General Motors
U.S. Pension Review

December 12, 2003

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Additionally, per Regulation G, supplemental financial disclosure is included which provides a quantitative reconciliation of non-GAAP financial disclosures addressed in the context of the following chart set to GM’s GAAP financial results and provides definition around non-GAAP terminology addressed.

Agenda

- **Introduction**
- **Pension Plan Status**
  - Funding Requirements, Funded Status and Pension Expense
- **Asset Management Review**
- **Legislative Update and Wrap-Up**

Introduction

- **GM plans to contribute $4.1 billion to its U.S. pension plans in December bringing 2003 contributions to $18.5 billion**
  - Planned $4.1 billion contribution based on completion of Hughes sale this year
- **Through $18.5 billion funding plan and asset returns in excess of 18% through November 30, GM anticipates:**
  - No ERISA Minimum or Variable Rate Premium (VRP) avoidance funding until next decade
  - U.S. hourly and salaried plans close to fully funded on SFAS 87 basis by YE 2003
  - Improvement in 2004 pension expense, including interest cost on related debt financing, by about $550 million pre-tax (approximately $0.70 EPS)

Introduction

- **GM Asset Management (GMAM) to implement investment strategy that increases the allocation to asset classes that reduce volatility while maintaining expected return of 9% per year**

- **GM does not believe wholesale reform of pension funding rules is necessary as GM and other S&P 500 firms are addressing deficits from 2000-2002 bear market**

Pension Plan Status

Contribution Requirements

ERISA Minimum and VRP Avoidance Funding

- **$18.5 billion funding plan forecast to result in no ERISA (legal) Minimum or VRP avoidance funding requirements until next decade**

- **ERISA Minimum and VRP avoidance “funding holiday” provides GM with significant future financial flexibility**

  – Even with 5% actual asset returns in 2004 and beyond, no VRP avoidance funding required through 2010

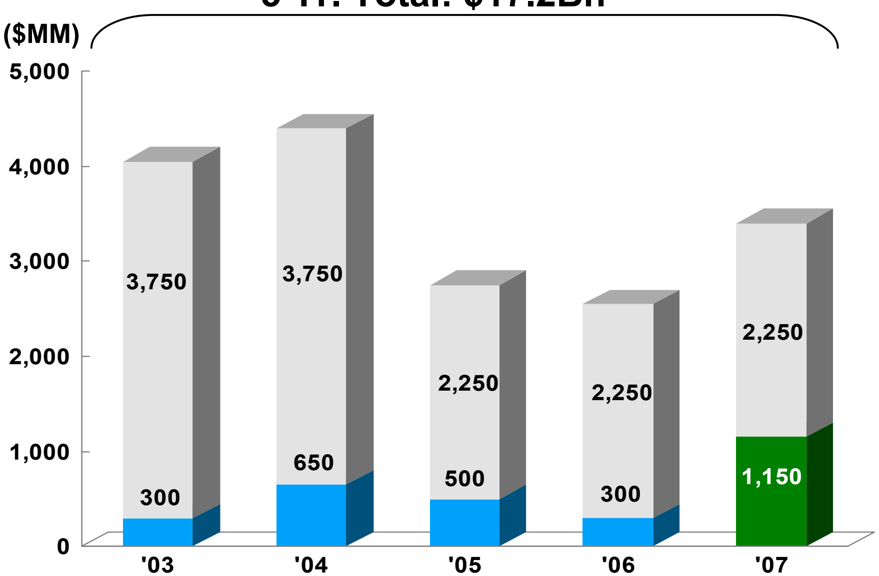
Contribution Requirements

ERISA Minimum and VRP Avoidance Funding

- **GM has gained significant financial flexibility by terming out its near-term obligations**

