Richard J. Schlueter
Vice President &
Chief Accounting Officer

8000 West Florissant Ave.
P.O. Box 4100
St. Louis, MO 63136-8506

T (314) 553 2327

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Russell Golden
Technical Director
File Reference No. 1860-100
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 1860-100, *Retirement Benefits - Disclosure about an Employer's Participation in a Multiemployer Plan*

We take this opportunity to comment on the proposed FASB update to ASC Subtopic 715-80, *Retirement Benefits - Disclosure about an Employer's Participation in a Multiemployer Plan*. Emerson is a diversified Fortune 100 global manufacturing company. Fundamentally, we believe that providing quantitative discussions of hypothetical multiemployer plan obligations will not be meaningful, and will likely be confusing for investors. Further, we believe detailed disclosures regarding multiemployer benefit plans should be limited to entities that use this multiemployer plans as their principle pension vehicle.

- It is impractical to disclose a hypothetical withdrawal liability when an entity has no immediate intent or requirement to withdraw from a plan. Additionally, it will be virtually impossible to provide meaningful "last man standing" disclosures regarding potential responsibility for other employers' obligations.

- Proper application of ASC 450, *Contingencies*, will generate disclosure of legitimately significant multi-employer plan obligations in the appropriate period (i.e., those meeting either the probable or reasonably possible thresholds), thereby eliminating the need for additional, "what-if" type disclosures.

- For companies with immaterial multiemployer plan participation, there is no demonstrated benefit to the incremental cost and administrative burden required to gather the requested disclosure information for financial statements users. Further, the availability of plan information is limited or unavailable, which could delay reporting to such a degree as to not be timely, and therefore not useful for annual reporting.

- Disclosing potential withdrawal liabilities while withdrawal is being negotiated or adjudicated could be prejudicial and entities should be excused from disclosure in certain circumstances.

Contingent Liabilities

Fundamentally, we do not support quantitative disclosure of obligations a company could potentially incur in remote and very narrowly-defined circumstances. Financial statement users are concerned about actual individual significant exposures that could have a severe impact on an entity. The present accounting and disclosure approach under ASC 450 of "remote, reasonably possible and probable" is well understood by investors and allows for appropriate disclosures based on experienced management and legal views. If an entity has genuinely material obligations stemming from multiemployer plans, they should of course be disclosed and the risk analyzed. Beyond that, disclosures of "what-if" scenarios are impractical and could be misleading.

In its Basis of Conclusions, the FASB states only that some stakeholders have asked for additional disclosures without providing information on who these stakeholders are or what circumstances led to these requests. Our concern is that a few limited occurrences involving companies with material multiemployer plan participation, perhaps triggered by the hardships of the recent economic downturn, have caused this significant expansion of disclosures. Experience has shown that numerous new disclosures are not a substitute for high-quality reporting of truly significant circumstances. Reporting a hypothetical liability when an entity has no immediate intent or requirement to withdraw from a multiemployer plan is conceptually unsound, potentially distorting and could be misconstrued as using debt capacity. Further, attempting to value these hypothetical liabilities will be speculative at best, because predicting the particular circumstances and timing regarding a currently unknowable liability is simply not possible.

Similarly, the requirement to disclose that a participating employer may ultimately have "last man standing" responsibility for other employers' obligations cannot be explained with enough context to make disclosure meaningful. There are multiple possible scenarios to consider and companies will have no insight into the future financial condition of other participating employers. We believe that instead the result will be compliance without information, and boilerplate reporting such as: *"Company X could be financially responsible for Plan obligations if all other employers participating in the Plan become insolvent. Company X considers the likelihood of this occurring to be remote."*

Last, given the nature of the proposed disclosures, we are concerned about a general lack of understanding among financial statement users regarding the FASB's motivation or intent for the proposed disclosures. The sudden appearance of disclosure regarding an obligation which will potential never come to fruition could be misconstrued as a genuine demand on cash flow in the near term, causing users to view an entity in a new and unfavorable light, but without justification.

Small-scale Multiemployer Participation

For many companies, multiemployer plan participation represents a very small percentage of its employees and therefore an inconsequential element of net periodic pension expense or funding demands. The proposal's one-size-fits-all approach at a single level of disclosure, without considering inconsequential participation, places an out-sized administrative and cost burden on companies with limited multiemployer participation. For these companies, the proposed disclosures fail any type of reasonable cost benefit analysis. We therefore suggest that if the Board moves forward, it should implement a materiality threshold that considers

relative expense and on-going funding requirements and excuse companies not meeting those thresholds from having to provide disclosures.

