Letter of Comment No: 31 File Reference: 1025-300

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From: Robin Gantt [mailto:GanttR@osm.com]
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To: Director - FASB

Subject: File Reference No. 1025-300

This is a comment letter on the exposure draft amending FASB Statement No. 87, 88, 106 and 132(R). I have two objections to the standard: 1) using the projected benefit obligation (PBO) instead of the accumulated benefit obligation (ABO) as a balance sheet liability, and 2) requiring the measurement date to match the financial statement date.

First, using PBO as a balance sheet liability provides a poor representation of the company's future payments compared to using ABO. PBO is calculated using projected future costs including projected wage increases and assumed plan continuance, which are not legal obligations of the company at the balance sheet date. ABO removes these factors from the liability. Also, individual plans that have an overfunded position would be shown in the financial statements as an asset, which would be misleading to unsophisticated readers and investors. The calculated overfundings are not accessible to companies, and therefore do not meet the definition of an asset. As PBO information is currently disclosed in the footnotes and parties of interest can easily access that information, it does not seem necessary to amend the standards compelling PBO recognition on the balance sheet.

Second, requiring companies to match the measurement date to the balance sheet date puts an undue burden on financial departments, actuaries and external auditors. As more companies are attempting to compress their financial statement close and provide more timely information to investors, the ability to use a different measurement date allows companies to more efficiently manage the year end close. The pension calculations are complex, requiring several layers of analysis, review and incorporation into the financial statements. The additional time allows companies to correct errors, analyze the information and finally, properly report the information. This benefit also helps actuaries and external auditors in meeting their obligations. Compelling companies to use the balance sheet date as the measurement date does not increase the reliability or accuracy of the information. Pension amounts are calculated with several assumptions and estimates as there are a lot of unknown factors in determining payments that will not happen in some cases for another 30 years or more. It is highly unlikely that anything would change between the measurement date and balance sheet date that would significantly impact the calculated liability, whether it is ABO or PBO. The rules currently allow companies to use a measurement date of up to three months prior to the balance sheet date. There does not appear to be any benefit in making this change.

Thank you for your consideration.

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