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October 4, 2005

The Honorable Edward M. Kennedy
United States Senate
Washington, DC 20510

Dear Senator Kennedy:

As the Chairman and Vice Chairman of The Bond Market Association's Asset Managers Division (AMD), we are writing to urge your support for pension reform legislation that updates the prohibited transaction rules of the Employee Retirement Income Security Act (ERISA) to permit active cross-trading between defined benefits pension plans. The AMD is comprised of professionals affiliated with asset management firms whose combined assets under management—including public and private pension fund investments—exceed \$5 trillion.

Congress wrote ERISA in 1974 based on a money management industry that has since changed dramatically with consolidation and restructuring in the financial services industry. In particular, ERISA's prohibited transaction rules, applied today, often serve only to prevent plans from receiving the best prices on their securities transactions. Such is the case with the prohibition on active cross-trading. Pension plan participants are unable to realize the efficiencies of cross-trading—or trading between pension plan accounts held within a single asset management firm. Under federal securities law, this practice is used without incident by mutual funds so long as the terms of the transaction reflect the market price of the securities. Cross-trading has not presented a compliance problem for the Securities and Exchange Commission, and recent improvements in bond trading transparency enable fiduciary oversight and enforcement. Congress should amend ERISA to permit active cross-trading.

We would like to emphasize that changing the prohibited transaction rules to permit active cross-trading merely creates a new option for pension plan managers. Plans cannot be compelled to participate in cross-trading programs. The added efficiency of cross-trading, however, will ultimately benefit employees by ensuring that plans receive the best prices on their securities transactions.

Again, we urge you to support pension reform legislation that updates and clarifies the prohibited transaction rules of ERISA to permit active cross-trading.

A stylized, handwritten signature in black ink, appearing to read "John R. Gidman".

John R. Gidman
Executive Vice President
Loomis, Sayles & Company, L.P.

A handwritten signature in black ink, appearing to read "David L. Murphy".

David L. Murphy
Senior Vice President
Fidelity Investments