

Len Tatore

Letter of Comment No: 1
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From: Imhoff, Eugene [imhoff@bus.umich.edu]
Sent: Sunday, September 14, 2003 8:22 AM
To: Director - FASB
Subject: File Reference Number 1025-2000

Dear Director
RE: File Reference Number 1025-2000

I am very supportive of the information requirements as outlined in issues 1-4 of the above referenced exposure draft. However, I strongly urge you to reconsider issue 6 and add the sensitivity requirement to the proposed statement. The sensitivity information is of great benefit to users of financial statements who seek to evaluate OPEBs for a firm, and it would be similarly useful to those wishing to assess the pension obligation of the firm.

The most obvious contribution of sensitivity analysis in terms of the FASB's own framework is to enhance the comparability of the financial statement information on pensions within and among companies. It should be obvious that comparisons within and between firms would be greatly enhanced with sensitivity data. It would dominate the data suggested by issues 1-4 in terms of its economic significance and relevance to meaningful financial statement analysis. The relevance of comparisons of one firm to another would be greatly enhanced as it would allow the financial statement users to make adjustments themselves for differences in the assumptions regarding rates of return on plan assets. As you know, these rates are not tightly grouped within an industry or among industries. While no one knows the future, that is exactly the point of providing these sensitivity data. Moreover, a crude analysis could be made of significant differences between the rates employed and the rates expected by the financial statement users assuming the sensitivity analysis were somewhat linear as to percent changes. The FASB would do well to consider this and other disclosures that offer financial statement readers data regarding the "second moment" of financial statement information. Accounting has relied too heavily for too long on providing point estimates of data that, we all know, are only estimates within an acceptable range of possibilities permitted by GAAP. Today, many (not a majority but still many) users are more sophisticated and more informed and able to process these data regarding deviations from point estimates in an efficient and meaningful way. The capital markets would be well served by more information regarding the sensitivity of point estimates to changes in the underlying assumptions. Banks would be well served by looking at such sensitivity analysis in their loan loss reserves, insurance companies would be providing better information if they too provided information about the sensitivity of their loss reserves to changes in the underlying assumptions. Even SPEs that deal with financial assets would be served by providing these data.

The coming decade will see more interest and critical analysis of the financial statement information regarding both pensions and OPEBs. I hope the FASB will get them both on the same page regarding the relevance and usefulness of sensitivity data. More of this analysis would greatly enhance the quality of information available to financial statement users. Sincerely,

Professor Gene Imhoff
Director, Paton Accounting Center
University of Michigan Business School
701 Tappan
Ann Arbor, MI 48109-1234
734-763-1192
imhoff@umich.edu

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