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CFO SURVEY: HALF OF COMPANIES MAY CHANGE 401(K) PLANS

Companies Adding New Providers, Dropping Fund Families and Dropping Tainted Funds

DURHAM, N.C. and FLORHAM PARK, N.J., Jan. 15, 2004 — Forty-seven percent of corporate Chief Financial Officers recently surveyed say that the 401(k) plan at their company includes funds that have been tainted by the recent mutual fund scandal. Among those companies affected by tainted funds, three-quarters already have made or may make changes in their plans in response to the scandal: 38% have already made changes, 8% have plans to make changes, and another 31% are considering changes.

Across all companies, including those that have not been affected by tainted funds, half are at least considering changes: 21% have already made changes, 6% are planning to make changes, and 23% are considering changes.

These are findings from a special survey of 307 CFOs conducted by Financial Executives International (FEI) and Duke University's Fuqua School of Business to explore 401(k) plan changes resulting from the mutual fund scandal.

Among those companies that have already made changes to their plans, 65% of the changes occurred in the fourth quarter of 2003 and 35% have occurred in 2004. Among those planning on making changes, 80% will occur some time during the first quarter of 2004.

What Types of Changes?

The most common 401(k) plan change is to add new providers to the fund lineup. However, among the firms that have already made changes, almost half (47%) have eliminated all the funds from a tainted fund family. Another one-quarter have selectively eliminated the tainted funds, but not the entire family of funds.

The following table summarizes the most common changes that companies are making to their 401(k) plans in response to the ongoing mutual fund scandal. The responses are listed separately for companies that have already made changes, those that are planning to make changes, and those that are considering changes. (Multiple responses were permitted, so the percentages do not add to 100%.)

	Companies that already made changes	Companies that plan to make changes	Companies that are considering changes
Eliminate all funds from tainted family	47%	41%	31%
Selectively eliminate tainted fund but not entire family	25%	24%	32%
Add new providers	52%	77%	49%

"The 401(k) landscape is shifting beneath our feet," said Colleen Sayther, President and CEO of FEI, "and the ramifications for retirement plan investors and providers are profound. Clearly, a reputation untarnished by allegations of improper trading will give mutual fund companies a leg up in the competitive 401(k) marketplace. Companies are making changes to their 401(k) plans when they're uncomfortable with a fund family's reputation."

Why are Companies Changing Their 401(k) plans?

Most of the plan sponsors making changes to their 401(k) plans are doing so because they are concerned about legal or fiduciary consequence if they do not make the changes. About half simply prefer not to deal with an investment provider they find untrustworthy. Only 15% of the companies considering changes are doing so because of pressure from their employees. Fund performance is a reason for change among about a third of companies that have already made changes to their 401(k) plans.

See table below for the most frequent reasons companies list for changing their 401(k) plans in response to the mutual fund scandal. (Multiple responses were permitted, so the percentages do not add to 100%.)

	Companies that already made changes	Companies that plan to make changes	Companies that are considering changes
Legal or fiduciary concerns	60%	77%	72%
Uncomfortable dealing with tainted funds	57%	59%	47%
Poor fund performance	33%	29%	25%

Why Are Some Companies Not Changing Their 401(k) plans?

Across all companies surveyed, half say that they have no plans to change their 401(k) investment options. Even among firms that have been affected by tainted funds, 23% say that they have no plans to alter their 401(k).

Sixty two percent of the companies that are not changing their 401(k)s answered that they have had a satisfactory relationship with their fund provider. Fifty-two percent say that their employees appear satisfied with the current investment options and have not requested any change. Finally, 37% responded that their employees have ample opportunities and can opt on their own to avoid tainted funds. (Multiple responses were permitted, so the percentages do not add to 100%.)

About the Survey

This special survey, conducted by Financial Executives International and Duke University's Fuqua School of Business, interviewed 307 CFOs of U.S. companies electronically the second week of January. CFOs from both public and private companies and from a broad range of industries, geographic areas and revenues are represented. Among the industries represented are retail/wholesale, mining/construction, manufacturing, transportation/energy, communications/media, technology, and banking/finance/insurance.

To gauge the country's economic outlook from the perspective of corporate CFOs, FEI and Fuqua have conducted the "CFO Outlook Survey" quarterly for the past seven years. Detailed results of the most recent "CFO Outlook" are available at http://www.cfosurvey.org.
Survey data tabulation is done in cooperation with StatPac Inc., www.statpac.com.

Financial Executives International (FEI) is the leading advocate for the views of corporate financial management. Its 15,000 members hold policy-making positions as chief financial officers, treasurers, and controllers. FEI enhances member professional development through peer networking, career planning services, conferences, publications, and special reports and research. Members participate in the activities of 86 chapters, 75 of which are in the United States and 11 in Canada. For more information about FEI, visit www.fei.org.

The Fuqua School of Business at Duke University was founded in 1970. Fuqua's mission is to educate thoughtful business leaders worldwide and to promote the advancement of business management through research. For more information, visit www.fuqua.duke.edu.

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