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May 2, 2008

LETTER OF COMMENT NO. 26

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

Re: Proposed FSP FAS 132(R)-a

Dear Mr. Golden:

Chevron appreciates the opportunity to review and comment on the Financial Accounting Standards Board (the Board) Staff Position No. 132(R)-a, *Employers' Disclosures about Postretirement Benefit Plan Assets* (FAS 132R). We support the efforts of the Board to establish and improve standards of financial accounting and are pleased to provide you with our input.

As background, Chevron is a large multinational Corporation that sponsors postretirement benefit plans throughout the world. Approximately 90% of the company's postretirement plan assets are held by U.S. and two major non-U.S. pension plans. The remaining balances are held by various non-U.S. pension plans, each with relatively small balances. Plan assets of non-U.S. plans are subject to local pension regulations and tax laws, which can place constraints on the management of a plan, including the type and size of investments, asset allocation, funding and tax deductibility.

Currently, data for our pension plan assets are gathered and reported on a U.S. and non-U.S. basis in the Company's annual Form 10-K filings. Asset categories are reported for equities, debt, real estate and other. Accompanying text explains the investment strategies and describes the types of investments held by the Company's significant plans. As required by paragraph 5(d)(3) of FAS 132R, this text would address significant exposure to sub-asset classes (including derivatives) and concentration of risk, if any, identified by management.

Chevron believes the transparency issues that the Board is attempting to address can be accomplished by building off the current disclosures provided for in FAS 132R, as well as those required for plan financial statements and other governmental reporting, rather than the prescriptive detail that the Board is proposing, which we believe is overly burdensome and costly relative to the benefits that the financial statement users will receive.

In that light, we offer our following comments and suggested alternative considerations to the questions asked by the Board regarding this proposal.

Question #1: Is the principle of disclosing categories by type of plan asset understandable?

Comment: Paragraph 5(d)(1) of the proposed standard would require companies that sponsor defined benefit plans to disclose separately the fair value of each major category of plan assets, if significant, as of each annual reporting date.

The proposal, as written, incorporates a list of major categories of plan assets to consider but does not mention the comparative that each major category is to be measured against in order to determine significance. Paragraph A4 of Appendix A states “for some employers, the value of plan assets is significant in relation to total assets in the statement of financial position” as part of the rationale for the proposal. From this we infer that the employer’s total assets are the proper comparative to determine significance.

We believe this to be the proper measure, as the proposed disclosures of concentration of risk and fair value measures of these asset categories would provide little additional value to financial statement users of companies whose financial strength would allow them to meet their postretirement obligations despite any potential declines in the value of their plans’ assets. Therefore, we suggest that the specific comparative for the significance determination be total company assets and be explicitly referenced in Paragraph 5(d)(1).

Question 2: 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?

Comment: Chevron believes the expansion of asset categories from the current four to the proposed eleven or more, if significant, is excessive and will be overly burdensome and costly for plan sponsors to gather and disclose. The transparency issues that the Board hopes to address in expanding the asset categories can be accomplished, we believe, by maintaining our current U.S. and non-U.S. basis of reporting and adding only an “alternative” asset class (that would include hedge funds, private equity funds and venture capital funds) to the current list of required asset classifications. Footnote and/or narrative disclosures to describe sub-asset classes that management assesses to be noteworthy in terms of risk and significance should be required. Any significant use of derivatives should also be disclosed in the footnotes and/or narrative, including a brief commentary that describes the types of derivatives and their use in managing risks.

In addition to the above, users of the company’s financial statements can find more information on plan investments for the company’s U.S. plans in Schedule H of the Internal Revenue Services Form 5500, Annual Return/Report of Employee Benefit Plan, and the financial footnotes that accompany the form.

We also wish to note that the proposed amendments to Paragraph 5(d)(2) require the Company to provide target allocation percentages or range of percentages for each of the major categories of plan assets. Chevron's current investment policies are not at the level of granularity required by the proposal.

Question 3: Is the requirement to disclose concentration 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?

