

Legislative Update

FASB Final Action on Pension Disclosure Rules Accepts MCAA Coalition Proposal

On July 27, FASB (the Financial Accounting Standards Board) approved a final rule that fully accepts the alternative disclosure table proposed by MCAA and our coalition partners. The final rule removes all the detrimental aspects of the original and subsequent proposed disclosures that would have presented severe financial, competitive, and market risks to our members, all of whom contribute to multiemployer plans.

Concluding over a year-long collaboration effort with FASB, MCAA and its coalition achieved a highly positive outcome that serves FASB's objective of enhancing disclosures and transparency about such plans, but does so in a way that also *protects* our industry from the serious negative collateral consequences that were posed in the original FASB proposal.

SIGNIFICANT ACHIEVEMENTS

The annual disclosure of withdrawal liability originally proposed by FASB was *removed* from the final standard. Likewise, the original proposal to add disclosures about funding liability for retiree health care coverage was *removed* from the proposal. Moreover, the other overbroad 17-points of "qualitative" information that are not included in our alternative disclosure table were *significantly pared back* to only a few points of general notes.

HISTORIC COMPROMISE WITH FASB

After establishing a professional, collaborative and interest-based relationship with FASB in an initial face-to-face meeting in October 2010 at FASB in Norwalk, CT, the MCAA coalition's advisory group (Larry Beebe, Bond Beebe, CPA; Cary Franklin, Horizon Actuarial Services; Jim Estabrook, Lindabury, McCormick; Dick Sawhill, ARCA/MCA; Bob Lake, Mesa Energy Services; Bob Pruger, Rudolph Libbe; David Lomax, Liberty Mutual Surety; MaryAnn

Lawrence, Key Bank; Eric Wallace, AGC; Dana Thompson, SMACNA; and John McNerney, MCAA) took the responsibility to test pilot the original proposal to demonstrate its cost, complexity and overall infeasibility.

Upon gaining FASB's interest in the test pilot program and a subsequent meeting to discuss the results, the coalition advisory panel presented the results to FASB at its headquarters in March. At that meeting, MCAA and its coalition, led by Richard J. Sawhill, executive vice president of ARCA/MCA, presented a *compromise disclosure table* that was *adopted* as the basic outcome of the FASB deliberations.

At the March meeting, MCAA and its coalition also presented surety and financial credit users' backing (including the National Association of Surety Bond Producers, the Surety and Fidelity Association of America, Key Bank and Amalgamated Bank) for the compromise disclosure table that became instrumental in reaching the overall positive result. Throughout the process, MCAA and its coalition partners, including SMACNA, NECA and others, also gained written support for our disclosure compromise from key members of Congress and Administration officials.

LATE-STAGE DETRIMENTAL ADD-ONS TURNED BACK

Having gained tentative adoption of our compromise disclosure table by FASB at its May Board meeting, FASB nevertheless still persisted in attempts to add disclosures to our compromise table that had some or all of the negative aspects of the original proposal, such as:

- Disclosure of maximum annual payments in the event of withdrawal (irrespective of whether such withdrawal was likely) from an underfunded plan;

- The employer's proportionate share of all contributions to the plan; and
- The contributing company's proportionate share of plan underfunding.

In subsequent conference calls and written correspondence with FASB, our coalition was again successful in gaining FASB's *withdrawal* of these late entry proposed add-ons as well.

THE BOTTOM LINE FOR OUR INDUSTRY

The FASB multiemployer pension plan disclosure initiative has been *concluded successfully* for the industry and for FASB, with a negotiated result that achieves the aims of both groups. Through it all, FASB principals and our coalition advisory panel operated in collaborative good faith efforts that hammered out a mutually satisfactory result. The disclosure table that FASB has adopted compiles *publicly available* information in a footnote table that is *readily available* from reports filed by plans with contributing employers, yet is still a marked improvement in financial statement disclosures.

Contributing employers should *save* all plan notices and funding notices in a central location to have readily available for auditors to compile in the disclosure table to the financial statement—with *little time or expense* to employers in that audit process.

As of the July 27 FASB meeting, the disclosure requirements will *take effect* for publicly owned companies for annual periods ending after December 15, 2011, and December 15, 2012 for privately owned companies. FASB plans to begin drafting a final standard for publication by the end of September.

With this positive outcome, MCAA believes this disclosure matter to have been finally resolved for the foreseeable future. ■