USS POSCO

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July 21, 2006

Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 06856-5116 Norwalk, CT 06856-5116

File Reference No. 1025-300

Dear Mr. Herz:



LETTER OF COMMENT NO. 245

USS-POSCO Industries ("UPI") appreciates the opportunity to comment on the Financial Accounting Standards Board's ("Board") Exposure Draft ("ED") of the Proposed Statement of Financial Accounting Standards - Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R).

UPI, a flat rolled steel producer located in Pittsburg, CA, is a privately held joint venture between United States Steel Corporation of Pittsburgh, PA, the world's seventh largest integrated steel producer, and POSCO of the Republic of Korea, the world's fourth largest. UPI sponsors a qualified defined benefit pension plan for its employees as well as other postretirement benefit plans for its retirees.

General Comments

While we support the Board's continuing efforts to improve financial reporting with respect to defined benefit postretirement plans, we have serious concerns with several of the proposals contained in the ED. As more fully explained below, we do not agree with (1) the Board's proposed changes to the method of measuring the plan's funded status; (2) the Board's proposed changes to the plan's measurement date; and (3) the proposed effective date of the ED.

Determination and Recognition of Funded Status

The proposed Statement would require current recognition of the funded status of defined benefit postretirement plans in the Balance Sheet. Under the ED, the funded status would be determined as the difference between the fair value of the plan assets and the projected

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benefit obligation (PBO) for pension plans. We do not believe that the PBO is the appropriate measure of liability for purposes of financial statement presentation.

If current recognition of a pension obligation is to be required in the Balance Sheet, we believe that it should be based on the accumulated benefit obligation (ABO) of defined benefit pension plans. The ABO represents the actuarial present value of benefits rendered to date and is the amount that would remain as a liability of the plan sponsor if the pension plan were frozen or terminated.

The PBO, on the other hand, reflects estimated future salary increases which may or may not occur. If salary increases are not currently owed under any contract between the employer and the employees, then the Balance Sheet should not reflect a liability for any such increases. Reflecting such a liability is misleading and is not reflective of the true obligations of the employer. In addition, since the PBO is not a marketable obligation it does not meet the definition of Fair Value under the Board's current Fair Value Measurements project which defines Fair Value as "the price that would be received for an asset or paid to transfer a liability in a transaction between market participants at the measurement date."

Accordingly, we support the ABO as a more appropriate measure of a plan sponsor's current obligation and, therefore, recommend that it be used as the basis for the liability shown on the Balance Sheet.

Changing the Plan Measurement Date

The proposed Statement also includes a three-month shift in the measurement date by requiring the employer to use as the measurement date that date which corresponds to the date of the employer's financial statements.

Such a change, however, would cause an undue burden on plan sponsors. The use of an earlier measurement date allows for complex information to be compiled in a timely manner so that plan sponsors can appropriately review the information and complete the preparation of their financial statement information in time to meet the financial statement reporting deadlines. Given the amount of time needed to compile OPEB and pension information, requiring a measurement date at the financial statement date may not allow management sufficient time to adequately review the information. Requiring the use of this date would also place a significant burden on actuaries and auditing firms in completing their required procedures as the financial statements and related disclosures cannot be prepared until all required asset information is determined.

Accordingly, we believe that the current provision permitting the use of a measurement date not more than 90 days before the end of the Employer's fiscal year should be retained.

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Effective Date

In issuing the final ED, we respectfully request that the Board consider postponing the effective date of the proposed Statement from year-end 2006 to year-end 2007 in order to allow companies adequate time to properly implement the change, as well as allow sufficient time for the Board to address the appropriate liability measurements to use in determining a plan's funded status.

Summary

While we support the Board's efforts to improve the accuracy of financial reporting with respect to pension and other postretirement benefit plans, we do not agree with the approach outlined in the proposed Statement. As explained above, we believe that none of these proposed changes should be implemented until such time as the Board has completed its planned *comprehensive* reconsideration of accounting for defined benefit plans. If it is ultimately determined that the "funded status" of defined benefit plans should be reflected on the Balance Sheet, such status should be determined using the ABO and not the PBO for the reasons described above. In addition, the current provision permitting the use of a measurement date of not more than 90 days prior to the plan sponsor's fiscal year end should be retained and the implementation date of the proposed Statement should be postponed until year-end 2007.

Thank you for your consideration of our comments on the proposed Statement. I am available to discuss this with you at your convenience to address any questions you may have.

Sincerely,

ľohn Berzansky, Jr.

Vice President – Administration & Finance, Treasurer