NAGDCA National Association of Government Defined Contribution Administrators, Inc.

September 26, 2011

Mr. Gary Gensler, Chairman
Commodity Futures Trading Commission
3 Lafayette Center, 1155 21st St., NW
Washington, DC 20581

Ms. Mary Schapiro, Chairman
Securities and Exchange Commission
100 F St., NE
Washington, DC 20549

Dear Chairmen Gensler and Schapiro,

On behalf of the National Association of Government Defined Contribution Administrators (NAGDCA), I am responding to the request for comments issued by the Securities and Exchange Commission and the Commodity Futures Trading Commission relative to the study of stable value contracts (SVC). Please accept our general comments as a response to that request.

NAGDCA requests that the Commissions determine that either a SVC is not a swap or, if the Commissions determine that a SVC is a swap, that it be exempt from further regulation.

NAGDCA believes that including SVCs within the definition of a swap or failing to provide an exemption to SVCs would provide no additional protections to plan participants investing in a stable value fund (SVF) or serve a positive public policy. In contrast, NAGDCA believes that including SVCs in the definition of a swap without an exemption would be harmful to plan participants who invest in a SVF. This belief is based on the facts that SVCs have existed for many years, are thoroughly negotiated between SVC providers and plan sponsors who offer SVFs, and were not a contributing factor to the recent economic crisis.

In the public sector, which NAGDCA represents, SVCs are public documents that are generally subject to open and competitive procurement procedures. Oftentimes, an outside agency is required to review and approve all public contracts, including SVCs. These open procurement procedures highlight that SVCs in the public sector are carefully negotiated and understood.

The primary objectives of an SVF as a retirement savings investment option are the preservation of capital, providing liquidity for participant-initiated withdrawals, and the crediting of a stable yet reasonable interest rate. The SVC is an essential component of a SVF that provides limited protection against interest rate volatility, a 0% crediting rate floor, and protection against loss of principal resulting from employee-initiated withdrawals when the book value of the underlying securities exceeds the market value of those securities. A plan sponsor would not be able to provide this type of retirement savings option without the inclusion of a SVC.

There are fewer SVC providers now than prior to the market crisis of 2008. The remaining SVC providers have imposed significantly higher wrap fees and more conservative investment management guidelines. In addition, many SVC providers have limited the amount and type of assets that they will permit to be covered by a SVC.

The evidence is clear that higher SVC costs and stricter investment guidelines result in a commensurate lower return to investing plan participants. Any reduction of performance in a SVF is a loss to plan participants who are attempting to save for retirement and/or assure that their assets will at least be available throughout their retirement lifetime.

Imposing additional requirements on SVC providers would inevitably lead to higher fees and more draconian investment guidelines. Neither of these results would improve the primary objectives of a SVF but would result in a lower overall performance. In addition, we have already seen several wrap providers exit the market and imposing additional requirements ~~e~~would likely cause additional providers to exit the market making the SVC even less competitive.

You may contact Susan J. White, NAGDCA Legislative Representative, at 703-683-2573 should you need additional information or clarification

On behalf of NAGDCA, I urge the Commissions to determine that SVCs do not fall within the definition of a swap, or if the Commissions determine that SVCs do fall within the definition of a swap, that an exemption be provided.

Sincerely,

Julia Durand

Julia Durand
President

NAGDCA is the leading professional public employer sponsored organization of deferred compensation and defined contribution plan administrators. NAGDCA represents administrators for the 50 state and over 200 local governments. Altogether the public sector defined contribution retirement plan market consists of approximately 12 million state and local government employees and 5.6 million public school employees and administer approximately three trillion dollars in assets.