Comment: In Appendix B, Amendments to Statement 132R, the sample disclosure in Paragraph C3 has an example of Company A's concentration of risk to real estate through direct investments as well as investments in REITS, mortgage-backed securities, and hedge funds. From this example, it appears that the Board is proposing that companies look through each holding and dissect it into varying components to assess concentration of risk. Chevron is strongly opposed to this requirement due to the significant incremental cost to comply and the potential that the value of such disclosures may be misleading. For instance, a pension plan's assets may be managed using an integrated asset/liability management strategy. This strategy may create a concentration of risk when viewed only from an asset perspective. However, on a total asset/liability perspective, this strategy is risk reducing.

From a practical standpoint, we're also unclear as to how to implement this requirement. Taking country risk as an example, for an investment in a multinational company that is domiciled in the U.S., is it sufficient to identify the country risk as the U.S. or must we identify each country of operation and somehow assign a proportionate share of the investment to those countries? The latter may be impractical to achieve without significant effort and cost that would outweigh any potential benefits of the additional disclosure. However, the former may not provide the true country risk to the user of the financial statements. If the Board decides to require disclosures related to concentration of risk as proposed in this Exposure Draft, more practical implementation guidance is needed in this area.

Question 4: Would the disclosure about fair value measurements of plan assets provide decision-useful information?

Comment: Yes. However, we refer you to our comments to questions 1 and 2 with regard to the importance of the Board providing guidance for the determination as to which plan asset categories are "significant" and must be shown by their respective fair-value categories of inputs (i.e., level 1, 2 or 3) in the disclosures.

Question 5: Would any of the required disclosures impose excessive incremental costs? If so, please describe the nature and extent of the additional costs.

Comment: It is difficult to quantify the incremental costs to produce the required disclosures for Chevron. The incremental costs may be excessive depending on the Board's views regarding

the concentration of risk “look through” question that we pose in our response to question number 3 above.

Chevron has postretirement plans throughout the world. The custodian for our U.S. and major non-U.S. plans has the resources and technology to comply with the proposal. However, it is expected that there will be some incremental cost to Chevron for these services. The custodians for some of our smaller non-U.S. plans are local service providers who will be unable to spread the cost of compliance among a large number of clients, so Chevron may bear the brunt of their costs. In addition, there will be incremental internal costs to implement, gather, validate, and prepare the disclosure information.

Question 6: 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.

Comment: Significant effort has been expended with the custodian of our U.S. and major non-U.S. plans on the fair value disclosures required under FAS 157, *Fair Value Measurements*. That work began last year and continued after the Board determined that the disclosure requirements of FAS 157 did not apply to employer’s reporting of postretirement benefits. The new requirements for expanded categories of plan assets and concentrations of risk will be problematic to implement at the same time that we, our custodian and investment managers are expending significant efforts on the fair value disclosures.

In addition, we anticipate difficulty in preparing the required information (including the fair-value disclosures) for our smaller non-U.S. plans. The custodians for many of these plans are with local service providers that have limited resources to devote to this project. This may hamper our ability to comply with the new disclosures in time for the filing of the Company’s 2008 Form 10-K. We also strongly believe the costs to gather the disclosure information for our smaller non-U.S. plans would far outweigh the benefits to financial statement users.

To ensure adequate time to educate our non-U.S. service providers and to gather and validate the required disclosures, Chevron, at a minimum, recommends the postponement of the effective date for implementation for at least one year (for fiscal years ending after December 15, 2009). We also ask the Board to consider a staggered implementation – with U.S. plans delaying for one year and non-U.S. plans postponing for two – due to the complexities of gathering the required data for non-U.S. plans.

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To summarize, we support the Board’s efforts to enhance the information available to financial statement users related to postretirement benefit plan assets and the allocation risks. However, the proposal needs to be more specific on the comparative for significance determination. As written, Chevron believes the proposal is overly burdensome and costly to implement in respect

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to the expanded asset classifications and concentration of risk requirements, with little added value to the user of the financial statements for companies with strong balance sheets. If the proposal is adopted, Chevron recommends a delay in the implementation date for at least a year to allow plan custodians, investment managers and employers time to put systems in place to gather, review and report the information in a timely manner.

We hope you will find our input useful. If anyone has questions on our response, please coordinate through Mr. Tom Toy at tomtoy@chevron.com.

Sincerely,

H. D. Allman