Cash Obligations Before Financing

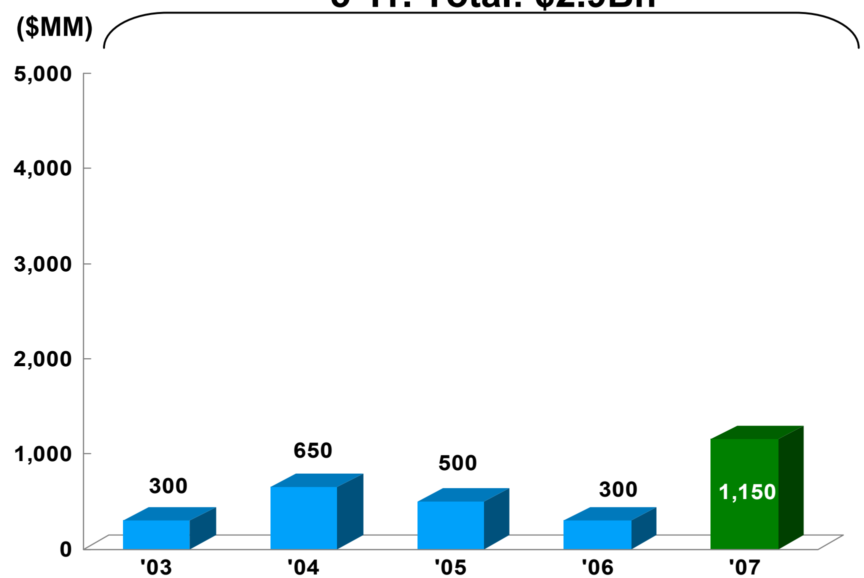
5 Yr. Total: $17.2Bn



Estimated Cash Pension Contributions to Avoid VRP Payments [1]
Debt Maturity
Potential Convertible Put

Potential Cash Obligations Post-Financing and Contributions

5-Yr. Total: $2.9Bn



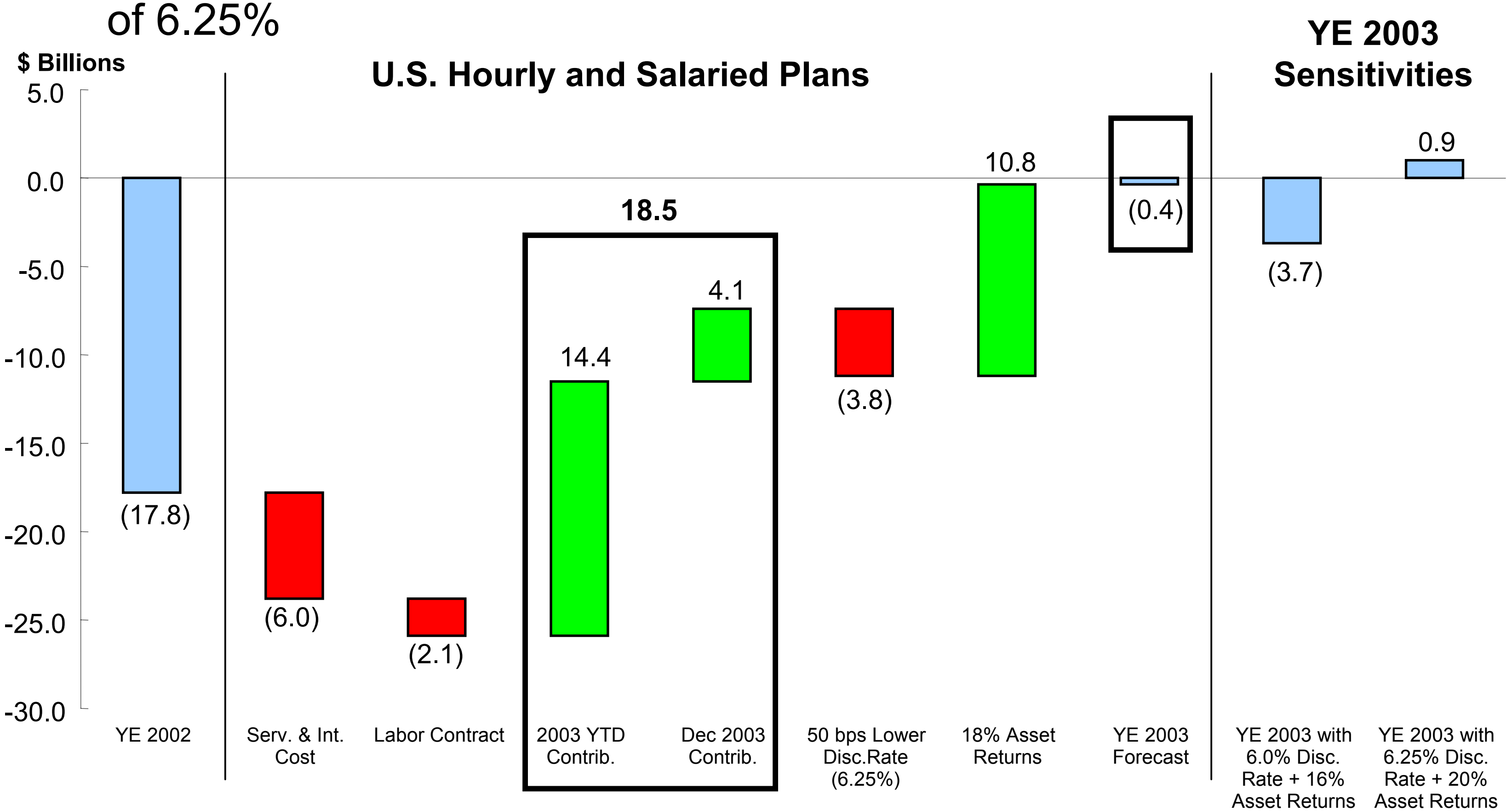
Estimated Cash Pension Contributions to Avoid VRP Payments [1]
Debt Maturity
Potential Convertible Put

