



Letter of Comment No: 24
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September 19, 2005

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

Re: FSP 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:

I am writing to comment on the proposed FSP AAG INV-a, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide* (FSP). Fidelity Investments currently provides stable value investment management services to more than 3000 employer-sponsored defined contribution plans. Fidelity manages both stable value separate accounts and stable value investment companies for its clients.

We commend the FASB and its Staff for obtaining the knowledge and understanding of stable value investments necessary to produce relevant guidance. We also applaud the FASB for providing consistent guidance for both stable value investment companies and individual defined contribution plans. The changes that the FASB is proposing for stable value investment companies, along with the coordinating changes that the FASB proposes to make to AICPA Statement of Position 94-4, *Reporting of Investment Contracts Held by Health and Welfare Benefit Plans and Defined-Contribution Pension Plans*, should result in better and more consistent disclosure across all stable value investment accounts.

We worked closely with the Stable Value Investment Association (SVIA) to develop the comments on the FSP recently submitted by the SVIA and we express our support for those comments. We would also like to provide the following comment.

Certain Group Annuity Contracts held primarily by smaller employer-sponsored defined contribution plans allow all permitted participant-initiated transactions with the fund to occur at contract value while such contracts are active and receiving contributions. However, when one of these contracts is terminated (because, for example, the plan fiduciary wishes to change the option's funding medium to another contract or a stable value investment company), the contract enters into a multi-year (typically five year) payout term. During this payout term, any withdrawals in excess of the contractually agreed upon payout schedule are not allowed.

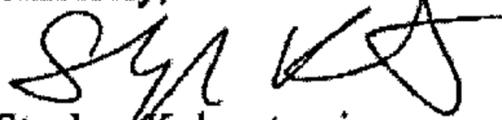
Clearly, such contracts would not satisfy the FPS's definition of "fully benefit-responsive" and would not, therefore, constitute an appropriate investment for a stable value investment fund after the effective date of the FSP. However, such contracts are a current investment of many small stable value funds. Under the rules proposed in the FSP, plan sponsors would lose the ability to account for these contracts at contract value, potentially calling into question the validity of the entire stable value fund. As previously stated, small plans and small plan participants would bear the brunt of this outcome.

We suggest that the FSP be modified to provide that such contracts be considered fully benefit-responsive so long as:

- (i) the full repayment of principal and interest credited to participants is guaranteed by the issuer of the contract;
- (ii) the plan fiduciary determines that it is probable that the contract in question will not be required to make any benefit-responsive payments in excess of the contractually agreed upon payout schedule (i.e., the other investments in the stable value fund will provide sufficient liquidity to cover the participants' needs for benefit-responsive withdrawals); and
- (iii) the contract was purchased prior to the final effective date of the FSP.

We appreciate the opportunity to comment on the proposed FSP. If you have any questions regarding our comments or would like to discuss them please contact me at (603) 791-7733.

Sincerely,



Stephen Kolocotronis
Assistant General Counsel
Fidelity Investments