LETTER OF COMMENT NO. 15

909 Third Avenue
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May 2, 2008

Mr. Russell G. Golden
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

File Reference: Proposed FSP FAS 132(R)-a

Dear Mr. Golden:

Citigroup appreciates the opportunity to submit comments on the proposed FASB Staff Position No.132(R)-a, *Employer's Disclosures about Pensions and Other Postretirement Benefits* (proposed FSP FAS 132(R)-a or the proposed FSP).

Citigroup is in favor of increasing the transparency of its financial statements for the benefit of users. However, the proposal is very far reaching and, in order for us to apply the provisions effectively, we feel the effective date should be deferred. We have the following significant implementation concerns about the proposed disclosures:

- Citigroup does not maintain the detailed transaction level data necessary to provide the proposed disclosures. As a result, we will be dependent on the individual plan managers to provide the needed information in a standardized and uniform format.

- Non-U.S. plan managers do not prepare U.S. GAAP-based financial statements and likely have little familiarity with the disclosure requirements of FAS 157. Significant training and controls must be implemented to ensure reliability.

- Although U.S. plan managers do prepare U.S. GAAP-based financial statements, they do not typically file them until October of the following fiscal year. The Company's annual reporting period is significantly shorter. We generally file our 10-K in February. This acceleration of reporting deadlines for the plan managers will result in substantial operational difficulties. Additionally, since private equity funds and real estate funds are not regulated by the SEC, there is no set time frame by which they must produce audited financial statements. Considering that these funds are not regulated by any governing board nor are they controlled by the Company, we have little ability to enforce strict reporting deadlines on these fund managers.

- The definition of a concentration of risk is unclear, particularly regarding whether an entity is expected to look through a hedge fund or private equity fund investment to the underlying investments in determining those risks. The extent to which the Company should consider potential diversification benefits across other investment categories or across other countries' plans is also unclear.

- Several of our international pension plans are invested in insurance contracts, which typically do not provide details of their underlying investments to the investors.

- Similarly, it is unclear whether hedge funds or private equity funds would release position-specific information at all, regardless of the timing. When we invest in a hedge fund or private equity fund we are investing in a strategy, using a manager who then invests our funds. We are entitled to some information on industry or top position exposure, but not individual issuer exposure.

- The incremental costs necessary to establish systems capable of compiling, reconciling and analyzing plan asset information for the purposes of the disclosure are significant. These costs are particularly burdensome given the proposed effective date of the FSP.

For the reasons outlined above, and those discussed in further detail below, we have concerns about the practicability of the proposed disclosures, given the time frame between the year-end measurement date and reporting period deadlines. Furthermore, we believe that an effective date of fiscal years ending after December 15, 2008 may not be viable from a logistical standpoint. This is especially true for large multinational companies that aggregate information from numerous internationally-based plans that do not currently prepare U.S. GAAP-based financial statements. Such rapid implementation has the potential to compromise both the accuracy and consistency of the proposed disclosures and thus will provide little meaningful information to financial statement users. Therefore, we would request a deferral of the effective date of FSP FAS 132(R)-a.

As an alternative, we suggest that implementation of the FSP be staggered to permit entities the opportunity to undertake the proper due diligence to ensure accurate and reliable disclosures for financial statement users. Possible methods of implementing the FSP, in order of our preference, include:

- At the initial effective date, only require additional disclosure of categories of plan assets; or

- At the initial effective date, permit entities to apply the provisions of the FSP to a limited number of significant plans. We believe that although many large multi-national companies have a large number of pension and other postretirement plans, it is likely that a small percentage of plans will account for a substantial

portion of overall plan assets. As a result, entities would still be providing decision-useful information; or

- Initially require the proposed disclosures to be applied only for U.S.-based plans, although we are concerned that even for U.S.-based plans the requested information would not be readily available on time for the reporting period deadlines. Non-U.S. plans will apply the FSP in subsequent years, after entities have sufficient time to take steps to educate plan managers to ensure quality and consistency of the disclosures.

The balance of the letter contains our detailed comments on the Exposure Draft.

Additional Categories of Plan Assets
We support the proposal to expand the disclosure of major asset categories of plan assets based on the types of assets held in the plan. We believe the categories are representative of the types of assets held in pension and other postretirement plans and will provide users with meaningful information about a plan's holdings.

Concentrations of Risk
While we support the notion that it would be beneficial to disclose concentrations of risk that arise both within and across the categories of plan assets, we have very serious concerns about the ability of a multinational reporting entity to obtain significant position-specific information for each of its plans necessary to determine if such concentrations exist. Furthermore, if an entity could obtain the information required, the incremental costs to effectively aggregate and identify any concentration of risk would be so significant that a deferral of the effective date is appropriate.

Firstly, we fail to see how an entity can be expected to meet fully the disclosure requirements of the proposed FSP if it has significant investments in hedge funds or private equity funds. These types of funds are typically unwilling to disclose information about the specific type and quantity of its investments. As a result, pension plan managers may never be able to analyze fully the specific holdings of such investments to meet the requirements of the FSP. Even if a manager could access that information, hedge funds and private equity funds typically do not issue financial statements in time to adequately analyze the specific holdings to meet a reporting entity's annual report filing deadlines. This will impact an entity's ability to determine if a concentration of risk exists within a certain investment or if those investments may in fact provide diversification benefits for the fund. The result is that any analysis of a plan's concentrations of risk may be incomplete and inaccurate, which provides little beneficial information to users.