Note: (1) Mid-point of estimated range

Funded Status

YE 2003 Outlook

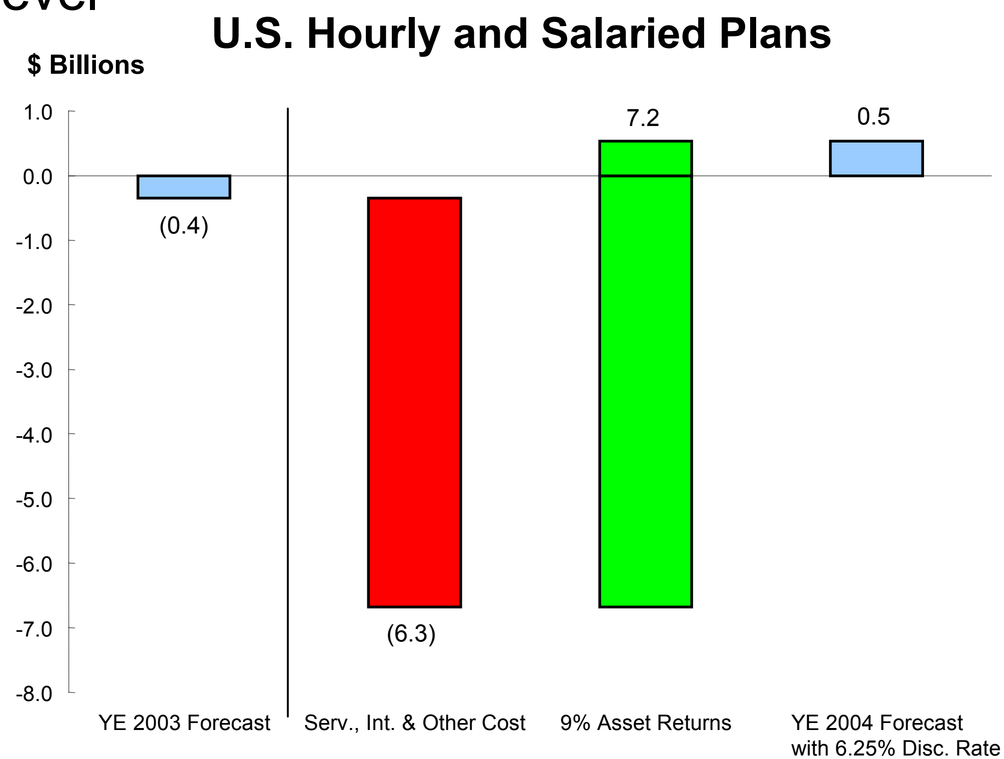
- **Forecast greater than $17 billion improvement in funded status in 2003**
  - Based on 2003 actual asset returns of 18% and YE 2003 discount rate of 6.25%



