the plan:
  - Contributions made to the plan for each period that a statement of operations is presented; and
  - Whether the contributions represent more than 5 percent of total contributions to the plan as indicated in the plan's most recently available Form 5500 or annual report and the year-end date of that report.
- The financial health of the plan:
  - The most recently available funded status as certified by the plan's actuary for each statement of financial position presented.
  - As of the end of the most recent year presented:
    - Whether a funding improvement plan or rehabilitation plan has been implemented or was pending; and
    - Whether a surcharge has been paid to the plan by the employer.
- The nature of the employer's commitments to the plan, including when the collective bargaining agreements that require contributions to the plan are set to expire and whether those agreements require that minimum contributions be made to the plan.

The ASU notes that factors other than the amount of the employer's contribution to a plan (e.g., the severity of the underfunded status of the plan) may need to be considered when determining whether a plan is significant.

When feasible, the ASU requires that employers present the above information in a table. Employers must also disclose:

- The total of contributions to plans that are not considered significant and the total contributions made to all plans for each period that a statement of operations is presented; and
- The nature and effect of any changes that would impact the comparability of information for each period an income statement is presented (e.g., business combination or divestiture, change in contracted contribution rate, change in number of covered employees, etc.)

A complete list of the new disclosure requirements is provided in ASC 715-80-50-3 through 50-10. An example footnote disclosure is provided in Appendix I.

The ASU also requires disclosing the amount of contributions to multiemployer plans that provide postretirement benefits *other than pensions* for each year an income statement is presented. Factors that affect comparability between periods such as business combinations, divestitures and changes to the contribution rate or the number of covered employees must also be disclosed. The FASB settled on a narrower set of disclosures for these plans because it concluded they are significantly different than pensions.

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EFFECTIVE DATE AND TRANSITION

The disclosures required by the ASU are effective for public companies that participate in multiemployer defined benefit pension plans for annual periods in fiscal years ending after December 15, 2011. Non-public entities have an additional year to prepare and must comply with the expanded disclosures for annual periods for fiscal years ending after December 15, 2012. In the year of initial adoption, the new disclosures are required for any previous periods presented. Early adoption is permitted.

We recommend that calendar year-end public companies that have not yet begun the information gathering process for their multiemployer defined benefit pension plan disclosures begin now. To meet your reporting deadlines, we recommend that you follow-up with your plan administrators by telephone. We have developed a request template which is included in Appendix II to assist with the process.

CONTACT:

If you would like further information or to discuss the implications of the matters discussed in this newsletter, please contact the BDO engagement partner serving you or one of the following BDO directors:

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APPENDIX I

SAMPLE DISCLOSURE FROM ASU 2011-09[2]

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.

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.

		Pension Protection Act Zone Status			Contributions of Entity A				
Pension Fund	EIN/Pension Plan Number	20X0	20X9	FIP/RP Status Pending/ Implemented	20X0	20X9	20X8	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
ABC Fund 34	32-1899999	Red as of 9/30/20X9	Yellow as of 9/30/20X8	Yes	1,883,000	2,309,000	2,226,000	Yes	12/31/20X3
ASB Fund 37	52-5599999-002	Green	Yellow	No	3,342,000	3,609,000	3,586,000	No	12/31/20X2[(a)] to 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	12/31/20X5
ABC Fund 49	52-6199999	Yellow	Yellow	No	534,000	547,000	491,000	No	12/31/20X4
ABC Fund 52	72-8599999-001	Red	Green	Implemented	1,349,000	1,134,000	1,050,000	No	12/31/20X2
ABC Fund 55	82-2999999	Green	Green	No	1,224,000	1,046,000	1,151,000	No	12/31/20X5
Plans for which plan financial information is not publicly available outside Entity A's financial statements									
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
Other Funds					147,000	160,000	169,000		
					20,884,000	21,536,000	21,282,000		

2 Note: The example in Appendix I has been reproduced from ASU 2011-09.

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APPENDIX I

SAMPLE DISCLOSURE FROM ASU 2011-09 (continued)

(a) Entity 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 20X8. 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:

Pension Fund	Year Contributions to Plan Exceeded More Than 5 Percent of Total Contributions (as of December 31 of the Plan's Year-End)
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 December 31, 20X0.

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APPENDIX II

INFORMATION REQUEST LETTER TEMPLATE

ASU 2011-09, Disclosures about an Employer's Participation in a Multiemployer Plan

[Date]

[Multiemployer Plan Fund]
[Multiemployer Fund Administrator Name & Address]

[Salutation]:
In connection with the preparation and audit of our financial statements as of [insert date], we are requesting certain information required in connection with our participation in the [insert multiemployer plan name] under Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2011-09, *Disclosures about an Employer's Participation in a Multiemployer Plan*. As a public company, we are required to implement the provisions of this ASU in our annual report expected to be filed with the Securities and Exchange Commission on or before [insert filing date]. Please provide the information requested in the table that follows.

We appreciate your assistance and look forward to receiving the information requested by [insert date].

Sincerely,

[Company Contact Name, Title]
[Company Name & Address]
[Company Contact E-mail Address]

Legal name of the pension plan			
Employer identification number (EIN) of the plan sponsor			
Plan number			
Date of most current annual report (Form 5500 for U.S. plans)			
Is the annual report filing publicly available? [3]		Circle One: **Yes** **No**	
Pension protection zone status certified by plan actuary **Please provide copy of most current funding notice**			
[insert year]	Circle One:	**Green** **Yellow** **Red**	
[insert year]	Circle One:	**Green** **Yellow** **Red**	
Is a funding improvement plan (FIP) or rehabilitation plan (RP) required to be implemented based upon the pension protection zone status?			
FIP		**RP**	
Circle One: **Yes** **No** Circle One (if applicable): **Implemented** **Pending**		Circle One: **Yes** **No** Circle One (if applicable): **Implemented** **Pending**	
Contributions			
Year	**Amount contributed by [insert company name]**	**Amount contributed by all participating employers**	**Surcharge imposed? Circle One:**
[insert year]	$	$	**Yes** **No**
[insert year]	$	$	**Yes** **No**
[insert year]	$	$	**Yes** **No**
Expiration date of collective bargaining agreement and description of any minimum funding commitments			

3 Where information is not publicly available, please provide details regarding the following: (1) a description of the nature of the plan's benefits, (2) 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 (3) quantitative information as of the most recent date available (e.g., total plan assets, actuarial present value of accumulated plan benefits, and total contributions received by the plan).