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September 21, 2005

Letter of Comment No: 27
File Reference: FSPAAGINVA
Date Received:

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

Re: Proposed FASB Staff Position No. 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:

Deloitte & Touche LLP is pleased to comment on the proposed FASB Staff Position No. AAG INV-a, "Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide" ("proposed FSP").

Deloitte & Touche LLP supports the FASB's effort to (1) describe the limited circumstances in which net assets of an investment company should reflect the contract value of certain investments that it holds, (2) provide a definition of a fully benefit-responsive investment contract, and (3) provide guidance for financial statement presentation and disclosure of fully benefit-responsive investment contracts. However, we believe that reporting of fully benefit-responsive investment contracts at fair value in an investment company's financial statements should not necessarily affect the reporting of such contracts by employee benefit plans. Consequently, we do not support the proposed amendment to the measurement provisions of AICPA Statement of Position 94-4, Reporting of Investment Contracts Held by Health and Welfare Benefit Plans and Defined-Contribution Pension Plans (SOP 94-4). Our specific comments on the proposed FSP and suggestions for clarification are set out below.

Investment Company Guidance

When Contract Value Is a Relevant Measurement Attribute

After indicating that all investments should be reported at fair value, the response to the question in paragraph 6 of the proposed FSP indicates that for certain investments contract value is a relevant measure. However, the significance of being a relevant measure is not clear from this response. It is not until the section on financial statement presentation and disclosure requirements, and the example of financial statement presentation and disclosure, that the proposed FSP explains the significance of being a relevant measure. The response to the question in paragraph 6 should be clarified to explain that because contract value for certain investments is a relevant measurement, specific presentations and disclosures are necessary, and the response should reference the relevant sections.

Financial Statement Presentation

In paragraph 9, which addresses balance sheet presentation of the fund, two of the captions used are "net assets at fair value" and "net assets." As the "net assets" caption is for net assets at contract

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value, we recommend that the title indicate "net assets at contract value" or at least show "contract value" parenthetically.

Disclosure Requirements

We agree with the disclosures addressed in paragraph 11 with the exception of the two sensitivity analyses. We do not believe that having to disclose these hypothetical changes will provide information of significant benefit. Already included in the new disclosure requirements is the average yield earned by each fund for each period for which a balance sheet is presented as well as a schedule of the average historical interest rate credited to participants in the fund for each period for which a balance sheet is presented. We recommend the FASB staff reconsider the usefulness of this disclosure. However, if the FASB staff ultimately deems this disclosure necessary, we recommend an example of this disclosure be provided in Appendix A.

In addition, we recommend removing the phrase "by reset date" from paragraph 1 lc of the required disclosures (and from item (c) under the section in paragraph B l that contains the proposed amendments to paragraph .15 of SOP 94-4). As funds may invest in several fully benefit-responsive investment contracts at the same time, each of which may have multiple crediting interest rate reset dates throughout the year, disclosure of average historical interest rates credited to participants in the plan by reset date would be burdensome and not provide a sufficient incremental benefit.

Employee Benefit Plan Guidance

Appendix B

We believe that fully benefit-responsive investment contracts held by defined contribution plans, including both health and welfare, and pension plans, should continue to be reported at contract value on the face of the financial statements as currently required by SOP 94-4. We believe that the fair value of fully benefit-responsive investment contracts is relevant to users of investment company financial statements. However, we do not believe fair value is the most relevant measurement attribute for plan participants who are the primary users of the plan's financial statements. Paragraph .09 of SOP 94-4 acknowledges that the objective of a defined-contribution plan's financial statements is to measure and report plan assets at values that are meaningful to financial statement users—namely plan participants—and the information that is useful to plan participants is the amount they would receive currently if they were to withdraw or borrow funds from or transfer funds within the plan. We believe this is contract value for fully benefit-responsive investment contracts. However, we do recommend that aggregate disclosure of the fair value of such contracts, by investment option, be made in the notes to the financial statements.

Proposed Amendment to Statement 133

As noted above, we recommend that the FASB staff reconsider the requirement to report fully benefit-responsive contracts at fair value on the face of the statement of net assets available for benefits for employee benefit plans. If the FASB staff changes this requirement, the scope exception in paragraph 10(h) of FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, should remain unchanged. In such case, the proposed amendment to Statement 133 contained in paragraph B3 of the proposed FSP should be removed.

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Deloitte & Touche LLP appreciates the opportunity to comment on the proposed FSP. If you have any questions concerning our comments, please contact Robert Uhl at (203) 761-3705.

Very truly yours,

Deloitte & Touche, LLP