

January 21, 2005

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

Letter of Comment No: 38  
File Reference: AICPA ICG

Dear Mr. Smith:

I have learned that the AICPA Investment Companies Expert Panel and Accounting Standards Executive Committee recently provided you with an issues paper requesting guidance on generally accepted accounting principles for valuing fully benefit responsive investment contracts held by non-registered investment companies (commingled stable value funds).

The plan my company provides for me would like for you to consider the impact that your decision will have on thousands of small and medium plan investors nationwide like me who are only able to realize the full benefits of stable value by investing through commingled stable value funds. Stable value funds are an integral component of my retirement program.

Stable value has and continues to be a popular investment option for me as it provides returns that are similar to an intermediate bond fund with risk levels comparable to a money market fund. The funds provide an essential balance against my risk in equity funds in my portfolio. Stable value's attractiveness as an investment option stems from returns that average 2%-4% greater than money market instruments, without a corresponding increase in risk. Currently, my plan's stable value assets are invested in the VantageTrust PLUS Fund managed by the ICMA Retirement Corporation.

I believe that it is imperative to preserve the current commingled stable value fund accounting treatment for fully benefit responsive investment contracts as commingled funds are the only vehicle that will allow small plans like my company's to realize the diversification and portfolio efficiency (lower risk and higher return) of large plans. In my opinion, an unfavorable decision by the Financial Accounting Standards Board (FASB) would have a disparate impact on small and large defined contribution plans. Further it will impact me directly because I will not be able to predict the value of my Plus Fund investment on the day of the month that my scheduled withdrawal occurs.

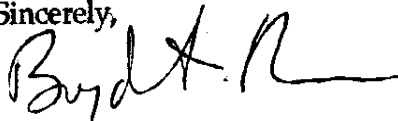
According to information provided to me by ICMA the expected differences would be reflected by unequal performance, risk and cost profiles for large and small plans:

- 1) **Reduced Performance:** An unfavorable decision would create a two-tiered stable value portfolio structure. There would be efficient (higher return) portfolios for large plans (plans with more than \$25 million in stable value assets), and less efficient (lower return) portfolios for small- and mid-sized plans. This would negatively impact small- and mid-sized plans, and provide only the largest plans the opportunity to realize the most attractive returns in the stable value marketplace.
- 2) **Increased Risk:** In addition to access to higher return portfolios, large plans would also be able to more broadly diversify their portfolios, thereby, reducing the risk to plan participants. It is estimated that small- to mid- sized plans will only be able to diversify among 15-25 different issuers while large plans will have to ability to diversify among hundreds of different issuers. Also, fund managers such as ICMA-RC who set high credit quality standards may then be forced to purchase securities of lower-rated firms in order to meet the Fund's investment demands.
- 3) **Increased Cost:** An unfavorable decision by the FASB would increase the cost of stable value investing for participants, plan sponsors and plan providers. ICMA-RC anticipates increased administrative and operational costs resulting from a decision to change accounting procedures for commingled stable value funds. Increased costs from the employer and ICMA-RC will reduce the rate of return to investors even further. It is important to note that stable value funds have a history of being an efficient and beneficial investment for defined contribution investors. No investor has ever experienced a loss from a stable value investment. There is no reason to change the investment accounting standards for these funds.

As a public sector retired employee, I encourage the FASB to consider the public policy and social impact of their decision. An unfavorable ruling will place small- and mid-sized plans at a competitive disadvantage to large plans. It will also lower the retirement investment returns to me and thousands of other retirees and workers serving small towns, counties and other public sector entities throughout America.

I urge you to allow stable value funds to continue meeting my retirement needs and the needs of my fellow retirees and public service employees.

Sincerely,



Boyd T. Ready,

Central Nebraska Public Power and Irrigation District, Retired  
ICMA-RC Plus Fund Investor