



Letter of Comment No: 16
File Reference: AICPA ICG

January 26, 2005

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

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 commingled stable value funds.

Our retirement plan would like you to take into account the impact of your decision on thousands of small and medium plan investors nationwide who are only able to realize the full benefits of stable value fund investing through commingled stable value funds. Stable value funds are an integral component of our retirement program for dedicated public sector employees. The stable value fund is particularly important for those employees who are near or in retirement.

Stable value has been and continues to be a popular investment option for our plan participants as it provides them with the returns of an intermediate bond fund with the risk level of a money market fund. The funds provide a balance against the risk of equity funds in long-term portfolios. Stable value's attractiveness as an investment option stems from returns that average 2-4% greater than a money market fund, without a corresponding increase in risk. Currently, our plan's stable value assets are invested in the Vantage Trust PLUS Fund managed by the ICMA Retirement Corporation.

I believe that it is important to preserve the commingled stable value fund accounting treatment for fully benefit responsive investment contracts as commingled funds are the only vehicle that will allow small plans to realize the diversification and portfolio efficiency (lower risk and higher returns) of the large plans.

It is the opinion of ICMA/RC that an unfavorable ruling by the Financial Accounting Standards Board (FASB) would have a disparate impact on small and large defined contribution plans. The expected differences would be reflected by unequal performance, risk and cost profiles for large and small plans.

Large plans with over \$25,000,000 in assets would be more efficient than smaller plans. This would leave the larger plans with the opportunity to realize more attractive returns in a stable value fund.

Large plans would also be able to more broadly diversify their portfolios, thereby reducing risk for plan participants. It is estimated that small plans will only have 15-20 issuers while large plans will have hundreds. This may also result in small plans having to invest in issues that are less credit worthy thereby increasing risk to investors.

Cost of operating the fund could very well occur should commingled stable value funds not be available to the smaller plans. Those increased costs could erode the return to investors even further.

It should be noted that stable value investment funds have a history of being an efficient and beneficial investment for defined contribution investors. No investor has ever suffered a loss from a stable value investment. There is no compelling reason to change the investment accounting standards for these funds.

As a public sector employer, I encourage the FASB to consider the public policy and social impact of their decision. An unfavorable ruling will place the small plans at a competitive disadvantage to large plans. It will also lower the retirement investment returns of thousands of workers serving small towns and counties throughout the United States.

I urge you to allow stable value funds to continue meeting the retirement needs of our employees.

Sincerely,

A handwritten signature in black ink that reads "Blaine R. Hinds". The signature is written in a cursive, flowing style.

Blaine R. Hinds
City Manager