



The Committee on Investment
of Employee Benefit Assets

September 30, 2011

Submitted by Email to <http://regulations.gov>

Mr. David A. Stawick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

RE: Stable Value Contract Study

Dear Mr. Stawick and Ms. Murphy:

The Committee on the Investment of Employee Benefit Assets, better known as CIEBA, represents more than 115 of the country's largest pension funds. Its members manage \$1.4 trillion of defined benefit and defined contribution plan assets, on behalf of 16 million plan participants and beneficiaries. CIEBA was formed in 1985 to provide a nationally recognized forum and voice in Washington for ERISA-governed corporate pension plan sponsors on fiduciary and investment issues. Members are the senior corporate financial officers who individually manage and administer ERISA-governed corporate pension plan assets.

On behalf of CIEBA and our 5.4 million plan participants with defined contribution plans (U.S. based employees & retirees) with stable value balances of \$108 billion, we urge you to conclude that stable value contracts do not fall within the definition of swaps and exclude them from the CFTC's and SEC's regulation as swaps.

CIEBA supports the submission filed by the Stable Value Investment Association (SVIA), American Bankers Association and Financial Services Roundtable, which explains in depth why stable value contracts are not swaps and why it is in the public interest to ensure that stable value contracts are not subject to swap regulation.

While the comments of those organizations thoroughly and accurately explain the mechanics and regulatory oversight of stable value contracts, CIEBA is in the best position to convey the benefits of stable value from the perspective of our participants and why it is in their interests to keep stable value contracts from being regulated as swaps.

What are the benefits of stable value?

Our 5.4 million plan participants rely upon the attributes of stable value funds to provide a secure rate of return with a low risk to invested principal. The product has performed consistently in line with our expectations over multiple decades and throughout various market cycles. Over the last 10 years, according to statistics compiled from SVIA data, stable value funds have generated annualized returns in excess of 4% for employees and retirees. Making up 20% of CIEBA defined contribution assets, stable value funds are a very popular fund option among our participants.

At its core, a stable value fund is a portfolio of contracts often regulated as a form of annuity contracts under state insurance laws. The types of contracts include Guaranteed Investment contracts (GIC's), Synthetic GIC's, Separate Account GIC's or Insurance Company General Account Portfolio Rate Accounts. These contracts are secured by multiple layers of direct and / or ring-fenced collateral providing for a credited interest rate and benefit responsive daily par-value liquidity.



CIEBA is a Special Committee of the Association for Financial Professionals*

As plan sponsors, CIEBA members do not guarantee or insure the principal or fixed rate of interest under stable value funds in our plans; however, we are confident in the financial viability of stable value contract providers, and the existing regulatory protections that exist within their respective industries. In addition, the investment managers that manage our respective funds are subject to ERISA rules and regulations and therefore have fiduciary duties to act in the best interest of plan participants and beneficiaries. As such we believe that stable value options provided to our participants are sound investment options.

Through robust communications plan participants are well informed regarding the risk exposures of stable value funds. Participants are aware of the stable value contract providers and are able to keep track of the financial strength of such providers.

Why it is in the interest of the participant to keep stable value contracts from regulation as swaps?

Should regulations limit the commercial viability of stable value funds, the potential outflow of money from stable value options and into other plan options could lead to increased risk exposures and/or increased fees to plan participants. Alternatively, increased regulation might reduce the number of contract providers, and the desire of the remaining issuers to increase existing capacity. According to an April 2010 survey by MetLife, *A Survey of Plan Sponsors and Stable Value Fund Providers*, the average stable value fund uses between five and eight contract providers. Reducing the number of contract providers compromises prudent diversification.

Stable value products are highly-specialized, conservative investments used by participants to reduce their exposure to market volatility within defined contribution plans. Compared to other investment options, stable value funds offer low volatility returns with negative correlations to equities. In today's age, a time where traditional defined benefit pension plans are rare and employees are dependent on their own savings to provide for income in retirement, offering an option such as stable value becomes that much more important. Lacking a stable value investment alternative, our participants may need to depend solely on other accumulated income benefits from investments which either carry greater risk or offer lower returns.

Thank you in advance for your consideration of CIEBA comments. If you need additional information, please contact CIEBA's Executive Director Deborah Forbes at 301-961-8677 or at dforbes@afponline.org.

Sincerely,



Ralph J. Egizi
Chairman
CIEBA