

# Positioning for Survival During The Looming Pension Fund Crisis

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April 18-19, 2005 • The Harvard Club • New York City

The nation's pension fund administrators and managers are headed for a rude awakening. Severe underfunding and requirements to make greater contributions spell monumental financial challenges. Moreover, pension funds are beset with a multitude of legal liabilities, more stringent compliance requirements, greater scrutiny by regulators, heightened demand for disclosure and transparency, and increased susceptibility to IRS and Department of Labor audits.

## MORE ONEROUS FUNDING REQUIREMENTS ARE IMPENDING

- The Bush administration proposes giving companies between seven and ten years to make up shortfalls in their defined-benefit pension plans. That is less time than the 20 years that some industries, including airlines, have said is needed.
- Bankruptcy laws may have to be changed so that Chapter 11 filers cannot dump their pension plans onto the PBGC.
- A proposed bill by Rep. John A. Boehner (R-Ohio) would likely include a permanent interest rate fix; a requirement that companies fully fund their pension plans; and a repeal of an option that allows companies to skip pension payments in boom periods.

## GREATER DEMANDS FOR SOUND CORPORATE GOVERNANCE AND TRANSPARENCY

- Under Sarbanes-Oxley, CEOs and CFOs are required to have internal controls regarding management of corporate pension funds.
- The Bush administration wants companies to be required to tell investors and employees well before any pension plan becomes significantly underfunded.

## GREATER EXPOSURE TO GOVERNMENT AUDIT AND LITIGATION

- Both the IRS and DOL are increasing the audit of plan operational compliance and monitoring of plan expenses. The IRS has recently introduced a Large Plan Audit Program (over 2,500 employees) that lasts 200-300 days and includes 6-8 IRS auditors.
- The DOL and Pension fund beneficiaries are becoming more inclined to sue pension funds for mismanagement such as investing in companies with sub-par corporate governance.

Don't miss this unique opportunity to listen to renowned authorities discuss the triggers and magnitude of the coming pension fund crisis. Learn about forthcoming policy proposals and how such policies will change the pension fund landscape. Discover the financial, legal and corporate governance issues that will transform the administration and management of pension funds.

## INDUSTRY EXPERTS

### PRESENTING:

- American Academy of Actuaries
- BDO Seidman LLP
- Bellwether Consulting
- CreditSights, Inc.
- Denali Fiduciary Management
- Eversheds, LLP
- Greenberg Traurig
- Groom Law Group
- Hercules Inc.
- Mastercard
- Internal Revenue Service
- Milliman Inc.
- National Union Fire Insurance Company of Pittsburgh PA
- New York City Employees Retirement System
- Pension Benefit Guaranty Corporation
- Pension Governance, LLC
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## PENSION FUNDS' FINANCIAL CHALLENGES ARE MASSIVE

- The California Teacher Retirement System faces an unfounded liability of more than \$23 billion. Alaska's pension plan is \$5.2 billion in the red. San Diego faces a \$2 billion shortfall while Houston's pension deficit tops \$1.5 billion.
- The nation's pension funds are underfunded by an estimated \$450 billion.
- From September 2003, to September 2004, 192 plans were terminated and sent to the Pension Benefit Guaranty Corporation (PBGC) vs. 155 in the twelve prior months.
- In 2004, the PBGC posted a deficit of \$23.3 billion, double the gap from 2003.
- For the first time, the total number of people owed benefits by the PBGC passed 1 million in 2004.

## PENSION FUNDS' LEGAL EXPOSURE COULD BE CRIPPLING

- The SEC is already investigating the pension practices of some of the nation's largest corporate pension funds.
- There are staggering legal liabilities associated with mismanaging pension fund assets.
- Sarbanes-Oxley has far reaching consequences for pension fund management.

## DETERMINE HOW TO AVOID GETTING EMBROILED IN THE AGE OF GREATER PENSION FUND CORPORATE GOVERNANCE OVERSIGHT

JOIN US AT THIS UNIQUE PENSION FUND CONFERENCE.

Register today and receive Gateway Reports' unique Research Report

## SURVIVING THE LOOMING PENSION FUND CRISIS

This report sells for \$295 but is FREE to registered delegates!

