

August 12, 2005

Dear Editor:

Representing the chief investment officers of many of the nations' largest corporate pension plans, The Committee on Investment of Employee Benefit Assets (CIEBA), a membership organization of the Association for Financial Professionals, is concerned that your editorial of August 3, 2005, "The Imperfect Storm" is misdirected. Pension plan investment policy is not at the root of current pension concerns.

Overall, pension plans are exceptionally stable and disciplined investors. From 1992-2003, during the stock market tech boom, pension fund asset allocation between U.S. equity, U.S. bonds, international equity and alternative investments changed very little as fund managers were rebalancing to maintain an appropriate asset mix.

Pension plans are also extremely effective and efficient investors. Defined benefit pension plans generated a median 10-year return through the end of 2003 of 9.4 percent, placing them far ahead of the average investor and many professional money managers. Moreover, the costs of managing corporate plans are very competitive. CIEBA members, who represent over 110 of the nation's largest pension funds, paid on average one-quarter of one percent for all investment management fees for the plans they oversee.

In your editorial, you posit that "...the world of pension investing is largely unregulated." This is simply not true. The Employee Retirement Income Security Act of 1974 (ERISA) establishes a very high standard for plan fiduciaries responsible for pension investments. Fiduciaries must meet a "prudent expert" standard and must act "... solely in the interest of the participants and beneficiaries ..."

ERISA also recognizes that you do not measure risk by looking at a single investment in isolation, but at the risk profile of the portfolio as a whole. Avoiding diversification and risk can mean that plans miss out on opportunities for healthy returns. Forcing plans to invest only in risk free investments will make plans more expensive and jeopardize future benefits for today's workers

Defined benefit plans are a critical part of America's retirement system and a key component of the nation's financial markets. CIEBA members alone manage more than \$1 trillion in retirement plan assets. We believe America's legislators, regulators and standard setters must come together to develop a coordinated approach that strengthens corporate sponsored plans while not discouraging private employers from maintaining this critical element of our national retirement system.

Sincerely,



Kimberly G. Walker
President
Qwest Asset Management
Chairman, CIEBA



**Association for
Financial Professionals**