

Letter of Comment No: /25
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February 1, 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

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 (mingled stable value funds.)

We believe that it is imperative to preserve the current commingled stable value fund accounting treatment for fully benefit responsive treatment contracts as commingled funds are the only 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.

It is important to note that stable 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, therefore, 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 throughout America.

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

Sincerely, City of Ojai

Dan Singer City Manager

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