This report contains the insight and analysis of the nation's leading Pension Fund experts. Over 15 interviews with leading authorities are reprinted verbatim.

### Issues addressed include:

- DOL Audits
- IRS Audits
- SEC Audits
- Plan Expense Audits
- Scrutiny of Accounting Practices
- Scrutiny of Actuarial Assumptions
- SarBox Compliance
- Participant Litigation
- Government Litigation
- Implementation of Internal Controls
- Corporate Governance
- Risk Management
- Disclosure to Participants
- PBGC Contributions
- Contending with Whistleblowers

And much, much more...

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# Looming Pension Fund Crisis Agenda

**APRIL 18-19, 2005 • THE HARVARD CLUB** 27 WEST 44TH STREET, NEW YORK, NY 10036

CONFERENCE CHAIRMAN: **Greenberg  
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DAY 1 - APRIL 18, 2005

## TRANSPARENCY AND IMPLEMENTATION OF CONTROL PROCEDURES

12:00 REGISTRATION, BUFFET AND NETWORKING

### 1:00 AN OVERVIEW OF NEW LEGISLATION AND ENFORCEMENT PRACTICES

- Heightened Employer Responsibilities for Retirement Plan Governance Procedures
- Sarbanes-Oxley Act
- Internal Revenue Service Employee Plans Examination Program
- Department of Labor Voluntary Fiduciary Program and Plan Expense Audit Initiatives
- SEC Audits of Pension Accounting Practices

Speaker: Jeffrey D. Mamorsky, Chairman, Employee Benefits Group, Greenberg Traurig

### 1:30 BEST PRACTICES IN THE SELECTION OF ACTUARIAL ASSUMPTIONS

- Internal Control Procedure Requirements
- SOX Section 404, 302, 906
- Statement of Accounting Standards 99 & 70
- Certification Penalty Provisions
- ERISA White Collar Criminal Penalty Provisions
- Best Practices

Speakers: Robert Horowitz, Greenberg Traurig  
Bruce Monte, Jr. FSA, Director, Retirement Product Development, Watson Wyatt Worldwide

2:30 COFFEE BREAK

### 3:00 INTERNAL REVENUE SERVICE AUDITS

- Tax Law Compliance
- New IRS Audit Initiative Targeting "Large" Retirement Plans (covering 2500 or more participants)
- IRS Monetary Sanctions

Moderator: Terry L. Moore, Director, Employee Benefits Services, Greenberg Traurig

Panelists: Bob Henn, Employee Plans Area Manager, Northeast, Internal Revenue Service  
Vinny Rotolo, Large Case/EPTA Manager, Northeast, Internal Revenue Service

### 4:00 DEPARTMENT OF LABOR

- ERISA Compliance
- Voluntary Fiduciary Correction Program
- DOL Fiduciary Litigation & Enforcement
  - An Examination of the Enron and Global Crossing Cases
- ERISA Civil Penalties
- Participant and Government Litigation
- DOL Fiduciary and Plan Expense Audit

- Defining Types of Revenue Sharing
- Setting the stage for recovery, choosing the correct resources
- Knowing how much is reasonable
- Negotiating strategies and tactics

Speakers: Deanna H. Niño, Greenberg Traurig  
David J. Wasserstrum, CPA, Partner, BDO Seidman LLP

5:00 COCKTAIL RECEPTION

DAY 2 - APRIL 19, 2005

## THE LOOMING PENSION FUND CRISIS

8:00 REGISTRATION BREAKFAST &  
NETWORKING

### 8:30 HOW SEVERE IS THE LOOMING PENSION FUND CRISIS

- How underfunded are corporate pension funds? How deficient is the Pension Benefit Guaranty Corporation?
- How does measuring underfunding in terms of ongoing pension obligations versus terminating pension obligations change the picture?
- Are other industries threatening to dump massive pension liabilities on the PBGC to the extent that the steel and airlines industries have?

Speaker: Vincent K. Snowbarger, Deputy Executive Director, Pension Benefit Guaranty Corporation

### 9:00 THE INSIDERS PERSPECTIVE

Learn first-hand what leading CFOs, CIOs and Treasurers believe are the biggest concerns regarding adequate funding of pension plans. Determine if these financial professionals are most concerned about rising health care costs, returns on investment, legal liabilities, compliance, investment management expenses and much more.