Regardless of an entity's ability to even obtain the information, substantial effort is needed to adequately analyze that data. To meet current disclosure requirements, entities rely on the plan managers to provide the necessary information related to the plans they control. However, current systems in place are designed to allow each plan manager to

provide only a certain level of detail (i.e., the fair value of plan assets and the category of plan assets, etc.) and do not have the capability to collect information on every position that a plan holds. For those preparers with large international operations, like Citigroup, pension and other-postretirement programs consist of dozens of separately managed plans that contain a large volume of investments. Compiling, reconciling and effectively interpreting that data would impose excessive incremental costs on the preparer, specifically given the accelerated effective date of the FSP. Furthermore, plan investments in hedge funds, private equity funds or mutual funds also hold hundreds of positions that change daily. As drafted, the FSP could be interpreted to require an analysis of not only the specific investments of a plan, but also the underlying holdings of each investment.

We feel that a more detailed definition of a concentration of risk is necessary to ensure consistency amongst preparers. Although certain plans may have a concentration of risk due to significant investments in a specific country or entity, that risk may be effectively diversified through investments by other, separately managed, plans. Likewise, a category of plan assets may have a concentration of risk specific to that category, but not in the context of plan investments taken as a whole. It is unclear whether or not an entity is permitted to consider pension and other postretirement plans in the aggregate when determining concentrations of risk and the extent to which an entity should "look through" to the underlying holdings of certain investments.

Fair Value Hierarchy / Level 3 Roll-forward

The proposed requirements to provide a fair value hierarchy of plan assets, a reconciliation of beginning and ending balances for Level 3 measurements and a description of the valuation techniques used for each category of plan assets will impose significant operational burdens. We are concerned that entities may be unable to effectively compile such data in the limited time frame between the measurement date and issuance of the financial statements. These concerns are amplified given the proposed effective date of the FSP and the amount of time necessary to educate individual plan managers about the specific disclosure requirements in order to have consistency in how information is reported.

Specifically, this FSP will require substantial effort to educate plan managers about the required disclosures. For large multinational companies, many pension plans are located outside the U.S. and do not prepare U.S. GAAP-based financial statements. As a result, it is likely that many plan managers have limited, if any, familiarity with the disclosure requirements of FAS 157. While we acknowledge that certain aspects of the educational process are feasible, significant time must be taken to ensure that the FSP will be consistently applied. Currently, Citigroup does not have detailed investment records for each of its pension and other postretirement plans. Data is typically maintained by the individual plan managers, and thus Citigroup must rely on the ability of those managers to effectively provide the disclosures. In 2007, a total of 60 asset managers were involved with Citigroup's top 10 international countries by asset size.

For example, for the disclosures to provide any level of meaningful information to investors, plan managers must have a uniform understanding of the differences between Level 2 and Level 3 measurements and utilize similar frameworks for determining what is a significant unobservable input. Similarly, there must be a standardized approach in how plan managers treat transfers into and out of the Level 3 category, when constructing the reconciliation of beginning and ending balances. Without sufficient training, plan managers may improperly classify plan assets or treat the reconciliation of Level 3 balances differently, which would diminish the usefulness of the disclosure.

Although U.S.-based pension and other postretirement plans currently prepare U.S. GAAP-based financial statements, those plan managers are not immune to the significant operational burdens of the FSP. While plan managers may be familiar with the disclosure requirements of FAS 157, financial statements for those plans are typically not filed until October, many months after Citigroup releases its annual report. An effective date for annual periods ending after December 15, 2008 provides little time to evaluate how to meet the drastically shortened reporting deadlines. We are concerned that any attempt to expedite the reporting process in order to meet the proposed effective date could compromise the accuracy of the disclosures and would not benefit financial statement users.

Similar to the difficulties in determining concentrations of risk, there are significant operational hurdles that must be met to collect and reconcile data from a large volume of internationally-based plans for purposes of constructing these disclosures. New systems capabilities must be put in place to allow plan managers the ability to report the needed information in a consistent manner that can be effectively aggregated at the reporting level.

In regard to the proposed Level 3 reconciliation, we believe it may be unrealistic to obtain reliable information about assets that fall into the Level 3 classification for disclosure in an entity's upcoming 2008 annual report. Since this disclosure has not been previously required, it is possible that sufficient transaction level data has not been kept to provide the proposed disclosures. For example, if an internationally-based plan manager sold an asset in the first quarter of 2008, it may be impracticable to determine how to appropriately treat that sale for the purposes of the reconciliation. That asset will likely never have been placed into the fair value hierarchy and realized and unrealized gains and losses would not have been identified with a specified Level 3 investment. Therefore, we suggest that the Board grant a one year deferral to allow entities the time to obtain and compile the necessary information.

