September 8, 2009

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

Re: Comment on proposed amendments to certain rules governing money market funds under the Investment Company Act; File Number S7-11-09.

Dear Ms. Murphy:

The American Benefits Council (the "Council") appreciates the opportunity to offer comments on proposed changes to certain rules that govern money market funds under the Investment Company Act. The Council recognizes and appreciates the challenges faced by the Securities and Exchange Commission ("SEC") regarding regulating these funds in a way that is designed to prevent duplication of the events last fall that led to a run on many money market funds. As a public policy organization representing principally Fortune 500 companies and other organizations that assist employers of all sizes in providing benefits to employees, the Council is acutely aware of the challenges faced by employers in providing quality investment options to plan participants which include relatively risk-free alternatives. Collectively, the Council's members either sponsor directly or provide services to retirement and health plans that cover more than 100 million Americans.

Money market funds play a very important role in employer-sponsored qualified retirement plans. Most of these retirement plans allow plan participants to invest contributions to the plan among a group of investments selected by the plan's fiduciary (generally, the employer). Rules under the Employee Retirement Income Security Act of 1974, as amended ("ERISA") require plan fiduciaries to prudently select investment options offered to plan participants. Most plans that permit participant-directed investing will try to meet the requirements of Section 404(c) of ERISA, which relieves the fiduciary from losses due to the participant's investment directions, provided certain requirements are met. Although a thorough discussion of the 404(c) requirements is beyond the scope of this letter, one pertinent requirement is that the participant must have a reasonable opportunity to materially affect the return and degree of risk through the selection of various investment options, and to diversify so as to minimize the risk of large losses (see, e.g., Labor Reg. Section 2550.404c-1(b)(3)(i)(A) and (C)). Most plan fiduciaries have interpreted these rules as requiring that plans offer a relatively risk-free investment option. For many plans, this requirement has been fulfilled with a money market fund or similar option. Risk-averse plan participants invest portions of their contributions directly in money market funds and other participants use the money market funds for money management between investments.

Because of the importance of these funds to retirement plans, the Council commends the SEC's efforts to significantly strengthen the regulatory framework for money market funds to increase their resilience to economic stresses. The Council strongly supports strengthening these rules.

The Council is concerned, however, about one proposal raised by the SEC. The proposed regulation requests comments on the possibility of eliminating the ability of money market funds to use the amortized cost method of valuation, resulting in a floating net asset value ("NAV") instead of a fixed $1.00 NAV. The Council believes that other changes proposed would result in less risk to the participant investing in the fund at the same time that a floating NAV would create an impression of more risk since, previously, "breaking the buck" was a sign that the money market fund was significantly unstable. Although the SEC and financial service providers could attempt to educate both plan fiduciaries and plan participants, the Council believes the floating NAV would have a detrimental effect on retirement plans. With this perception of potential increased liability, plan fiduciaries may migrate to unregulated funds or perhaps switch to slightly more risky regulated funds (such as short-term bond funds), since the risk difference will no longer be readily apparent. If the floating NAV results in elimination of money market funds in many plans, this will expose many plan participants to potentially greater volatility.

Again, the Council appreciates the opportunity to comment on the proposed regulation and commends the SEC for seeking to tighten regulations so that instability in the markets does not create instability in money market funds. We believe that the American Benefits Council offers an important and unique perspective of the employer sponsors of, and service providers to, retirement plans and we would be happy to provide any additional information you might need as you work through the process. If you need additional information or comments, please contact the undersigned at 202-289-6700.

Sincerely,

Jan Jacobson
Senior Counsel, Retirement Policy
American Benefits Council