Funded Status

Preliminary YE 2004 Outlook

- **Without additional funding, U.S. hourly and salaried plans (combined) forecast to be fully funded by YE 2004**
  - Could be further improved by increases in discount rate from 6.25% level



Pension Expense

2004 Pension Expense Outlook

- **2004 pre-tax pension expense forecast to decrease to $1.5 billion from $2.6 billion in 2003**
  - 2004 expense reduction of about $550 million pre-tax (approximately $0.70 EPS) after taking into account increase in related interest cost on mid-year financing
  - Final 2004 pension expense dependent on actual 2003 asset returns and YE 2003 discount rate

Pension Expense and Interest EPS Impact [1]

($ billions except EPS)	2003	2004 [2]	Change Fav/(Unfav)
Pension Expense	2.55	1.50	1.05
Related Financing Interest Expense	0.50	1.00	(0.50)
Total Expense	**3.05**	**2.50**	**0.55**
EPS Drag Pension Expense	3.40	2.00	1.40
EPS Drag Interest Expense	0.60	1.30	(0.70)
Total EPS Drag	**4.00**	**3.30**	**0.70**

(1) Relates to GM U.S. Pension Plans
(2) 2004 pension expense estimate based on forecast 2003 actual asset returns of 18% and YE 2003 discount rate of 6.25%

Pension Expense

Elements of Pension Expense

- **Improvement in pension expense lags improvement in funded status from increased asset base**
  - Actuarial losses (e.g., asset returns below expected rate of return, decrease in discount rates) continue to be amortized over time into expense at a level of $1.7 billion in 2004
    - > Amount will reduce over time and through offsetting actuarial gains such as superior asset returns and/or an increase in discount rates

GM U.S. Pension Expense Breakdown

($ billions)	2000	2001	2002	2003E	2004F [1]
Service Cost	0.8	0.9	0.8	0.9	1.0
Interest Cost	5.3	5.2	5.3	5.1	5.1
Expected Return on Assets [2]	(7.5)	(7.5)	(7.1)	(6.4)	(7.6)
Amortization of Prior Service Cost	1.4	1.3	1.3	1.1	1.3
Amortization of Loss/(Gain)	0.0	0.1	0.7	1.7	1.7
Total Pre-Tax U.S. Pension Expense	**0.0**	**0.1**	**1.0**	**2.6**	**1.5**

(1) Based on actual 2003 asset returns of 18% and YE 2003 discount rate of 6.25%
(2) Expected asset return rate assumption of 10% per year through 2002 and 9% for 2003 and beyond

