



FRONT SECTION

MARKETPLACE

MONEY & INVESTING

TECH CENTER

SPORTS

PERSONAL JOURNAL

■ NEWS

■ FAVORITES

■ PORTFOLIO



September 15, 2000

Fidelity Urges Its Investors To Lobby Retirement Plan

By JOHN HECHINGER

Staff Reporter of THE WALL STREET JOURNAL

BOSTON -- **Fidelity** Investments is waging an unusual Internet campaign to turn its 16 million customers into amateur Washington lobbyists for a retirement-savings package pending in Congress.

But there's something **Fidelity** isn't telling its customers: Some of them could actually be hurt by obscure provisions recently added to the Senate version of the package.

In its campaign, **Fidelity** is touting some politically popular elements of the proposed legislation: allowing people to save \$5,000 annually in their Individual Retirement Accounts, up from \$2,000 currently, and raising the annual maximum contribution to a 401(k) plan to \$15,000, from \$10,500.

Since Aug. 31, Fidelity's home Web page, under a prominent headline that reads "Help Congress improve your retirement," has urged investors to e-mail Congress in support of the measure. The "Retirement Alert" page at the **Fidelity.com** Web site (www100.fidelity.com) gives customers a direct link to the Securities Industry Association's Web site, which contains a convenient form letter people can immediately e-mail to their Senators in support of the measure.

The form letter calls the legislation "crucial to helping U.S. workers maintain their standard of living after they retire." On its Web site, **Fidelity** urges customers to "Act Today."

Not so fast, critics say. Some employee and consumer advocates, including AARP, formerly known as the American Association of Retired Persons, argue that some middle-aged **Fidelity** customers unwittingly could be supporting legislation that would make it easier

WSJ.com Audio:

[Business Update](#)

[Markets Recap](#)

[WSJ on Audible](#)

[Learn More](#)

Journal Atlas:

[Table of Contents](#)

[Headlines](#)

[Business Index](#)

[Search](#)

[News Search](#)

[Past Editions](#)

[Briefing Books](#)

[Quotes](#)

Resources:

[Help](#)

[New Features](#)

[E-mail Center](#)

[Your Account](#)

[Contact Us](#)

[WSJ.com Gifts](#)

[Glossary](#)

[Special Reports](#)

[Weather](#)

STOCK QUOTES

Select exchange:

US

Enter symbols:

Go

[Symbol lookup](#)

Free WSJ.com Sites:

[Careers](#)[Homes](#)[Personal Tech](#)[Starting a Business](#)[Travel](#)

The Print Journal:

[Subscribe](#)[Customer Service](#)

More Dow Jones Sites:

[dowjones.com](#)[Barron's Online](#)[DJ University](#)[Publications Library](#)[Reprints](#)[SmartMoney](#)[Dow Jones & Co.](#)[Corrections](#)[Privacy Policy](#)

for their employers to cut their pension benefits.

The disputed provisions are part of a Senate version of the retirement bill, which could come before the full Senate within a week. The items could protect companies from legal challenges if they switch to so-called "cash balance" pension plans, employee advocates say. Over the past 18 months, this type of plan has come under increasing fire because it generally reduces the pensions of older workers compared with what they would have received under traditional plans.

Traditional pension plans are structured so employees earn as much as half their ultimate benefits in their last five to 10 years on the job.

Under cash-balance plans, workers build up benefits at a steady rate during their years of employment.

Cash-balance plans are under assault in the courts and before the Equal Employment Opportunities Commission, as opponents have sought to challenge the plans under antidiscrimination statutes and other federal laws.

The Senate version of the bill "is likely to have a devastating effect over the long run" for some older workers, says Karen Ferguson, director of the Pension Rights Center, a nonprofit consumer advocacy group in Washington.

Ms. Ferguson says some **Fidelity** customers who have been in their jobs for many years could be seriously hurt by those cash-balance provisions -- and that the potential harm far outweighs benefits including higher IRA and 401(k) limits.

