Rayonier

Corporate Headquarters

Hans E. Vanden Noort Sr. Vice President and Chief Accounting Officer

May 31, 2006

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

LETTER OF COMMENT NO. 180

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By email to director@fasb.org, file reference No. 1025-300

Dear Sir or Madam:

Rayonier is pleased to have the opportunity to comment on the proposed Statement of Financial Accounting Standards Exposure Draft, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, issued March 31, 2006. We focused our comments on the use of the projected benefit obligation (PBO) and accumulated postretirement benefit obligation (APBO) in the calculation of the funded status to be recorded on the balance sheet and the phased approach to the revision of the pension and postretirement accounting standards that you proposed.

Projected Benefit Obligation / Accumulated Benefit Obligation:

The FASB should reconsider the required use of the PBO as a measure of the liability used in determining the funded status of a company's pension plan. PBO is not a true measure of a company's liability as of the balance sheet date because it includes estimates for future salary increases. Normally, most companies are not obligated to grant salary increases; rather they are earned on an annual basis commensurate with an employee's performance. Based on this, we do not believe they fall into the definition of a liability as defined in the FASB's Statement of Financial Accounting Concepts No. 6, *Elements of Financial Statements*, paragraphs 35 through 40 and should be excluded from the calculation of a plan's funded status for accounting purposes. We believe the accumulated benefit obligation (ABO) is a more accurate measure of a pension liability since it represents the actuarial present value of pension benefits earned.

Accumulated Postretirement Benefit Obligation (APBO) for Other Postretirement Benefits (OPEB):

The FASB should reconsider the proposed use of APBO as a measure of other postretirement benefits. The measure APBO assumes that postretirement benefits exist for as long as a company can financially provide them and does not take into account actions to reduce or eliminate these benefits. Most companies generally have the ability to reduce or eliminate retiree medical benefits for both eligible retirees and participants that are not currently eligible. Therefore, we believe that the use of the APBO on the balance sheet could overstate a company's actual postretirement liability.

Phased Approach to Revising the Accounting for Pension and Postretirement Benefits:

The FASB should address the accounting for pension and postretirement plans in a comprehensive project instead of issuing this standard that addresses balance sheet changes and issuing a future

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statement that addresses income statement changes. We believe that a comprehensive approach will provide more transparent financial reporting, while the proposed two-step approach may lead to some confusion and inconsistencies during the period before the second statement is adopted.

Thank you for the opportunity to comment on the Exposure Draft. We welcome any questions you may have in response to our observations.

Sincerely,

Hans E. Vanden Noort Senior Vice President and Chief Accounting Officer

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