Letter of Comment No: 8
File Reference: FSPAAGINVA
Date Received:

September 15, 2005

Mr. Lawrence Smith
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference FSP AAG INV-a, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide*

Dear Mr. Smith:

ABN AMRO Investment Trust Company is the Trustee of a $3.8 billion stable value collective investment trust known as the ABN AMRO Income Plus Fund. The firm has recently participated in a series of industry wide meetings regarding the proposed changes to the accounting policies applicable to stable value funds, and fully support these efforts. Our firm is concerned regarding the effects of the proposed regulations, which could, in certain circumstances, cause some funds within the industry to take drastic investment actions. These actions will most probably be deleterious both to the exiting defined benefit plans, as well as the remaining defined contribution plans within a particular fund. The industry's trade association, the Stable Value Investment Association, has drafted a response covering the entire FSP, which will be submitted by the SVIA. However, we feel it necessary to expand on the section relating to the effective date and transition issues, specifically the treatment of existing defined benefit plans.

Thank you very much for consideration of our position.

Yours truly,

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ABN AMRO Investment Trust Company
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FASB's Draft Text (Effective Date and Transition point #13):

To be considered within the scope of the guidance in this FSP as of the effective date, all or essentially all, of the investment company's net assets must be held by participants in one or more qualified employer-sponsored defined-contribution plans. In order to be considered within the scope of the guidance in this FSP after the effective date, any portion of the net assets of the investment company that is not held by participants in qualified employer-sponsored defined-contribution plans as of the effective date is not permitted to increase due to gross contributions, loan repayments, or transfers into the fund.

Statement of the Problem:

The Effective Date and Transition Language (point #13) does not permit any grandfathering to the extent that, as of the effective date, "all, or essentially all, of the investment company's net assets [are not] held by participants in one or more qualified employer-sponsored defined-contribution plans."

Background:

Certain defined benefit plans have enjoyed the benefits of stable value funds for ten years or longer, based upon sound business practices and reliance on reliable regulatory sources. While, across the industry as a whole, the percentage of defined benefit plan investors in stable value funds may be relatively small, among funds that have permitted defined benefit plan investors, the actual percentage of investments owned by defined benefit plan investors varies.

It is our understanding that FASB's intent in issuing the exposure draft was to minimize any potential harm to investing plans and their participants and beneficiaries. However, if the exposure draft does not permit funds that fail to meet the "all or substantially all" test on and after December 15, 2005, then these funds would need to take immediate action that may be harmful to both the redeeming defined benefit plans and the remaining defined contribution plans investors.

Suggested Solution/Resolution:

To mitigate any harmful effects of any transition required to be in compliance with the exposure draft, we believe the best solution would be to revise the proposed text of the exposure draft to include a grandfather provision, and have drafted a sample grandfather provision for existing plans.

Suggested Revisions to Proposed Text

Grandfather Text

To be considered within the scope of the guidance in this FSP as of the effective date, a collective fund must have been in existence as of December 15, 2005, and any portion of the net assets of the investment company that is not held, directly or indirectly, by participants in tax-qualified defined-contribution plans as of December 15, 2005 must not be permitted to increase due to gross contributions (exclusive of any automatic reinvestment of income), loan repayments, or transfers into the fund.

Adopting a grandfather clause would eliminate the following problems:

- Investment companies have a fiduciary responsibility to existing shareholders. The defined benefit plan investors may be harmed should the plan fiduciaries need to invest their redemption proceeds in less than favorable market conditions; this type of liquidation could also harm the remaining investors in the investment company by negatively impacting the future crediting rate and the make-up of the investment company's overall investment portfolio.
- Any negative impact to a stable value fund's plan investors would also be harmful to the plan's participant and beneficiaries that have relied on stable value as a stable and predictable investment option.
- Investment companies have a fiduciary requirement to treat all investors, whether defined contribution or defined benefit, equally and fairly. Adopting a grandfathering position would avoid any potential preferential treatment of defined benefit plans over defined contribution plans regarding the liquidity protocol under the fund documents.
- Defined benefit plan fiduciaries would be required to take sufficient time and give appropriate consideration to the surrounding facts and circumstances when choosing a replacement investment.
- Adopting a grandfather clause would eliminate the need to potentially sell illiquid investments or disrupt the liquidity structure of the fund (which could then potentially harm the remaining fund participants). In addition, the issuers of the investment contracts held by the fund will not treat the redemptions by defined benefit plan investors as "benefit responsive payments" under the terms of the agreements.
- The fiduciaries of affected defined benefit plans made these investment decisions with a long-range view; any investment changes necessitated by the FASB could materially disrupt the investment programs of these plans. The loss of stable value as an investment option may significantly impact the allocation of plan dollars across other sectors of the market.
- Adopting a grandfather clause also avoids the expenditure of resources which would otherwise be required to regulate the existing stable value funds which will not meet the "essentially all" test.
- Inconsistent interpretations of the "essentially all" test would be eliminated.
- The measurement of "essentially all" is problematic for funds with asset drops. A fund may meet the standard as of the effective date but then due to unrelated withdrawals by one or more defined contribution plans have to take adverse action with regard to the fund

Considerations Should a Grandfather Provision Not Be Adopted:

All of the problems listed above will remain and be accentuated if the suggested grandfather clause not be adopted by the FASB. The lack of a grandfather provision in the current draft statement would then require a longer transition period than outlined in the current proposal, as investment companies would be presented with all of the problems outlined above.