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Proposed Pension Reform Threatens Retirement Benefits for Workers According to New Survey by CIEBA

BETHESDA, MD – September 6, 2005 – Adopting pension reform proposals now under consideration by Congress could result in lower retirement benefits for current and future workers, according to a survey released today by the Committee on Investment of Employee Benefit Assets (CIEBA). Senior corporate investment officers responding to the survey cited a potential shift from equities to bonds, increased costs for pension plans and a likely reduction in benefits for current or future defined benefit pension plan participants.

“Policymakers in Washington should keep these survey results in mind as they consider pension reform,” said Kimberly G. Walker, CIEBA chairman and president, Qwest Asset Management. “Pension plans are long-term in nature, and reform proposals should be also. Reform should protect and enhance retirement security for current and future workers, not undermine it.”

The survey conducted in the spring of 2005 asked CIEBA members what effect pending reform proposal might have on: 1) their asset allocation decisions and 2) the provision of benefits to current and future workers. The vast majority of respondents (83%) indicated that the impact of implementing two or more of the pending reform proposals would have a significantly greater effect than any single initiative.

Pension plan investment policies would be affected by shifting assets from equities to bonds. More than one-third (37%) of respondents who said the collective impact would be significant expect to reduce the equity holding in their plans by 11-15% *or more*. The timeline for making asset allocation changes would be quite short with most respondents stating that these changes would take place over 3 years or less. In addition, almost 70% of all respondents would seek to increase the duration target of their U.S. bond portfolio.

Shifting pension plan assets away from equities raises the long-term costs to employers sponsoring defined benefit plans and has an impact on pension plan participants. Sixty percent (60%) of respondents with on-going, open plans indicate that access to benefits for current and future workers would be curtailed if two or more of the proposed reforms are adopted. Almost one-third (31%) thought that a ‘hard’ freeze” – a freeze on future benefit accruals for current workers -- was “very likely” or “likely”. A similar number (29%) indicate a high likelihood that their plans would be closed to new participants (‘soft’ freeze).

The survey was conducted by the Committee on Investment of Employee Benefit Assets (CIEBA), the voice of the Association for Financial Professionals (AFP) on employee benefit plan asset management and investment issues representing the chief investment officers of many of the nation’s largest corporate pension plans. Forty-seven (47) senior corporate investment officers responded to the survey. Overall, survey respondents manage \$418 billion in defined benefit plan assets on behalf of five million plan participants and beneficiaries.

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The Committee on Investment of Employee Benefit Assets of the Association for Financial Professionals (AFP) is a nationally recognized forum for ERISA-governed corporate pension plan sponsors on fiduciary and investment matters. CIEBA represents more than 110 of the nation's largest retirement funds. Its members manage more than \$1 trillion in defined benefit and defined contribution plan assets, covering 15 million participants. Members are the senior corporate financial officers who individually manage and administer ERISA-governed corporate retirement plan assets.