Panelists: Stuart Shears, VP & Treasurer, Hercules Inc.  
Michael Musuraca, Designated Trustee, New York City Employees Retirement System  
Aliya Wong, Director of Pension Policy, U.S. Chamber of Commerce  
Andrea Robertson, Senior VP & Treasurer, Mastercard

### 9:45 IS THE REMEDY WORSE THAN THE STATUS QUO?

- How will proposed pension reforms impact pension solvency?
- What will the impact be for:  
Indexing premiums to reflect the growth of worker wages? Requiring underfunded plans to pay risk-based premiums? Where should the permanent interest rate be set to calculate employers' pension funding promises? Should the PBGC take equity stakes in the companies it rescues?

Speaker: Ron Gebhardt Bauer, Senior Pension Fellow, American Academy of Actuaries

*\*agenda subject to change*

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## 10:30 COFFEE AND NETWORKING BREAK

### 10:45 PENSION CRISIS: THE FINANCIAL STORY

Why do we have a pension crisis in the first place? The answer lies not in laws and regulations, but in the financial risk decisions made by plan sponsors. Any solution to the funding crisis must start with a solid fundamental understanding of pension financing. In this session we will explore the asset-liability management problem:

- Pension liabilities – how are they calculated, and why have they grown so much?
- How should the character of our liabilities affect plan asset allocation?
- How much funding risk should the ultimate risk-takers (shareholders/taxpayers) be asked to bear?
- What can plan sponsors do to gain control of their pension funding risk?
- Do hedge funds and other alternative asset classes have a role to play in an asset-liability portfolio?

**Speaker: Keith Hocter, CFA - Investment Consultant, Bellwether Consulting**

### 11:15 LEGAL LIABILITIES

- What are the legal liabilities associated with employers offering cash balance plans?
- What is the likelihood of giving worker pension plans higher priority during bankruptcy proceedings?
- What is the outlook for lawsuits filed by beneficiaries for mismanagement? For neglecting fiduciary duties?

**Speakers: Lonie Hassel, Principal, Groom Law Group**

## 12:00 LUNCHEON

### 1:15 CORPORATE GOVERNANCE

- What are the principles and structures of a sound fiduciary governance system?
- What are the obstacles to the installation of such a system and how does one get around them?
- What is the stance of pension plans regarding Sarbanes-Oxley-like legislation?
- What is the SEC's concern about internal controls? Actuarial assumptions? Relationships with investment firms?
- What will be expected of pension funds in terms of disclosing possible underfunding with beneficiaries?

**Speaker: Wayne Miller, Chief Executive Officer, Denali Fiduciary Management**

### 2:00 PENSIONS AND DERIVATIVES: FIDUCIARY IMPLICATIONS

Derivative instruments offer pension funds a chance to reduce risk, transform cash flows, synthesize asset exposure, or enhance yield. A huge and growing market size confirms their popularity. Yet not all funds are believers even though some experts suggest that fiduciaries have an obligation to use derivatives to hedge. Moreover, a pension plan may have an indirect exposure to derivatives in the form of asset-backed securities or

monies allocated to funds that employ futures, options or swaps. In this session, we'll discuss some important governance considerations regarding derivative instrument use. Topics include:

- How do derivatives differ from traditional securities?
- What is the hidden risk associated with use of futures, options, and swaps?
- Is there a fiduciary duty to hedge?
- How does derivative strategy choice affect a fund's risk-return profile?
- What are the elements of an effective risk control system?

**Speaker: Susan M. Mangiero, Ph.D., CFA, AVA, FRM – Managing Member, BVA, LLC and Founder, Pension Governance, LLC**

## 2:45 COFFEE AND NETWORKING BREAK

### 3:00 RISK MANAGEMENT ISSUES

- Key underwriting issues in risk assessing liability under Fiduciary Liability Insurance Programs
- Insurance products available to protect directors and senior officers from governmental audit and litigation

**Speaker: Rhonda Prussack, Vice President & Product Manager, Fiduciary Liability, National Union Fire Insurance Company of Pittsburgh, PA**

### 3:45 AN INTERNATIONAL PERSPECTIVE ON THE PENSION FUND CRISIS

- How do pension contributions as a percent of payroll differ around the world?
- How severe of a problem do demographics pose to pension funding in other developed nations?
- How are other nations contending with their pension deficits? By raising retirement ages? By hiking worker contributions? By reducing benefits? By championing medical reform? By allowing more immigration?
- What are the models for success?

