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January 31, 2005

Letter of Comment No: 75  
File Reference: AICPA ICG

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

Dear Mr. Smith:

We 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).

As the administrators for the North Jeffco Park and Recreation District (North Jeffco) retirement plan, we would like you to consider the impact your decision will have on thousands of small and medium plan investors nationwide 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 the retirement programs we provide for our hard-working public sector employees.

Stable value has been and continues to be a popular investment option for our plan participants as it provides them with 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 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 money-market instruments, without a corresponding increase in risk. Currently, the stable value assets in North Jeffco's plan are invested in the VantageTrust PLUS Fund managed by the ICMA Retirement Corporation.

We believe it is imperative to preserve the current commingled stable value fund accounting treatment for fully benefit-responsive investment contracts; commingled funds



is the only type of vehicle that will allow small plans to realize the diversification and portfolio efficiency (lower risk and higher return) of large plans.

In our opinion, an unfavorable decision 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 as follows:

- 1) Reduced Performance: An unfavorable decision would create a two-tiered stable value portfolio structure. The result 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 the ability to diversify among hundreds of different issuers. Consequently, fund managers who set high credit quality standards, such as ICMA-RC, may 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. These increased employer and ICMA-RC costs will reduce the rate of return to investors even further.

It is important to note that stable value funds have a history of being efficient and beneficial investments 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 employer, we 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 of thousands of workers serving small towns, counties, and other public sector entities (including North Jeffco Park and Recreation District) throughout America.

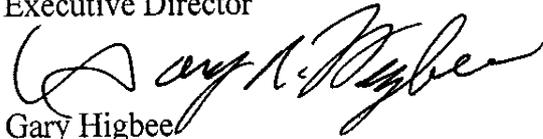
Lawrence W. Smith  
Director of Technical Application and  
Implementation Activities  
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North Jeffco Park and Recreation District urges you to allow stable value funds to continue meeting the retirement needs of its employees.

Sincerely,



Mike Miles  
Executive Director



Gary Higbee  
Chief Finance Officer