ICMA
Building Retirement Security

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November 13, 2006

U.S. Department of Labor
Attention: Default Investment Regulation
Employee Benefits Security Administration, Room N-5669
200 Constitution Ave., N.W.
Washington, D.C. 20210

Dear Sir:

As a leading provider of retirement plans for state and local employees, ICMA-RC is deeply committed to helping more than 700,000 public sector employees build retirement security through long-term saving and investing. A not-for-profit corporation established in 1972, we offer 457 deferred compensation and 401 defined contribution plans exclusively to public sector employees.

ICMA-RC strongly supports the proposed DOL rules that would implement new default investment provisions of the Pension Protection Act of 2006, but with one important addition: the inclusion of a stable value fund to the three default choices contained in the proposal. Stable value funds offer investors intermediate-maturity, bond-like returns with risk levels equivalent to money market funds. These funds perform more consistently than stock and bond funds in both rising and falling interest rate environments.

The resulting low "correlation" between stable value assets and other asset classes reduces portfolio volatility. In addition, participants in a stable value fund can withdraw money at book value for benefit payments – death, disability or hardship, for example. This feature, called "benefit responsiveness," guarantees participant withdrawals at book value even in periods of rising interest rates.

For more risk-averse investors and those nearing retirement, this additional default choice responds to a very real need. The International City/County Management Association (ICMA) shares this concern and joins us in supporting this change.

Sincerely,

Gregory Dyson

Gregory Dyson
Senior Vice President

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