Asset Management Review

Asset Management Review

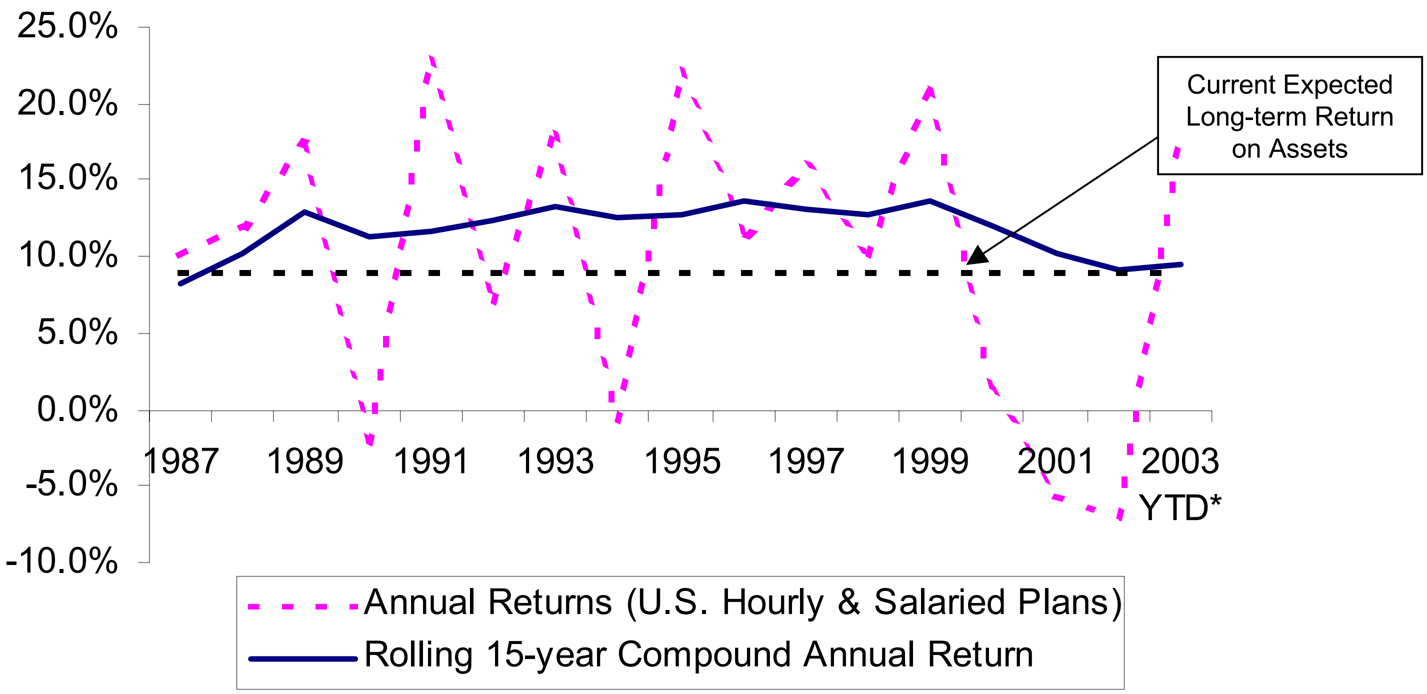
Background

- **Historically GM pension funds have been managed to generate long-run expected asset return assumption of 9-10%**
  - Return expectation based on asset allocation of 55-60% equities, 30-35% bonds, and 10-15% other assets (e.g., real estate, private equity)
  - Risk of higher short term asset volatility viewed as acceptable given long-term nature of pension liabilities
  - Measures were taken in 2001/2002 to reduce volatility, principally through a reduction in equity market exposure and utilization of certain risk mitigation strategies
    - > Reduced long-run asset return assumption to 9% in 2003

Asset Management Review

Actual Returns

- **Plan assets have yielded returns in excess of 18% through end of November**
  - Have generated annualized returns of over 9% on a rolling 15-year basis



* Through November 2003

Asset Management Review

Review of Alternative Strategies

- **In anticipation of 2003 contributions, GMAM studied a range of alternatives to lower asset return volatility**
  - Further shift from equity to bond exposure not optimal due to low fixed income returns
- **Analysis pointed to increased allocation to asset classes where active management had generated significant excess returns**
  - Resulting strategies showed low correlations to stock and bond markets and higher expected returns than bonds. This indicated:
    - > Increased commitments to "high alpha" asset classes, such as emerging market equity and debt, domestic high yield, small cap equity, real estate and private equity
    - > Higher allocations to "absolute return" strategies that include equity long/short, relative value and event driven strategies

Proposed Investment Strategy

- **In the aggregate, proposed investment strategy has less exposure to equity market risks and greater reliance on manager skill to produce excess returns ("alpha") to meet 9% return target**

- **GMAM also recommended the continuation of various risk mitigation strategies that have been successfully utilized since 1998**

- **Reduced exposure to large-cap equity markets, increased allocations to asset classes which are not highly correlated, and use of various risk mitigation strategies, should result in less volatile asset returns**

Asset Management Review

Proposed Investment Strategy

- **When fully implemented, the proposed strategy will have the following allocations:**

	Existing (%)	Proposed (%)	Change
U.S. Equities	29 - 33	24 - 28	⬇
Foreign Equities	17 - 21	17 - 21	⬌
Global Equity	46 - 54	41 - 49	⬇
Global Bonds	32 - 36	32 - 36	⬌
Real Estate	7 - 11	8 - 12	⬆
Alternatives	6 - 8	9 - 13	⬆

- **Results in a more diversified portfolio that meets objective of reducing asset return volatility while maintaining 9% long-run expected return**

