

PIABA SUPPORTS LEGISLATION REQUIRING THE DIVERSIFICATION OF EMPLOYEE 401(K) PLANS

February 2, 2002. Beverly Hills, California. The Public Investors Arbitration Bar Association (PIABA), a nationwide bar organization of attorneys dedicated to the representation of individual investors in disputes with the securities industry, today announced its support for the Pension Protection and Diversification Act of 2001.

The danger of over concentrating employee 401(k) plan assets in the stock of the employee's company is the lesson most American workers have learned from the collapse of Enron shares. Slightly more than 60 percent of the Enron 401(k) plan was held in company stock. According to Philip Aidikoff, president of PIABA "the loss of employee retirement funds represents a fundamental departure from the most basic rule of investing – never put all of your eggs in one basket."

It has been reported that at five of the ten largest United States companies, one-half or more of the employee 401(k) assets are concentrated in company stock. Among the companies whose employees are most heavily weighted are General Electric at more than 77 percent, Exxon Mobil with approximately 60 percent and auto maker Ford at nearly 50 percent.

"PIABA supports the Pension Protection and Diversification Act of 2001 introduced by Senator Barbara Boxer (D – California) and Senator Jon Corzine (D - New Jersey) limiting to 20 percent the amount an employee can invest in a single stock in a 401(k) plan. This legislation is important to insure that the mistakes of Enron are not revisited on the investing public and retirees of public companies," said Mr. Aidikoff.

The Employee Retirement Income Security Act (ERISA) which governs employee pensions, prohibits pension plans from placing more than 10 percent of employee assets into company stock. This protection was not extended by Congress to 401(k) plans because they are not governed by ERISA.

"Because most mutual funds and prudent investors require diversification of their retirement savings, Congress should take a closer look at the way public company 401(k) plans are set up. The investing public's interest is served by guidelines requiring diversification," according to Mr. Aidikoff.