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May 2, 2008

Technical Director
Financial Accounting Standards Board
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LETTER OF COMMENT NO.



By e-mail to director@fasb.org, File Reference: Proposed FSP FAS 132 (R)-a

Subject: Proposed Changes to Statement of Financial Accounting Standards – Employers' Disclosures about Pensions and Other Postretirement Benefits, an amendment of FASB Statement No. 132(R)

Dear Mr. Golden:

United States Steel Corporation (U. S. Steel) is pleased to have the opportunity to comment on the subject exposure draft. U. S. Steel is a leading steel manufacturer that provides defined benefit pension plans and other postretirement benefit plans to over 49,000 employees and over 100,000 pensioners.

- 1.) The standard uses the word "significant" in describing which asset classes should be presented in the required tabular format describing the FAS 157 levels of assets held by the trusts. The illustration shows diversified corporate bonds and real estate which account for 2% and 5% respectively of asset holdings at the end of the year which we do not believe represent significant risk exposures to the total assets of the fund. To avoid diverse interpretations among filers and audit firms and to preclude more intensive work involved with aggregating assets from multiple plans in multiple countries at the lowest possible asset categorization, we believe it is more appropriate to set a minimum materiality threshold for asset categorization such that asset allocations less than 10% are not deemed to be material for separate reporting. Additionally, assigning target allocations to such small categories will result in meaningless descriptions e.g. private equity target allocation of 0 20%
- 2.) We are doubtful that there are many investors and readers who would benefit from the very detailed requirement to roll forward the changes in assets where fair value determination is principally based on Level III inputs, as defined by FAS 157, ("Level III assets") from the start of the year to the end of the year. We have objections to the tabular requirement for a number of reasons:
- Providing the breakout on Level III assets, particularly if the significance materiality threshold is not clearly defined, is tantamount to divulging returns for these investments by asset category. This is proprietary information and should not be divulged.
- It is not clear to us whether the requirement for the roll forward requires us to look to the underlying assets of certain investment types such as pooled funds, private equity partnerships or real estate limited partnerships. To report on any level lower than the hierarchy of asset categorization used for the normal reporting by our trusts would be burdensome if not impossible. The partners of many hedge funds refuse to divulge holdings at the individual asset level. Thus, "looking through" the fund level might not be possible for many investments. Additionally, new systems would have to be acquired or built to monitor the hundreds if not thousands of underlying investments for a typical portfolio with investments in upwards of 50 fund managers. The cost, effort and burden would be enormous relative to the benefit derived. Further, on the table for Level III assets, the requirement to split the asset returns between assets remaining in the portfolio at year end and

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those sold during the year provides little meaningful data to investors and has the potential for increasing the accounting burden enormously. For instance, if one of our funds owns a building, sells it during the year, and returns the proceeds to us, is that an asset still held at the reporting date? Getting to this level of detail for the Level III asset table would become an excessively demanding accounting project.

- 3.) If the standard requires us to look through a pooled fund to determine concentration risks, the same issues of data availability and accounting burden apply. For example, short term investment funds (STIFs) are broadly diversified across many fixed income categories. It would take an extraordinary effort to break down a STIF account among asset backed securities, government securities, repos, CDOs, mortgages, commercial paper, etc.
- 4.) The phrase "concentration of risk" is loosely defined and needs further clarification. The illustration implies that mortgage backed securities represent real estate risk. This is not always the case since some mortgage backed securities are backed by the full faith and credit of the U.S. government (e.g. GNMAs).
- 5.) Some clarification needs to be given regarding the use of derivatives to overlay or change the underlying nature of an asset. For example, it we wanted to invest in small cap stocks, one potential strategy would be to buy short term corporate debt instruments and overlay those with a swap to attain an index like return. The underlying nature of those short term investments is that they are really part of a small cap strategy. However, the standard may force them to be quantified as debt securities. In order to assure that the disclosure reflects economic reality, the presentation should address the intent in holding the assets. Clarification regarding the nominal amount of derivatives should be presented in a footnote to the table and not in the table itself. The proposed disclosure regarding derivatives is too vague and is an invitation to manipulation.

Depending on the final standard adopted, it may not be possible to implement all phases by December 31, 2008. We recommend that the implementation of any change to disclosure reporting be deferred to a later period after appropriate data tracking and systems development can be implemented, allowing sufficient time for quality assurance.

We appreciate your consideration of these comments. If you have any questions with respect to our comments, please call Roberta Cox, Director – Benefits Analysis, at 412-433-5314.

Sincerely,

/s/ Larry G. Schultz Larry G. Schultz Vice President & Controller