**Speaker: Giles Orton, Partner and Chairman of the Pension Group, Eversheds, LLP**

### 4:15 WALL STREET'S PERSPECTIVE

- How does Wall Street determine the legitimacy of actuarial assumptions for pension fund accounting?
- How do actuarial assumptions impact pension fund contributions, corporate cash flow and operating earnings?
- Will requirements for greater disclosure in terms of transparency and accountability of pension fund solvency trigger investor defections?
- Is Wall Street factoring the Looming Pension Fund Crisis into its valuations?

**Speakers: Mark Bielke, Director of Employee Benefits Research, Milliman Inc. & Chairman of the Pension Accountants Committee of the American Academy of Actuaries  
David Bianco, Senior Accounting Analyst, UBS  
Glenn Reynolds, CEO, CreditSights, Inc.**

## 5:00 ADJOURNMENT AND COCKTAIL RECEPTION

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# Will Pensions Funds Be More Exposed to Financial Inadequacy or Legal Liability?

Pension funds are beset with severe underfunding, growing liabilities and greater expenses. For instance:

- The average pension plan's funded status was recently reported as only 70%, down from 82.8% in 2000.
- CFO.com reported that the percentage of employees with fully funded plans plummeted from 84% in 1998 to 37% in 2003.

Also, pension funds are being held to much higher standards in terms of disclosure, compliance, and exposure to litigation.

- Under Sarbanes-Oxley, CEOs and CFOs are required to have internal controls regarding management of corporate pension funds.
- Both the IRS and DOL are increasing the audit of plan operational compliance and monitoring of plan expenses.
- The DOL and pension fund beneficiaries are becoming more inclined to sue pension funds for mismanagement such as investing in companies with sub-par corporate governance.
- Many employee groups have sued their employers for attempting to shift their defined-benefit plans to cash balance plans.

Don't miss this unique opportunity to gain a better understanding of the enormity of the looming pension fund crisis. Determine the controls that must be put in place to ensure compliance with all applicable laws. Learn what the most successful pension fund administrators are doing to keep their funds solvent and in compliance.

I look forward to meeting you on April 18-19 in mid-town Manhattan.



David Wanetick  
The Wall Street Transcript

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- Cancellations – Should you be unable to attend for any reason, please inform us in writing prior to March 24, 2005 and a refund less a \$225 processing charge will be issued. No refunds will be given after March 24, 2005. Requests for substitutions for enrolled delegates may be made by emailing [naomi@twst.com](mailto:naomi@twst.com).
- Please note: Dress is business casual. Please no jeans.

**The Wall Street Transcript reserves the right to deny attendance. Vendors are prohibited.**

### WHO SHOULD ATTEND:

- Pension Fund Managers
- Pension Fund Fiduciaries
- Pension Fund Administrators
- Chief Compliance Officers
- Actuaries
- Risk Managers
- Pension Fund Lawyers
- CFOs and Treasurers

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## Look Inside for Details About Registering for This Unique Forum

### TAKE-AWAY BENEFITS OF ATTENDING:

- Assess the political realities and difficulties for reforming the pension system
- Develop a strategy for avoiding or coping with DOL and IRS pension audits
- Determine the likelihood of a corporate governance scandal erupting in the pension fund business
- Understand the pros and cons of issuing pension obligation bonds
- Learn about the impact of the ever declining number of defined-benefit plans on PBGC guarantees
- Gain insight into bankruptcy laws impacting corporate pension obligations
- Obtain a briefing on the triggers for federal excise penalties
- Get a primer on the government's proposals to increase corporate contributions to pension funds
- Listen to best practices of pension fund management from around the world
- Discern the benefits of privatizing municipal pension funds
- Determine how more stringent funding requirements will impact corporate cash flow
- Ascertain how the PBGC's possible insolvency could affect your pension plan

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The pension fund disaster is just around the corner.

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