

United States Steel Corporation 600 Grant Street, Pittsburgh, PA 15219-2800



LETTER OF COMMENT NO. 130

June 1, 2006

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

By e-mail to director@fasb.org, File Reference No. 1025-300

Subject: 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)

Dear Mr. Herz:

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 46,000 employees and over 80,000 pensioners.

We support the efforts of the Financial Accounting Standards Board to promote clearer and more transparent financial reporting, and we agree with the Board's conclusion that a project to review the accounting for retirement and similar obligations is necessary. However, we believe that the FASB should consider delaying Phase I of the project (or combining Phase I and Phase II of the project) at least until the minimum pension funding rules have been revised, likely later this year. Employees and interested investors, each of whom have a large stake in the company's well-being, will be getting additional and possibly new participant notices regarding the details of the funded status of their plans on a minimum funding basis. In all likelihood, the funded status of these disclosures will not match those that would be required to be in the company's balance sheet under this exposure draft, leading to confusion as to which reporting is accurately depicting the health of the plans. This would detract from the Board's quest to increase the transparency of the plans.

Further, we believe that certain aspects of Phase I of the project will frustrate the intentions of the Board with regard to transparency and reliability:

Recognizing the overfunded or underfunded status of a defined benefit postretirement plan in the statement of financial position

The recognition of the overfunded or underfunded status of a defined benefit postretirement plan in the statement of financial position for companies with very large plans relative to the size of their balance sheet will cause considerable swings in the balance sheet from year to year. Such swings are not unusual for large plans and are not necessarily indicative of anything positive or negative about the long-term prognosis of the health of the plan. Most readers of the financial statements will not have the knowledge-base to make an accurate assessment of what the large changes mean to the plan in any given year or to the projected cash demands placed on the company.

<u>Using the projected benefit obligation (PBO) rather than the accumulated benefit obligation (ABO)</u> to measure the pension liability on the balance sheet

We believe the ABO is the measure of a company's pension liabilities that most closely resembles a market value. The use of the PBO, which includes a forecast of salary levels out to a future retirement

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date, is incongruous with the valuation of all other aspects of the funded status of the plan using rates or values as of the measurement date. The inclusion of future salary growth would place amounts on the balance sheet that are not yet liabilities of the company in any accounting or legal sense.

Measuring the funded status at the financial statement date

For many companies, especially those with multiple or large benefit plans, the condensed time frame to develop balance sheet figures based on funding status will sacrifice the accuracy of the figures recorded. There will not be enough time to properly complete the multitude of valuations and analyses required to develop the plans' funded status in time for booking and reporting. Thus, the alternative will be to use older census data that has been rolled-forward to the end of the year with estimated adjustments for significant events if needed. This will lessen the degree of accuracy in reporting the best estimate of actuarially determined liabilities as of the measurement date. Furthermore, the older census files may no longer be valid as a basis for the pension calculations for minimum funding purposes and PBGC reporting and thus, many companies will be forced to have a separate handoff of year-end data that will require additional data scrubbing and analysis and create more actuarial work.

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/ Gretchen R. Haggerty
Gretchen R. Haggerty
Executive Vice President & Chief Financial Officer