

URGENT

July 30, 2008

The Honorable Nancy Pelosi
Speaker
United States House of Representatives
H-232 Capitol
Washington, DC 20515

The Honorable John Boehner
Republican Leader
United States House of Representatives
H-204 Capitol
Washington, DC 20515

Re: Possible Adverse Retirement Plan Implications of the Commodity Markets Transparency and Accountability Act of 2008

Dear Speaker Pelosi and Republican Leader Boehner:

We are writing today to express concerns about the implications of H.R. 6604, the Commodity Markets Transparency and Accountability Act of 2008 on employer-sponsored retirement plans and the tens of millions of American workers and retirees who rely on these plans for their retirement security. We represent organizations that assist employers of all sizes, and their service providers, in providing retirement benefits to employees.

We are concerned that the serious implications of H.R. 6604 on retirement plans and retirement plan participants may be negative and far-reaching. We are also concerned that this legislation relating to trading in commodities could unintentionally harm the long-term financial security of American workers and their families.

Employer-sponsored defined benefit plans invest for the long-term and do so in a wide range of asset classes in order to diversify plan investments and reduce to the greatest extent possible the risk of large losses. These strategies are central to employers' fiduciary obligations to act prudently and solely in the interest of the plan's participants and beneficiaries. Plan fiduciaries are subject to extremely demanding legal obligations under the Employee Retirement Income Security Act (ERISA). ERISA was drafted to preserve the fiduciary's flexibility to select the investments that will allow them to carry out their mission of providing retirement benefits to employees. Commodities are one of a broad range of asset classes upon which fiduciaries rely. Commodities serve as a modest but important element of the investments held by employer-sponsored defined benefit pensions because commodity returns are uncorrelated with stocks and bonds and because they provide an important protection against inflation.

For the same reasons, commodities are used in many of the diversified "single fund" solutions (lifecycle funds, target retirement date funds) that have been developed to simplify investing for the tens of millions of Americans participating in defined contribution plans such as 401(k), 403(b) and governmental 457 plans. These single fund solutions, which policymakers have encouraged through legislation and regulation, make investing easier while giving workers access to professionally managed, diversified portfolios.

If H.R. 6604 imposes additional limitations on those who invest in commodities, those restrictions would hamper the ability of employer-sponsored defined benefit and defined contribution plans to use this important asset class. The result will be fewer options to diversify investments, manage investment volatility or provide a buffer against inflation. Unfortunately, the employees and retirees who depend on employer-sponsored retirement plans for their income in retirement will suffer as a result. We hope, with this in mind, that the implications for retirement plans and plan participants will be examined in detail prior to taking further action on this legislation.

We sincerely appreciate your consideration of our views on this important matter. Please let us know if we can provide additional information or if we can address any questions you may have.

Sincerely,

American Bankers Association
American Benefits Council
Committee on Investment of Employee Benefit Assets
ERISA Industry Committee
Financial Services Roundtable
Investment Company Institute
National Association of Manufacturers
Profit Sharing / 401(k) Council of America
U. S. Chamber of Commerce