



December 3, 2001

Timothy S. Lucas, Chairman
Derivatives Implementation Group
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Dear Mr. Lucas:

The Committee on Investment of Employee Benefit Assets (CIEBA) supports the “Scope Exceptions: Contracts Subject to Statement 35, Statement 110 or Statement Position 94-4” contained in Statement 133 Implementation Issue Number C19.

CIEBA is the voice of the Association for Financial Professionals on employee benefit plan asset management and investment issues. CIEBA represents more than 120 of the country’s largest pension funds. Collectively, CIEBA members manage more than \$500 billion in defined contribution plan assets. Of this total, approximately 14 percent are invested in stable value funds.

Clarifying that book value accounting continues to be the appropriate valuation method for synthetic GICs will be helpful to both plan sponsors and participants. Book value is the appropriate valuation method because it is the amount that defined contribution plan investors actually receive when they withdraw from the plan’s stable value fund.

Without this clarification, some auditors would have applied an inappropriate method, fair value accounting, as required in Statement of Financial Accounting Standard 133 Implementation Issue A16. Such an application would have misled plan participants and could have resulted in legal actions if participants’ accounts were affected by the accounting change.

It is appropriate to make a distinction in the SFAS 133 accounting for synthetic GICs between issuers and defined contribution plans. Plans and their participants are entitled to receive the contract or book value of their stable value investments while issuers face different payment and valuation risks.

The exception that has been proposed for synthetic GICs held by defined contribution plans will make it possible for plan sponsors to continue to offer stable value investments without disruption. This is in the best interests of the plan sponsors and millions of plan participants.

Sincerely,

Robert E. Angelica
Chairman