Proposed Implementation Alternatives

For the reasons discussed above, we have serious concerns about the implementation of most aspects of the FSP, specifically given the proposed effective date. We feel that a staggered implementation may provide preparers with the time necessary to establish

guidelines and educate those involved in the reporting process to ensure the reliability of the financial statements.

One possible alternative would be to grant a practicability exception for companies with a significant volume of pension and postretirement plans. For many multi-national companies, the pension and postretirement plan operations are spread across numerous countries, each with multiple plans. However, in our experience, the majority of plan assets are contained in a more limited number of plans. We feel that it would be appropriate for the Board to permit, as a transitional provision, an entity to only consider those plans its deems to be significant to the overall disclosure. For example, an entity may select its 15 largest plans when initially applying this FSP. The result would be that a substantial portion of plan assets would be disclosed and the operational burden of the FSP would be decreased without compromising the expected outcome (i.e., decision-useful information).

As a second alternative, we suggest that entities be permitted to stagger implementation based on the location of the individual pension plan. Currently, pension and other postretirement plan disclosures differentiate between those based in the U.S. and those based internationally. We feel it would be beneficial if the FSP were amended to require only those plans currently preparing U.S. GAAP-based financial statements to adopt the requirements of the FSP initially. This would provide the time needed to educate plan managers who are not familiar with the FAS 157 disclosure requirements, while also allowing an entity to implement a standardized reporting process. In subsequent years, entities would apply the requirements of the FSP to its non-U.S. plans.

The Appendix contains our responses to the Board's specific inquiries.

We thank the Board for its consideration and would welcome the opportunity to further discuss our comments with Board members and their staff. Please do not hesitate to contact me at (212) 559-7721.

Very truly yours,

Robert Traficanti
Vice President and Deputy Controller
Citigroup Inc.

APPENDIX

Is the principle of disclosing categories by type of plan asset understandable?
Yes.

Are the asset categories that must be disclosed, if significant, representative of the types of assets held in postretirement benefit plans? Should any other categories be added?
The asset categories required to be disclosed are representative of the types of assets held in postretirement benefit plans.

Is the requirement to disclose concentrations of risk arising within or across categories of plan assets from a lack of diversification understandable, and is this information useful? Would another disclosure principle be better?
The requirement to disclose concentrations of risk is understandable; however, part of the proposal offers little in the way of practical implementation guidance, raising several concerns:

- The proposal includes no threshold for significance – only that the risk of loss be greater than if risk had been mitigated through diversification. Even assuming that a significance threshold is intended, an employer might arrive at completely different conclusions if significance is judged relative to the company as a whole, or just relative to the individual plan.
- Would an entity be required to disclose a concentration of risk within a specific asset category, even if that risk is diversified by investments in other asset categories?
- Will employers, trustees, and custodians have sufficient ability to "look through" various investment vehicles to assess concentrations of risk? The proposal includes an example indicating that an employer might have a concentration of risk in real estate through investments held directly by the plan, through a real estate investment trust, and through a hedge fund holding a significant position in real estate.

Would the disclosures about fair value measurements of plan assets provide decision-useful information?
We feel that such disclosures have the potential to provide decision-useful information to investors. However, given our operational concerns regarding the FSP, we feel that the reliability of the disclosures may be compromised should entities not have sufficient time to work through the implementation process.

Would any of the required disclosures impose excessive incremental costs? If so, please describe the nature and extent of the additional costs.
The required disclosures regarding concentrations of risk, the fair value hierarchy and the reconciliation of Level 3 asset balances will impose excessive incremental costs. The systems in place to meet the current disclosure requirements are insufficient to compile the enormous amount of data that must be collected for the proposed disclosures. Furthermore, it will be necessary for the reporting entity to provide detailed guidance and training, specifically to non-U.S.-based fund managers, who are unfamiliar with the disclosure requirements of FAS 157. Specific controls must be implemented to ensure

that fund managers report on consistent basis and utilize the same framework when constructing both the fair value hierarchy and the Level 3 reconciliation.

Is the time needed to compile the information required to support annual reporting disclosures sufficient given the proposed effective date for fiscal years ending after December 15, 2008? If not, please describe the nature and extent of the effort required and the time needed.

The time needed to compile the information required to support annual reporting disclosures is absolutely not sufficient given the effective date. As Citigroup relies on multiple plan managers to complete the disclosure, substantial effort is needed to ensure consistency in reporting. Citigroup will need to make considerable upgrades to the systems plan managers currently use to report plan information. These systems must effectively aggregate and reconcile that information for Citigroup to analyze adequately its concentrations of risk and to complete the proposed fair value hierarchy and Level 3 reconciliation.

Furthermore, although U.S.-based plans individually provide the required disclosures in their plans' annual financial statements, such statements are typically not prepared until October. Thus, this information would not be available to us, unless plan managers accelerated the issuance of their financial statements. However, the timing of plans' financial statements cannot be accelerated without making an exception for information from hedge funds and private equity funds. The financial statements of hedge funds and private equity funds are issued 8 1/2 months after year end (i.e., September 15th). As of December 31, 2007, nearly 50% of our U.S. pension plan investments were held in such funds.