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April 25, 2016

Susan M. Cosper, Technical Director
File Reference No. 2016-200
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

Submitted via electronic mail to director@fasb.org

Re: File Reference: No. 2016-200, Exposure Draft: *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*

Dear Technical Director:

General Motors Company ("GM") designs, builds and sells cars, trucks, crossovers and automobile parts worldwide. We also provide automotive financing services through General Motors Financial Company, Inc. More information on GM and its subsidiaries can be found on our website at http://www.gm.com.

GM's defined benefit obligation is one of the largest for a private enterprise in the United States. As such, we appreciate the opportunity to comment on the Proposed Accounting Standards Update, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (the "Proposed ASU").

We support the goal to simplify the income statement presentation and improve the effectiveness of disclosures in the notes to financial statements by clearly communicating information that is decision-useful. However, we do not support the Proposed ASU requirement to separate the service cost component from the other components of net periodic benefit costs and present these other components outside total income from operations. We believe this change is unnecessary because the information is currently available in the existing footnote disclosures. Absent a comprehensive reconsideration of the accounting and reporting for pensions, the change does not improve defined benefit plan reporting or streamline financial analysis. In short, we believe the income statement requirements of the Proposed ASU do not result in more effective and decision-useful information about an entity's defined benefit plans.

Recently, the SEC staff has noted instances in which registrants have changed their method of accounting for the amortization of actuarial gains and losses in net periodic pension or other postretirement benefit cost. For example, the SEC staff has observed that some registrants immediately recognize all actuarial gains and losses or alternatively recognize all actuarial gains and losses outside the corridor, as a component of net periodic pension cost. Entities that do so sometimes present non-GAAP financial measures that remove the actuarial gain or loss from the performance measure and include an expected long-term rate of return. The SEC staff has also observed other instances where registrants removed other portions of pension expenses from their non-GAAP measurements.[1] Though the Proposed ASU requires inclusion of the non-service cost components of net periodic benefit costs in non-operating income, we believe the requirement to separate components of net periodic benefit costs within the income statement may ultimately increase the use of non-GAAP measures associated with benefit obligations.

In our view, the proposal to bifurcate the components of net periodic benefit costs in the income statement runs counter to a fundamental principle associated with accounting for defined benefit plans, which is the principle that the recognized consequences of events and transactions affecting a benefit plan be reported as a single net amount in the employer's financial statements. This aggregation occurs in both the income statement and the balance sheet by reporting net cost and offsetting liabilities and assets associated with a benefit plan. The Proposed ASU is not aligned with this concept. We also believe bifurcating one element, and not others, is not based on a well-reasoned, holistic underlying foundation. Users of financial statements would be better served by a more holistic approach rather than one-off amendments to a well-understood accounting and presentation model. We believe the current disclosure of the various components within the notes to the financial statements is sufficient such that separation of service cost within the income statement does not provide meaningful additional information.

We question why the particular changes in the Proposed ASU related to presentation of net periodic pension cost and net periodic postretirement benefit cost are of greater importance than other inconsistencies that require adjustments to analyze financial statement differences between entities, such as:

- *Immediate Recognition of Actuarial Gains/Losses* – In accounting for actuarial gains/losses, companies either: 1) defer the actuarial gains/losses and amortize them over future periods, or 2) opt for immediate recognition. While amortization over future periods smooths the recognition of the actuarial gains/losses, immediate recognition can result in significant swings in benefit plan cost from one year to another due to investment returns and/or discount rate movements (particularly, for unfunded pension plans). This diversity drives inconsistency and non-comparability in reporting across companies.

- *Market Related Value of Assets ("MRVA")* – MRVA methodology recognizes changes in the fair value of assets over a systematic and rational manner (not to exceed 5 years) to determine future pension expense and results in using different asset values for purposes of balance sheet

[1] For more information, see the highlights of the June 2012 CAQ SEC Regulations Committee joint meeting with the SEC staff.

(which uses Market Value of Assets ("MVA")) and income statement reporting. However, any MRVA methodology that recognizes changes in fair value in a systematic and rational manner over not more than five years is acceptable, which results in potential differences in reporting between companies that use different allocation approaches, let alone those companies that only use MVA.

- *Split Discount Rates* – Recently, the SEC stated that it has no objection if companies use a yield curve's annual spot rates instead of the weighted average discount rate in calculating service cost and interest cost. The use of a yield curve's annual spot rates reduces service cost and interest cost for some companies based on the characteristics of an increasing yield curve. Diversity in the use of spot rates instead of the weighted average discount rate drives inconsistency and non-comparability in reporting across companies.

While we are not expressing a view on whether these examples or the inclusion of the components of cost in operating or non-operating income represent theoretical improvements, we believe the Board should focus its efforts on reducing the amount of diversity permitted when accounting for defined benefit plans. This would require a comprehensive redeliberation of current standards rather than a one-off amendment. In addition, we believe greater focus should be placed on "right sizing" the disclosure requirements associated with defined benefits. This is a far more urgent need than an isolated presentation matter.

With regard to the recognition guidance within the Proposed ASU, we agree in principle that only the service cost component should be eligible for capitalization, especially when a majority of a defined benefit plan's participants are retired.

We appreciate the Board's consideration of the points outlined in this letter. Should you have any questions or need to discuss this letter, please contact me at (313) 667-3434.

Sincerely,

/s/ THOMAS S. TIMKO

Thomas S. Timko
Vice President, Controller, and Chief Accounting Officer
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