AICPA

September 19, 2005

Letter of Comment No: 28
File Reference: FSPAAGINVA

Date Received:

Director, TA&I—FSP
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Sir:

The Planning Subcommittee and another representative of the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants (herein referred to as "the PSC") is pleased to offer comments on the proposed FASB Staff Position (FSP) INV-a, Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide.

Overall Comment

The PSC supports the issuance of the proposed FSP as it relates to investment companies subject to the AICPA Audit and Accounting Guide Investment Companies.

The PSC believes the definition of a fully benefit-responsive investment contract should be consistent between employee benefit plans and investment companies and has no objections to the definition. The PSC believes, however, that the reporting of fully

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benefit-responsive investment contracts at fair value on the face of investment company

financial statements (as required by paragraph 6 of the proposed FSP) should not affect

the reporting of such contracts by employee benefit plans. For employee benefit plans,

the PSC believes such information would be more understandable to the users of the

plan's financial statements if shown in the notes to the financial statements.

Accordingly, the PSC's comments relate to Appendix B of the FSP, except for certain

comments under "Disclosures" that would also apply to investment companies.

The remainder of this letter contains our specific suggestions and concerns about the

proposed FSP.

Financial Statement Presentation

Paragraph B1 — Proposed Amendments to SOP 94-4:

B1(c)—Paragraph .04 and (h)—Paragraph .15

The PSC believes that the reporting of fully benefit-responsive investment contracts at

fair value on the face of the financial statements by investment companies (as required

in paragraph 6 of the proposed FSP) should not affect the reporting of such contracts by

employee benefit plans. The primary objective of a defined contribution plan's financial

statements is to provide information that is useful in assessing the plan's present and

future ability to pay benefits. The PSC believes that reporting the contract value of such

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investments on the face of the financial statements provides information that is most useful in assessing a plan's present and future ability to pay benefits and therefore the PSC recommends that participant-directed investments continue to be shown in the aggregate as a one-line item in the statement of net assets available for benefits as permitted by SOP 99-3, Accounting for and Reporting of Certain Defined Contribution Plan Investments and Other Disclosure Matters. However, the PSC believes that fair value is a relevant measurement attribute for such investments and therefore the PSC recommends that aggregate disclosure by stable value fund option of the information proposed to be required by paragraph B1(h) of the FSP be made in the notes to the financial statements.

Consistent with the objective of defined contribution plan financial statements, net assets available for benefits of defined contribution plans should be measured and reported at values that are meaningful to financial statement users. Information that is useful to plan participants includes the amount they would receive currently if they were to withdraw or borrow funds from or transfer funds within the plan. For fully benefit-responsive investment contracts, that is contract value.

The PSC believes that the proposed requirement in paragraph B1(h) of the FSP to present amounts for "(3) net assets at fair value, and (4) net assets available for benefits with the amount representing the difference between (3) and (4) presented on the face of the statement of net assets available for benefits as a single amount" would be confusing

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to the users of the plan financial statements. The PSC notes that fully benefit-responsive

investment contracts typically make up a less significant portion of plan investments.

The PSC also noted that investment company financial statements may be used by plan

sponsors to make investment decisions relating to certain funds. Conversely, plan

participants have many options to choose from and do not make specific fund option

investment choices based upon the plan financial statements. As noted in SOP 99-3,

"plan participants have available from other sources financial information about many

participant-directed investment fund options, in many cases more timely and frequently,

than plan financial statements and therefore the need for disclosure of amounts relating

to individual participant-directed investment programs has diminished."

Disclosures

Paragraph B1 — Proposed Amendments to SOP 94-4:

B1(h)—Paragraph.15(a).

The PSC struggles with what was meant by "future crediting rates" and whether they

relate to investment return or contract return. The PSC recommends that the Board

clarify the definition of future crediting rates. Further, the PSC believes that this

clarification should also be made for investment companies in paragraph 11.a. of the

FSP.

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Paragraph B1 -- Proposed Amendments to SOP 94-4:

B1(h)--Paragraph .15

The PSC recommends that the Board include illustrative disclosures for the employee benefit plan financial statement notes showing the requirements of amended paragraph 15(a)-(e) of SOP 94-4 to assist preparers of plan financial statements in complying with these disclosure requirements and to assist the plan service providers in understanding what information they will need to provide to the plan sponsors.

Paragraph B1 -- Proposed Amendments to SOP 94-4:

B1(h)—Paragraph 15 (c)

The PSC recommends removing the "by reset date" from this required disclosure. Plans often have several investment contracts that are fully benefit responsive, portions of which have multiple reset dates throughout the year. The PSC believes that disclosure of the average historical interest rate credited to participants in the plan by reset date would impose an undue compliance burden on plans and would not provide information that is useful for assessing the plan's present and future ability to pay benefits or for evaluating the trustee's stewardship responsibilities over those assets. The PSC believes that this modification should also be made for investment companies in paragraph 11.d. of the FSP.

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Proposed Amendments to SOP 92-6

Paragraph B2 — Proposed Amendments to SOP 92-6:

B2(c)—Paragraph 29

The PSC believes that the amendments made to SOP 92-6 should mirror those in SOP

94-4 and therefore the PSC recommends including a reference in SOP 92-6 to the

amended paragraph .15 in SOP 94-4 showing the financial statement presentation and

disclosure requirements for such investments.

Proposed Amendment to Statement 133

Paragraph B3 — Proposed Amendment to Statement 133:

The PSC notes that, if the Board implements the PSC's earlier recommendation to report

fully benefit-responsive investments at contract value on the face of the financial

statements (see comments under "Financial Statement Presentation" above), the scope

exception found in paragraph 10(h) of FASB Statement No. 133 should remain. In that

case, the PSC recommends that this amendment not be made.

Other Comments

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Paragraph B1 — "Proposed Amendment to SOP 94-4", (f)—Paragraph .11(a) and Paragraph B2 — "Proposed Amendment to SOP 92-6", (d)—Paragraph .30 (a)

The PSC recommends changing the references from "funds" to "plans" to clarify that the investment contracts are negotiated directly between the plan and the issuer and prohibit the plan from assigning or selling the contract or its proceeds to another party without the consent of the issuer.

Effective Date and Transition

The PSC believes the effective date and transition guidance for employee benefit plans is not practical and should be for annual periods beginning after December 15, 2005. Employee benefit plans are required by the Department of Labor to present comparative statements of net assets available for benefits. The PSC believes that it would be very difficult to obtain all the information necessary to apply the FSP retroactively to all prior periods presented.

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We appreciate the opportunity to comment on the proposed Staff Position. Representatives of the PSC would be pleased to discuss our comments with the Board members or staff.

Sincerely,

Benjamin S. Neuhausen, Chair Accounting Standards Executive Committee

cc: Accounting Standards Executive Committee