

June 5, 2006

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Ms. Suzanne Q. Bielstein
Director of Major Projects and Technical Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
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LETTER OF COMMENT NO. 231

RE: File Reference No. 1025-300

Dear Ms. Bielstein:

I am writing to provide our views on the FASB's exposure draft for the proposed Statement of Financial Accounting Standards, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106 and 132(R) (the ED). I have two principal concerns with the ED:

- I believe that the ED actually prohibits us from reporting the most representationally faithful information in interim periods, and
- I do not believe that the proposed transition is achievable

These matters are discussed further below.

Interim Reporting

As a practical matter, because they require simultaneous measurement of assets and liabilities, FAS 87 (paragraph 53) and FAS 106 (paragraph 73) permit only annual measurement except in very unusual circumstances of "significant events." Remeasurement of these liabilities is expensive. Thus, with rare exceptions, the ED's reported interim liability and accumulated other comprehensive income in interim financial statements will always represent stale data. Moreover, this state could be misunderstood because, under the ED, a portion of these allocated amounts will be "recycled" through this separate component of equity, possibly leading to the logical but erroneous conclusion that financial statement captions have been remeasured.

To give some perspective, the GE amounts to be recycled in the first quarter of 2006 under the ED would have been approximately \$300 million. In contrast, first quarter 2006 unrecognized appreciation in the assets of our plans plus the approximate reduction in our projected benefit obligation reflecting increased interest rates was \$4,000 million, over a ten-fold difference from the amount that would have been recycled. Doubtless the \$4,000 million is more useful information than the \$300 million the ED would cause to be recognized.

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Timely quarterly remeasurement with the "ground-up" precision applied to year-end amounts by the actuarial profession is simply not attainable, regardless of cost. The Board needs to acknowledge this reality. However, the Board should permit estimates based on the best available information. While the method of estimation should be left to individual entities, one would expect that indices would be used for assets that cannot be measured directly; and that market interest rate changes would be used to estimate the remeasurement of obligations. Given the costs of interim estimation, we strongly urge that all such measurements be made optional and subject to policy disclosure. We would also expect annual pension disclosures to include the effect on the obligation of a 25 basis point change in the discount rates.

If the Board fails to permit these interim adjustments, we believe that the amount presented in other comprehensive income should be frozen at the amount recognized during the previous annual financial statements and supplemented with appropriate disclosure in the notes to the financial statements that explains in plain English how these balance sheet captions are accounted for in interim periods.

Transition

In many forums, the Board and Staff have characterized Phase I of this project as simply moving FAS 87 and FAS 106 from the footnotes to the face of the financial statements. If this were true, companies should be able to implement the proposal within three months later this year. Actual application of the ED will be somewhat more complex than this simple reclassification because the ED would (1) standardize the measurement date, (2) require actuarial gains and losses and prior service costs to be recycled through other comprehensive income in interim periods, and (3) eliminate the transition accounting relating to initial adoption of the existing standards. There also are related deferred tax consequences. Many companies have a large number of benefit plans, many of which are outside the United States. Thus the implementation will require significant resources for training, data collection and analysis. Routines and controls will need to be installed and, in a Sarbanes Oxley case, tested. This simply cannot be accomplished in three months.

Further, retrospective application will require revisions to a very large number of reporting periods. All public companies are required to present 5 years of Selected Financial Data in their filings and some provide as much as 10 years of such data. It is unclear whether all of the necessary information for retroactive application is available. If the Board sustains its restatement decision, we recommend that it be limited to the most recent two years, a period that can be restated with reasonable assurance on a much more timely basis.

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Please feel free to contact me with any questions you may have on this response.

Sincerely,

Beith G. Glein