

ARVINMERITOR INC
Form 11-K
June 30, 2008

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

**ANNUAL REPORT PURSUANT TO SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2007

Commission File No. 1-15983

ArvinMeritor, Inc. Hourly Employees Savings Plan

(Full title of the plan)

ArvinMeritor, Inc.

2135 West Maple Road

Troy, Michigan 48084

(Name of issuer of the securities held pursuant to the plan and the address of its principal executive office)

ARVINMERITOR, INC.

HOURLY EMPLOYEES SAVINGS PLAN

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Report of Independent Registered Public Accounting Firm

To ArvinMeritor, Inc. Employee Benefit Plan Committee and Participants:

We have audited the accompanying statement of net assets available for benefits of ArvinMeritor, Inc. Hourly Employees Savings Plan (the "Plan") as of December 31, 2007 and 2006 and the related statement of changes in net assets available for benefits for the year ended December 31, 2007. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Plan as of December 31, 2007 and 2006 and the changes in net assets for the year ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2007 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Plante & Moran, PLLC

Clinton Township, Michigan

June 30, 2008

**ARVINMERITOR, INC.
HOURLY EMPLOYEES SAVINGS PLAN**

**STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
AS OF DECEMBER 31, 2007 AND 2006**

	2007	2006
ASSETS		
Participant-directed investments		
Cash	\$ -	\$ 496
Mutual funds	15,465,835	13,024,453
Common collective fund	12,133,862	21,021,282
Common stock	1,228,853	3,138,101
Participant loans	566,695	1,026,466
Total investments at fair value	29,395,245	38,210,798
Accrued receivables	31,685	38,171
TOTAL ASSETS	29,426,930	38,248,969
LIABILITIES - Accrued administrative expenses	2,889	6,606
Net assets at fair value	29,424,041	38,242,363
Adjustment from fair value to contract value for interest in common collective trust funds relating to fully benefit-responsive investment contracts	(71,715)	119,455
NET ASSETS AVAILABLE FOR BENEFITS	\$ 29,352,326	\$ 38,361,818

See accompanying notes to financial statements.

**ARVINMERITOR, INC.
HOURLY EMPLOYEES SAVINGS PLAN**

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2007**

CONTRIBUTIONS	
Participant contributions	\$ 677,867
Employer contributions, net of forfeitures	171,775
Total contributions, net of forfeitures	849,642
INVESTMENT INCOME	
Dividends and interest	1,341,001
Net appreciation in fair value of investments	103,536
Net investment income	1,444,537
DEDUCTIONS	
Benefits paid to participants	(7,464,035)
Administrative expenses	(45,397)
Total deductions	(7,509,432)
DECREASE IN NET ASSETS	
Transfers, net	(5,215,253) (3,794,239)
NET ASSETS AVAILABLE FOR BENEFITS	
Beginning of year	38,361,818
End of year	\$ 29,352,326

See accompanying notes to financial statements.

ARVINMERITOR, INC.

HOURLY EMPLOYEES SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2007 AND 2006, AND FOR THE YEAR ENDED DECEMBER 31, 2007

1. DESCRIPTION OF THE PLAN

The following description of ArvinMeritor, Inc. Hourly Employees Savings Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan document for complete information.

General The Plan is a defined contribution retirement savings plan covering eligible hourly employees of ArvinMeritor, Inc. (the Company or "ArvinMeritor"). Eligible employees may participate in the Plan immediately on the date they become employees. The Plan is administered by the Company's Employee Benefit Plan Committee and the Plan Administrator. The trustee for the Plan assets is T. Rowe Price Trust Company. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Employee Contributions Eligible employees may elect to contribute up to 20% of their compensation, by electing to defer receipt of compensation (pre-tax contribution) or authorizing deductions from compensation (after-tax contribution), subject to the limits prescribed under the Internal Revenue Code (IRC). Participants can elect to have their contributions invested in 5% increments in various investment funds.

The Plan allows participants who are at least age 50 by the end of the plan year to make additional pre-tax contributions up to the limits prescribed under the IRC.

Employer Matching Contributions Participants are immediately eligible for matching contributions. The Company's match varies based on the participant's work location within the Company. Company matching contributions are invested according to the investment mix participants have elected for their own contributions.