People in this position who follow Fidelity's advice to lobby Congress, she adds, could be encouraging legislation that would cost them "the mainstay of their retirement income."

James Delaplane of the Association of Private Pension and Welfare Plans, an employer group, says opponents have misconstrued the impact of the Senate legislation. The many workers who change jobs frequently during their careers, he says, end up with fatter pensions under cash-balance plans.

Fidelity spokesman Vincent Loporchio says the company isn't focused on the cash-balance controversy and has no position on that issue. He also says **Fidelity** began rallying customers on its Web site before the cash-balance provisions were added and is only trying to support the increased retirement-savings elements.

"This legislation is good news for millions of workers," Mr. Loporchio says. "That's why it has such strong bipartisan support." Mr. Loporchio also points out that the **Fidelity** Web site contains hyperlinks that give consumers access to summaries and the complete

bill so that they can learn about other provisions.

Fidelity Goes Political

Fidelity's Web site (www100.fidelity.com) offers investors the option of sending an e-mail to Washington pushing for the passage of new pension legislation.

What Fidelity says: The bill would benefit investors by letting them save more for retirement. It would let people put \$5,000 annually in Individual Retirement Accounts, up from \$2,000, and raise the annual maximum contribution to a 401(k) to \$15,000 from \$10,500.



What employee advocates say: Some older workers may suffer because of provisions that could protect employers from legal challenges if they switch to so-called "cash balance" pension plans. Those plans can result in lower benefits for older workers when compared to traditional plans.

Though many financial firms are lobbying for the retirement legislation, few have tried to harness the power of their investors to the extent **Fidelity** has. Vanguard Group, the No. 2 mutual-fund company, says it supports the legislation, but isn't soliciting shareholders for any campaigns.

A Vanguard spokesman said the firm prefers to focus on investor education, not pending legislation. "We don't think it's appropriate to approach our shareholders in this manner," he said.

Bruce Harrington, IRA product manager at MFS Investment Management in Boston, says encouraging customer lobbying is "a gray area we tend not to go into." He adds: "We view ourselves as money managers and try not to get that deeply involved in politics." [**Fidelity** says it views the customer campaign as part of its investor-education mission.]

[Morgan Stanley Dean Witter & Co.](#) this week sent a letter to its 13,000 brokers, urging them to send the securities association letter to lawmakers. But the firm says it won't do the same with customers.

However, other firms have also tried to enlist customer support. [Charles Schwab](#) Corp. encouraged branch managers to hand out copies of an essay, penned by its chairman, in favor of the legislation. [Merrill Lynch](#) & Co. included information about the proposed legislation in a May mailing of account statements; investors were invited to call a toll-free phone number for a more detailed report. A Merrill spokeswoman says the firm will soon launch a Web campaign with a means for customers to e-mail elected officials.

The Securities Industry Association, meanwhile, says 24,000 consumers and industry employees have sent e-mail messages to Congress using its Web site. **Fidelity** and the SIA, which is a trade group representing brokerage firms, say they didn't know how many of those messages were due to the link from Fidelity's customer campaign.

If adopted by Congress, the retirement-savings package could be a windfall for the mutual-fund industry, which earns lucrative fees for managing 401(k) plans and IRAs. Of \$1.7 trillion in U.S. 401(k) assets, 45% were invested in mutual funds at the end of 1999, according to the Investment Company Institute, the mutual-fund trade organization. Almost half of the \$2.5 trillion in IRA assets is socked away in mutual funds. And Boston-based **Fidelity**, with about \$1 trillion in assets under management, is the number one player in the mutual-fund and 401(k) markets.

-- *Karen Damato contributed to this article.*

Write to John Hechinger at john.hechinger@wsj.com



a new book by the editors of
The Wall Street Journal
interactive edition

[Return to top of page](#) | [Format for printing](#)

Copyright © 2000 Dow Jones & Company, Inc. All Rights Reserved.
[Copyright and reprint information.](#)