



THE COMMITTEE  
ON INVESTMENT  
OF EMPLOYEE  
BENEFIT ASSETS

July 18, 1997

The Honorable Dick Armev  
U.S. House of Representatives  
H-327A U.S. Capitol  
Washington, DC 20515

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Dear Majority Leader Armev:

As a constituent of yours working in Irving and living in Highland Park, and as Chairman of Financial Executives Institute's Committee on Investment of Employee Benefit Assets (CIEBA), I urge you to strike Section 717 (the Boxer amendment) from the tax reconciliation bill (S.949).

The Committee on Investment of Employee Benefit Assets is the policymaking body for Financial Executives Institute on all pension investment and fiduciary issues. CIEBA represents corporate pension plan sponsors who have fiduciary responsibility for \$865 billion in assets on behalf of 14.3 million plan participants and beneficiaries. \$570 billion of CIEBA assets provide defined benefit pensions. One-third or \$295 billion of CIEBA assets provide defined contribution or 401(k) pensions. It is important to note that 92% of CIEBA's 401(k) plan participants and beneficiaries will receive pension benefits from both a defined benefit and defined contribution plan. Financial Executives Institute is a professional association with over 14,000 members who are chief financial officers, treasurers and controllers from over 8,000 companies.

As fiduciaries for almost half, 48% of the \$625 billion in 401(k) assets in the United States, CIEBA believes The 401(k) Protection Act is bad public policy. The amendment is an unnecessary infringement in the design of defined contribution plans. It ignores many of the positive reasons employers voluntarily sponsor these retirement vehicles such as providing a tax-deferred savings vehicle and encouraging employee stock ownership.

As defined benefit and defined contribution plan fiduciaries, I believe retirement security must be protected and preserved. The amendment, while well-intentioned, will not prohibit another 401(k) failure like Color Tile. Abuses such as Color Tile can best be prevented through effective enforcement of existing regulation under The Employee Retirement Income Security Act of 1974 (ERISA).

Additionally, I have serious concerns with the amendment. The 10% limit on investment in employer securities appears to include profit sharing plans which would mean that many 401(k) plans would be in violation of the 10% limit on investment in employer securities. Employer matching contributions in the form of employer stock should be explicitly excluded from the 10% limit. Otherwise, a very effective vehicle in encouraging 401(k) savings may be lost.

I encourage you to strike Section 717 from the budget reconciliation. Besides being flawed, it does not prevent future abuses such as Color Tile; and will have a negative impact on an increasingly popular and important retirement savings vehicle, 401(k) plans. Major changes to retirement savings should have the benefit of deliberation through the full legislative process. Hearings should focus on preserving and protecting retirement savings and on ways to strengthen and grow a healthy, vital private retirement system that permits our aging population to live in dignity and financial security when they retire. I urge you to look at ways to encourage retirement savings by building on the success of the private retirement system. Thank you for consideration of my view as Chairman of CIEBA.

Sincerely,

  
James E. Bayne  
Chairman

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