

Mahoney, Castle Introduce Legislation to Protect Pensions

Bill would establish disclosure requirements for pension fund investments in hedge funds

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Washington, D.C. -- Congressman Mike Castle (R-DE) and Congressman Tim Mahoney (D-FL) of the House Financial Services Committee today introduced the Pension Security Act of 2007. This bill will amend title I of the Employee Retirement Income Security Act (ERISA), regarding pension plans, and require defined benefit plans to disclose their investments in hedge funds. While hedge funds are usually an investment tool of the wealthy, evidence suggests a growing connection between pension fund investments and hedge funds. This legislation will provide additional disclosure of investments to ensure that beneficiaries are receiving adequate information regarding their retirement plans.

"Pension funds are placing more of their money in hedge funds and that's a practice that needs to be monitored closely. Hedge funds, for the most part, are very risky investment funds. While those funds (hedge funds) typically attract very wealthy individuals and their money, pension funds are usually a substantial source of retirement income for many middle income Americans. Therefore, it's my view that pension fund managers should proceed carefully down this path and disclose to their beneficiaries information concerning hedge fund investments and the attendant risks and rewards." Castle said.

"Pension funds are often the sole source of income for retirees. It is important that beneficiaries know how their savings are being invested. Increased transparency is necessary to provide beneficiaries with the information they need to monitor their retirement plans, especially when their pension funds are invested in high-risk hedge funds," Mahoney said.

Hedge funds are now estimated to be a \$1.4 trillion industry and can be high-risk, high stake investments. The Department of the Treasury has speculated that institutional investors, like pension funds, now constitute more than half of investments in hedge funds. Currently, the Department of Labor collects information on how much private pension funds invest in stocks, bonds, Treasuries, and real estate but hedge fund investments are not included on reporting and disclosure forms.

Pension Security Act of 2007 will:

- Amend title I of the ERISA of 1974 to require the disclosure of investments in hedge funds in annual reports;

- Give the Department of Labor pertinent information regarding these investments to further ensure that pension fund sponsors are fulfilling their fiduciary duties and managing pension money in a prudent manner.
- Provide greater transparency and disclosure in this high-stakes investment tool.

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