General Motors

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LETTER OF COMMENT NO. 102

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
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File Reference No. 1025-300

Dear Mr. Herz:

General Motors Corporation would like to thank the Financial Accounting Standards Board (Board) for giving us the opportunity to comment on the Exposure Draft of the Proposed Statement of Financial Accounting Standards, *Employers' Accounting for Defined Benefit Pension and Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)* (ED). We would like to first indicate our agreement with the Board's position that the current accounting rules for these plans, and the resulting financial statement information, lack sufficient transparency as required by shareholders, creditors, and other users. We further agree that disclosing the plan's current funded position directly on the balance sheet, versus in the footnotes, will help address this issue.

Overall, we agree that clearer guidance around this topic will be helpful in achieving common reporting practices. However, we request that the Board strongly consider postponing the proposed effective date of this ED until year-end 2007 due to the challenges associated with implementation of the ED as currently drafted. We view the main implementation challenge to be the requirement to conform the measurement date to an employer's year-end, which will require the actuarial processes to be performed in a compressed time frame, and will result in reduced time for management review and other corporate governance processes. Therefore, a one-year delay will allow companies adequate time to properly prepare to implement the change, as well as allow the Board time to address the correct liability measures as discussed below.

With respect to the ED, we have the following specific feedback:

<u>Projected Benefit Obligation (PBO) versus Accumulated Benefit Obligation (ABO)</u>

We view the PBO as an inappropriate measure of liability for purposes of financial statement presentation.

Balance sheets should reflect liabilities that are currently owed. The PBO, however, includes liabilities related to assumed future salary increases. If salary increases are not currently owed under any contract between the employer and the employees, then the balance sheet should not reflect a liability for the increases. Reflecting such a liability is misleading and is not reflective of the true obligations of the employer.

We support the ABO as a more appropriate measure of a plan sponsor's current obligation and therefore, recommend it be used as the basis for the liability shown on the balance sheet. This view is based on the fact that the ABO does not include future salary increases that may not be realized and that the employer is under no obligation to make. The ABO could be assumed by a buyer, such as an annuity provider, or settled through lump sum payments. It is, therefore, a marketable obligation. In addition, basing the liability on the ABO avoids the potential advance accrual of liabilities that must be reversed when a plan is frozen or terminated.

Changing the Plan Measurement Date

We view the change to require the measurement date to always be the date of the employer's statement of financial position as unnecessary.

Pension obligations, even if measured based on the ABO, represent long-term obligations. A three-month shift in the measurement date of a liability that could span over 40 years has little or no effect on the measurement of the liability or its comparability with other similar companies.

This proposed change would cause an undue burden on plan sponsors. The use of an earlier measurement date allows for complex information to be compiled in a timely manner so that plan sponsors can appropriately review the information and complete the preparation of their financial statement information in time to meet the financial statement reporting deadlines. Given the amount of time needed to compile OPEB and non U.S. pension information, requiring a measurement date at the financial statement date may not allow management sufficient time to adequately review the information. It would also place a significant burden on actuaries who often perform the calculations and auditing firms in completing their required procedures. In addition, it can take up to 45 days to determine the fair value of non-marketable securities, and the support for the financial statements and related disclosures cannot be prepared until all required asset information is determined. Lastly, the compression of quarterly and year end SEC reporting dates for accelerated filers have created further challenges which may be compounded by changes in plan measurement dates.

If the Board believes that requiring the measurement date to be the financial statement date is essential, despite the arguments listed above, then we believe this change would be best made in conjunction with the other changes that are likely to be required when the Board addresses measurement of the liability, which will be included in the final accounting standard governing pension accounting (Phase 2).

Summary

In issuing the final ED, we respectfully request that the Board consider postponing the implementation date to year-end 2007 in order to allow companies adequate time to properly implement the change. Furthermore, we request that the Board consider *applying the ABO as the appropriate balance sheet measure of an employer's pension* liability and continue to allow measurement dates different than financial statement dates to provide needed time to compile and complete the complex pension and postretirement measurement process.

Again, we appreciate the Board's attention to this issue. I am available to discuss this with you at your convenience to address any questions.

Respectfully,

/s/ Paul W. Schmidt

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