Legislative Update and Wrap-Up

Legislative Update

- **GM supports replacement of 30-year Treasury benchmark with corporate bond index**
  – No near-term impact on GM's ERISA Minimum and VRP avoidance funding
- **GM does not believe wholesale reform of pension funding rules is necessary**
  – GM and other S&P 500 firms are addressing deficits from 2000-2002 bear market

S&P 500 Pension Contributions

Year	Contributions
2003E	$39 billion
2002	$48 billion
2001	$15 billion

Source: CSFB, 10/15/2003

Wrap-Up

- **GM has moved aggressively to take pension issue off the table in 2003**
- **$18.5 billion funding plan and asset returns of over 18% through November are forecast to result in:**
  - No ERISA Minimum or VRP avoidance funding requirements through this decade, even under conservative assumptions
  - U.S. hourly and salaried plans close to fully funded status by YE 2003
  - Reduction in 2004 pension and related interest expense of about $550 million pre-tax (approximately $0.70 EPS)
- **GMAM proposed investment strategy forecast to reduce asset return volatility while maintaining 9% long-run expected asset return**

Supplemental Charts

Updated Key Slides from

August 2002 Pension Review With Security Analysts and Media

Agenda

- Pension Funded Status
- Pension Contribution Requirements
- Pension Expense

Funded Status

Overview

Funded Status = Difference between Market Value of Pension Assets and PV of Pension Liabilities (Projected Benefit Obligation)

- **U.S. Pension Plans as of December 31, 2002:**

$ Billions	
Market Value of Assets (MVA)	60.8
PV of Liability (PBO)	80.1
SFAS 87 Funded Status [1]	(19.3)
SFAS 87 Percent Funded	76%

(1) SFAS 87 funded status for U.S. Hourly and Salaried plans only was ($17.8) billion at YE 2002

Funded Status

Pension Assets

- **Under SFAS 87, Pension assets (MVA) are measured at the end of each reporting year (December 31)**
  - Point-in-time valuation

- **The change in MVA from one year-end to another is impacted by the following:**
  - Actual return on plan assets
  - Contributions to the plan
  - Benefit payments to retirees from the plan

Funded Status

Pension Liability

- **Projected Benefit Obligation (PBO) is measured by determining the present value of expected future cash flows to plan beneficiaries based on past service**
  – Point in time present value calculation is based on selected discount rate

- **Discount rate based on high quality corporate bond rates prevailing at year end**

- **All future benefit plan payments are based on current Benefit Plan provisions and assumptions regarding factors such as:**
  – Employee Retirement Age
  – Mortality
  – Disability, Turnover,etc.