Employer Pension Contributions Non-union hourly employees hired on or after October 1, 2005 receive a Pension Contribution into the Plan in lieu of accruing benefits under the Company's defined benefit plan. Pension Contributions are fully funded by the Company and are made to all eligible employees regardless of whether they choose to contribute to the Plan. Pension Contributions range between 2% and 4% of participants' compensation. Pension Contributions are invested according to the investment mix participants have elected for their own contributions.

Effective December 31, 2007, the Company opted to freeze the accrual of benefits under its defined benefit plan. Beginning on January 1, 2008, hourly non-union employees hired prior to October 1, 2005 who are not 50 years old with at least 10 years of service with the Company, or have at least 20 years of service with the Company begin to receive Pension Contributions into the Plan in the same manner as it is currently done for employees hired after October 1, 2005.

ARVINMERITOR, INC.

HOURLY EMPLOYEES SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS (Continued)

AS OF DECEMBER 31, 2007 AND 2006, AND FOR THE YEAR ENDED DECEMBER 31, 2007

Participant Accounts Individual accounts are maintained for each plan participant. Each participant's account is credited with the participant's contributions, the Company's matching contributions, Pension Contributions, if applicable, and an allocation of Plan earnings and is charged with withdrawals and an allocation of Plan losses and administrative expenses. Allocations are based on participants' account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Investments Participants direct the investment of their contributions and the employer contributions into various investment options offered by the Plan. The Plan currently offers 13 mutual funds, a common collective trust funds and the Company's common stock as investment options for participants.

Vesting Amounts attributable to participant contributions and Company matching contributions are fully vested at all times. Pension Contributions vest in annual 20% increments beginning with the completion of the second year of service. Participants become fully vested after they reach six years of service. Forfeited Pension Contributions are netted against employer contributions.

Plan Withdrawals Vested amounts contributed may be withdrawn by, or distributed to, a participant only upon (1) termination of employment or (2) attaining the age of 59 ½. Pre-tax withdrawals prior to attaining age 59 ½ are not permitted except in the event of retirement, disability, or as a hardship distribution. Certain income tax penalties may apply to withdrawals or distributions prior to age 59 ½. Upon termination of service due to death, disability, retirement, or other reasons, a participant would generally receive an amount equal to the value of the participant's vested interest in his or her account as a lump-sum distribution.

Transfers The Company also sponsors a separate defined contribution savings plan for salaried employees. The Plan allows for employees changing status between hourly and salaried to move invested assets to the Plan that correlates to their current status.

Participant Loans Participants may borrow from their accounts an amount not less than \$1,000 and not greater than the lesser of (i) \$50,000 less the amount of loans outstanding during the preceding 12-month period, (ii) amounts in the participant's account attributable to participant contributions, or (iii) one-half of the participant's vested account balance. The loans are secured by the balances in the respective participants' accounts.

ARVINMERITOR, INC.

HOURLY EMPLOYEES SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS (Continued)

AS OF DECEMBER 31, 2007 AND 2006, AND FOR THE YEAR ENDED DECEMBER 31, 2007

Interest is charged at 1% over the prime rate, which is defined as the base rate on corporate loans posted by at least 75% of the 30 largest U.S. banks. At year end, interest rates charged on outstanding balances ranged from 5.00% to 9.25%. The loans are repaid through payroll deductions over periods not to exceed 60 months unless they are for the purchase of a primary residence. Payments of principal and interest are reinvested under the participant's current investment election for new contributions. Participants may have only one outstanding loan.

Plan Termination Although the Company has not expressed any intent to terminate the Plan, it reserves the right to do so at any time. In the event of termination of the Plan, participants with Pension Contribution balances would become fully vested.

Reclassification - The 2006 cash balance on the Statement of Net Assets Available for Benefits has been reclassified from mutual funds to conform to the 2007 presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Investment Valuation The Plan's investments are stated at fair value, except for a stable value common collective trust fund that primarily invests in benefit-responsive investment contracts (commonly referred to as a stable value fund), which is valued at contract value. Contract value represents investments at cost plus accrued interest income less amounts withdrawn to pay benefits. The fair value of the stable value common collective trust fund is based on discounting the related cash flows of the underlying guaranteed investment contracts based on current yields of similar instruments with comparable durations. The fair value of the remaining common collective trust fund is based on the quoted market values of the underlying investments. Mutual funds and common stock are reported at fair value based on quoted market prices. Participant loans are reported at their outstanding balances, which approximate fair value.