Relevance and Timeliness of Information

We do not see the requested information as particularly relevant, given it appears to have neither the *predictive* nor *confirmatory* attributes deemed necessary per the Board's conceptual literature. To argue that information on a hypothetical obligation has input value in a current analysis by a financial statement user is an overstatement. It also occurs to us that potential differences in employers' fiscal years and those of multiemployer plans, plus differing reporting deadlines under SEC and ERISA requirements, could dramatically affect the timeliness and therefore the utility of the information. A very real example would be current disclosures made using significantly time-lagged information that reflects a plan's status at the height of the economic crisis. Such lack of timeliness could paint an extremely adverse and untrue view of current plan circumstances.

Information about multiemployer plans can often be difficult to obtain and is frequently of low quality. The Proposal implies that having employees participate in a multiemployer plan equates to having insight into the detailed actuarial and accounting processes that support whatever plan reporting occurs. This is not necessarily the case as reporting is typically targeted toward general purpose information for plan participants and to meet Pension Protection Act or ERISA guidelines, not detailed statistical analysis. Also, the companies that have large-scale employee participation in multiemployer plans typically have representation, visibility and influence as Plan trustees which often provides them insight and data not available to other employers. For example, a company that has just a handful of employees participating in numerous large multiemployer plans would have extensive disclosure requirements under the Proposal but no influence or ability to gather detailed plan data in a timely fashion – especially information about other employers with liabilities. And in these circumstances, the likelihood of incurring an actual liability is remote at best.

Prejudicial Information

We do not agree that obligations that result from actions to withdraw from a multiemployer pension plan must be disclosed in all circumstances. If a company is considering withdrawing from a multiemployer plan it is likely the arrangement with the current plan is unsatisfactory in some way. Disclosing potential withdrawal liabilities, especially if negotiating or adjudicating a withdrawal, could be prejudicial and negatively affect an entity's ability to successfully withdraw from the plan without undue economic impact. We recommend that if multiemployer pension plans comprise only a small portion of a company's pension funding requirements, the company participates in numerous small multiemployers plans with individually insignificant funding demands, or the potential withdrawal liability does not meet materiality thresholds, the entity should not be required to disclose its intent to withdraw from a multiemployer plan or disclose the potential liability.

GAAP and IFRS Convergence

The FASB acknowledges that its proposed disclosures do not align with those in a similar IFRS draft document. We are concerned about creating additional GAAP versus IFRS differences and urge the FASB to not issue rules unless they enhance GAAP and IFRS convergence.

Conclusion

Reporting a liability when an entity has no immediate intent or requirement to withdraw from a multiemployer plan is potentially distorting and attempting to value such liabilities will be speculative at best. We are concerned about excessive time and cost burdens to prepare hypothetical disclosures about clearly remote possibilities, the disclosure of potentially prejudicial information in the event of actual or planned withdrawal from a multiemployer plan, and the potential for misunderstanding of the disclosures on the part of financial statement users. We question the relevance of most of the proposed disclosures, are concerned with the timeliness and therefore utility of stale-dated multiemployer plan information, and also about the ability to even obtain the information necessary for disclosure when an entity has only small-scale employee participation.

We believe instead that accounting and disclosure emphasis should be placed on those items that are likely to have a genuinely severe impact on an entity and, if necessary, more robust enforcement of the current disclosure rules in ASC 450. Materiality for these disclosures must be weighted against the size of the company (scaled to market capitalization, for example) and also against its degree of multiemployer plan participation to adequately convey truly material items. For items expected to have a material impact on the financial condition and future earnings potential of a company (i.e., will have a "severe impact"), we believe the materiality threshold should be amounts greater than 10% of current assets, consistent with SEC Rule S-K, Item 103. We strongly believe that after applying ASC 450 and Rule S-K, additional quantitative disclosures are not necessary. Burdensome statistical disclosures are not a substitute for high quality reporting of legitimate and material obligations.

We trust our views will be seriously considered in future deliberations on this subject.

Sincerely,

Richard J. Schlueter
Vice President and Chief Accounting Officer

C: Frank J. Dellaquila
Senior Vice President and Chief Financial Officer