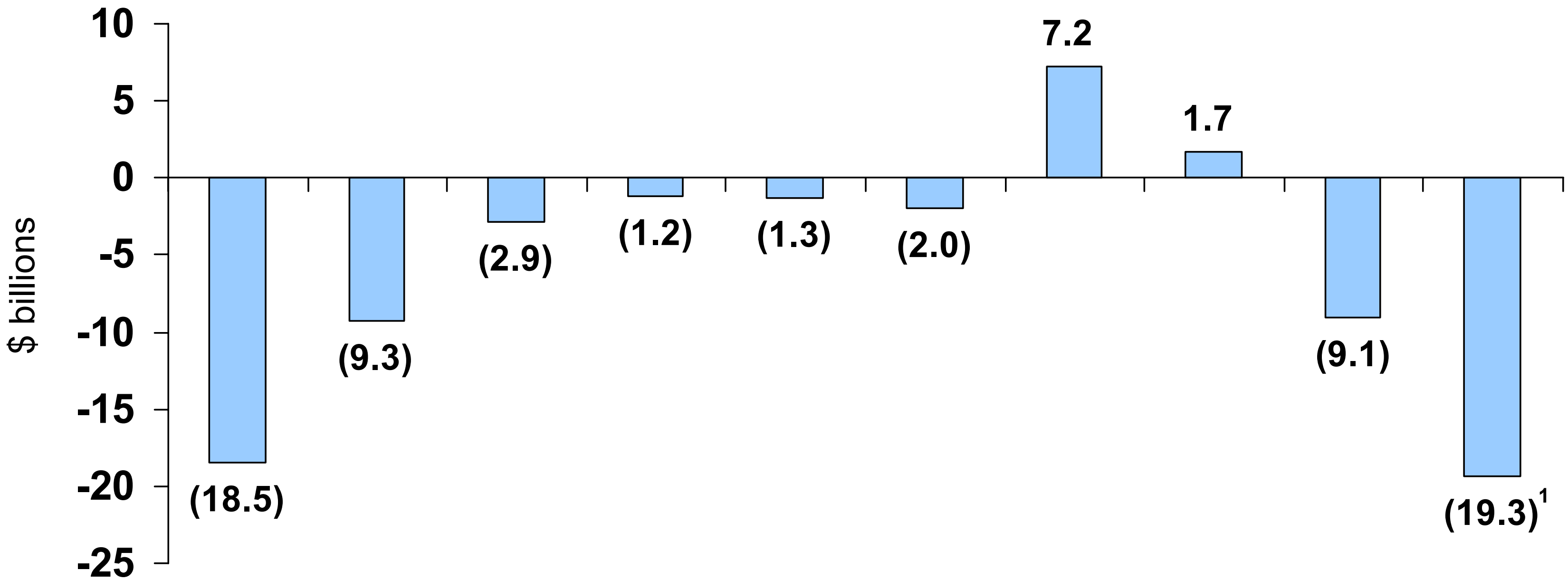
Funded Status

Sensitivity Analysis: Rules of Thumb

	Change	Impact on YE 2003 Funded Status
Actual 2003 Asset Returns	± 5%	∓ $3.1 billion
Discount Rate (on 12/31/03)	± 25 bp	∓ $1.9 billion
Contributions (if made on 12/31/03)	+ $1 billion	+ $1 billion
Expected Long-term Return on Assets	1%	None

U.S. Pension Funded Status Overview

Historical Perspective



	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Funded Status%	72	84	96	98	98	97	110	102	88	76
Contributions	4.4	7.7	10.4	0.8	1.5	1.2	0.9	5.1	0.1	4.9

(1) SFAS 87 funded status for U.S. Hourly and Salaried plans was ($17.8) billion at YE 2002

- GM Plans achieved fully funded status in 1999 with $26.9 billion of contributions from 1993 to 1999
- Despite $37 billion of contributions in the last decade, year end 2002 pension funded status remained near historic lows of 1993

Contribution Requirements

Overview

- **Cash contribution requirements are determined by two primary sets of rules under ERISA[1]:**
  - ERISA Minimum Funding requirements
  - PBGC[2] Premium requirements
- **Contributions are required and penalties may apply when plans are significantly underfunded**
  - Definitions of pension assets and liability used to determine contribution requirements differ from those used to determine SFAS 87 funded status
- **Key drivers of contribution requirements include:**
  - Actual return on plan assets
    - > SFAS 87 Expected long-term return on assets (9% assumption) has <u>no</u> impact on contribution requirements
  - Various factors affecting plan liability values

[1] Employee Retirement Income Security Act
[2] Pension Benefit Guarantee Corporation

Pension Expense

Components of SFAS 87 Pension Expense

SFAS 87 Pension Expense =	
	Service cost
+	Interest cost
-	Expected asset returns
+	Amortization of prior service cost
+/-	Amortization of gains or losses

- **Service cost**
  - The present value of the retirement benefits earned by employees during the current year
- **Interest cost**
  - The increase in the pension liability due to the passage of time (one year closer to paying benefits)
- **Expected asset returns**
  - The expected return on pension plan assets; reduces pension expense
- **Amortization of prior service cost**
  - Increases or decreases in the liability due to plan amendments are amortized over the average future working life of plan participants
- **Amortization of gains or losses**
  - Total accumulated gains or losses (e.g., due to difference between actual asset returns and expected asset returns, changes in discount rate and mortality levels versus assumptions, etc.) above a certain threshold are amortized over the average future working life of plan participants

Pension Expense Sensitivities

Sensitivity Analysis: Rules of Thumb

	Change	Impact on 2004CY Pension Expense
2003 Actual Asset Returns	± 5%	∓$330M
Discount Rate on 12/31/03	±25 bps.	∓$130M
Contributions (if made by 12/31/03)	+ $1 billion	- $90M *

* Assumes current expected long-term return on assets of 9%