

CIEBA OF AFP SUPPORTS 401(K) PLAN REFORMS

CIEBA of AFP supports policy changes that will strengthen the private sector retirement system and enhance confidence in retirement plans. The Committee on Investment of Employee Benefit Assets, better known as CIEBA, is the voice of the Association for Financial Professionals (AFP) on employee benefit plan asset management and investment issues. CIEBA represents more than 110 of the country's largest pension funds with members managing \$1.6 trillion in retirement plan assets on behalf of more than 16 million participants and beneficiaries.

As fiduciaries for many of the nation's largest pension funds, CIEBA members have first-hand knowledge of the issues related to the use of employer stock in 401(k) plans, and how employees and plan sponsors may be affected by proposed changes. CIEBA supports changes which are administratively feasible, do not create a whole new regulatory regime nor impose significant new costs on plans or participants.

Policy changes should promote adequate diversification as a means of assuring retirement security for participants. In promoting this goal, policy-makers should recognize the entire retirement benefit provided by a plan sponsor. Many companies, including virtually all CIEBA members, provide a significant portion of employee's retirement income through defined benefit plans, and 401(k) and other contributory plans are used as a complement to these benefits.

CIEBA supports:

- Allowing retirement plan participants to diversify company stock received as a match after three years.
- Disallowing employer stock as an option for elective deferrals if matching contributions are required to be in company stock, when the 401(k) plan is the primary retirement vehicle for participants.
- Providing enhanced benefit statements for plan participants, including information about the value of the participants' accounts, their right to diversify and the importance of diversification.
- Requiring adequate notice (30 days) prior to any "blackout" period.



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- Clarifying that plan sponsors are liable only if there is a fiduciary breach in the design or implementation of the "blackout" period.
- Limiting the ability of senior executive to sell company stock during "blackout periods" when employees cannot sell company stock.
- Removing barriers to investment advice to participants.
- Ensuring adequate transition rules. Plan sponsors need sufficient time to implement changes responsibly and to inform and educate plan participants. Similarly, participants need time to understand the impact of any new rules and how those rules may affect their retirement planning.

CIEBA opposes:

- Requiring participant representation on retirement plan boards.
- Capping the amount of employer stock allowed in individual accounts.
- Limiting tax deductions for company stock matching contributions.
- Expanding legal remedies against plan sponsors.
- Instituting rules that increase complexity and cost, while providing little additional value to participants.