Security Transactions and Investment Income Purchases and sales of securities are reported on a trade-date basis. Dividends are recorded on the ex-dividend date and interest income is recorded on the accrual basis.

Administrative Expenses Administrative expenses for services required by the plan document are paid by the Plan. All expenses not required by the Plan are paid by the Company. The amounts reported in the financial statements represent administrative expenses paid by the Plan.

Benefit Payments Benefit payments to participants are recorded upon distribution.

ARVINMERITOR, INC.

HOURLY EMPLOYEES SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS (Continued)

AS OF DECEMBER 31, 2007 AND 2006, AND FOR THE YEAR ENDED DECEMBER 31, 2007

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Risks and Uncertainties The Plan utilizes various investment instruments which are exposed to various risks related to, among other things, interest rate, foreign currency, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

New Accounting Pronouncement In September 2006, the Financial Accounting Standards Board (FASB) issued Statements of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair values in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. The provisions of SFAS 157 are effective for the fiscal year beginning after November 15, 2007. The Company is currently evaluating the impact, if any, of the provisions of SFAS 157 on the Plan s financial statements.

3. INVESTMENTS

The Plan s significant investments as of December 31, 2007 and 2006 are as follows:

	2007	2006
Mutual Funds - At fair value:		
Pimco U.S. Treasury Intermediate Fund	\$ 1,605,634	\$ 1,965,025
T. Rowe Price Mid-Cap Growth Fund	2,044,646	2,597,330
T. Rowe Price Growth and Income Fund	1,910,184	3,083,781
Vanguard Institutional Index Fund	5,676,533	-
Common Collective Trust Fund - At contract value:		
T. Rowe Price Stable Value Common Trust Fund	12,062,147	14,053,460
Common Collective Trust Fund - At fair value:		
T. Rowe Price Equity Index Trust Fund	-	7,087,277
Common Stock - At fair value:		
ArvinMeritor, Inc.	1,228,853	3,138,101

ARVINMERITOR, INC.

HOURLY EMPLOYEES SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS (Continued)

AS OF DECEMBER 31, 2007 AND 2006, AND FOR THE YEAR ENDED DECEMBER 31, 2007

During 2007, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows:

Mutual funds	\$ 309,956
Common collective trust fund	356,843
Common stock - ArvinMeritor, Inc.	(563,263)
Net appreciation	\$ 103,536

4. TAX STATUS

The Internal Revenue Service has determined and informed the Company by a letter dated July 15, 2002, that the Plan was designed in accordance with applicable sections of the IRC. The Plan has been amended since receiving the determination letter. However, the Plan Administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements.

5. EXEMPT PARTY-IN-INTEREST TRANSACTIONS

Certain Plan investments are shares of mutual funds managed by T. Rowe Price Trust Company. T. Rowe Price Trust Company is the trustee as defined by the Plan and, therefore, these transactions qualify as exempt party-in-interest transactions. The Plan paid T. Rowe Price Trust Company administrative and other fees of \$5,000 during the Plan year ended December 31, 2007.

At December 31, 2007 and 2006, the Plan held 104,762 and 172,139 shares, respectively, of common stock of ArvinMeritor, with a fair value of \$1,228,853 and \$3,138,101, respectively. During the year ended December 31, 2007, the Plan recorded dividend income from common stock of ArvinMeritor of \$44,866.

6. RECONCILIATION TO FORM 5500

The net assets on the financial statements differ from the net assets on the Form 5500 due to a common collective trust fund being recorded at contract value on the financial statements and at fair value on the Form 5500. The net assets on the financial statements were lower than those on Form 5500 at December 31, 2007 by \$71,715 and higher at December 31, 2006 by \$119,455. Additionally, the investment income on the Form 5500 for the year ended December 31, 2007 is higher than that on the financial statements by \$191,170.

**ARVINMERITOR, INC.
HOURLY EMPLOYEES SAVINGS PLAN**

**FORM 5500, SCHEDULE H, PART IV, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
AS OF DECEMBER 31, 2007**

Identity of Issuer, Borrower, Lessor or Similar Party	Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Cost	Current Value
	Mutual funds		
Alliance Bernstein	Value Fund	**	\$ 75,911
Goldman Sachs	Core International Equity Fund	**	1,317,298
Lord Abbett	Small Cap Value	**	439,763