From: <u>Israel Ruiz</u>
To: <u>Director - FASB</u>

Cc: <u>Mewkill, Marianthe</u>; <u>Sharon Pinksten</u>

Subject: Proposed Accounting Standards Update: Financial Services- Investment Companies (Topic 946) Amendments to

the Scope, Measurement and Disclosure Requirements

Date: Tuesday, February 14, 2012 12:59:29 PM

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Technical Director File Reference No. 2011-200 Financial Accounting Standards Board 407 Merritt 7 PO Box 5116 Norwalk, CT 06856-5116

RE: Proposed Accounting Standards Update: Financial Services- *Investment Companies* (Topic 946) *Amendments to the Scope, Measurement and Disclosure Requirements*

To the FASB Director:

The undersigned, being the Treasurer of the Massachusetts Institute of Technology ("MIT") and the Chief Financial Officer of the MIT Investment Management Company, a division of MIT entrusted with the investment management of MIT's pools of capital, are writing to express our concern regarding the potential consequences of the implementation of amendments to the definition of Investment Companies (Topic 946).

MIT's pools of capital are represented primarily by its endowment and retirement plans. Its endowment totaled \$9.7 billion at June 30, 2011 and its retiree benefit plans, \$2.9 billion. These investment pools of capital are unitized or segregated internally to track proportionate investment activity. In the investment of their capital, the pools effectively operate as investment companies. Under the proposed rule amendments, the FASB has proposed requiring an entity to meet six criteria to qualify as an investment company and this determination establishes whether the standards in the proposal would apply. As such, these investment pools would not be considered investment companies and as such MIT could not avail itself of investment accounting in reporting activities related to the investment of these funds. We do not believe that this circumstance reflects the intent of the objectives of theproposed rules.

Specifically, we believe that entities should qualify for Investment Company accounting if they meet all of the listed criteria except for the Pooling of Funds and Unit Ownership criteria if the parent entity is required under U.S. GAAP to account for its investments at fair value. Such an amendment to the proposal will promote consistent accounting treatment across different classes of investment assets without compromising the FASB's objective to provide greater clarity. As such, the categorization of such activities and the presentation of the related funds should follow investment company guidelines.

In addition, we note that the FASB has explicitly inquired if a scope exception should be made for not-for-profit organizations with respect to the proposed amendments, as was granted in the Proposed Accounting Standards Update: Real Estate-*Investment Property Entities* (Topic 973). We believe that in cases where the parent entity is required under U.S. GAAP to account for its investments at fair value

(e.g. pension funds or not-for profit entities), a similar scope exception should be included in the proposal for Investment Companies (Topic 946).

Yours sincerely,

Israel Ruiz Marianthe Mewkill

Treasurer Chief Financial Officer

MIT Investment Management Company