

CORPORATE FIDUCIARIES OF EMPLOYEE BENEFIT FUNDS

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AN OUTLINE OF RESPONSIBILITIES AND SUPERVISION

It is generally acknowledged that the banks in the United States have a very great responsibility for the management and safeguarding of pension and profit-sharing funds under private, tax-qualified plans. Banks serve as trustee for more than two-thirds of all accumulated reserves under such plans amounting to more than \$70 billion. We respectfully submit that an examination of the legal responsibilities and the safeguards to protect the interests of beneficiaries is appropriate to a study of "Old Age Income Assurance." Especially is this so in the light of the number of proposals before Congress concerning audits, disclosures, financial statements, and standards of fiduciary conduct relating to trust funds. This statement is intended as a broad, general outline of how pension and profit sharing plans are handled by bank trustees for the protection of interested parties.

INTERESTED PARTIES

Banks are considered quasi-public organizations. They are entrusted with the handling of the funds of the public in a number of very important capacities. The savings and checking account are the best known of their services, and the larger banks have been handling personal trusts and estates for years. It was not surprising that at the very outset employee benefit funds gravitated to the banks. We in Bankers Trust Co. have been serving as trustee of employee benefit funds for 40 years, and other banks have also had a long and successful experience as trustees of such funds.

We, and other banks that act as trustee, appreciate the importance of the trust placed in us and recognize the broad social and economic areas affected by these funds:

1. The trust fund is the primary source to which an employee must look for his benefits upon retirement or other termination of service. This is especially significant to an employee if his company should go out of business, or, if, because of financial circumstances or other reasons, the plan is discontinued.

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AUTHOR'S NOTE. This paper concentrates on an important aspect of "Old Age Income Assurance System"—the aspect of the procedures and safeguards of corporate fiduciaries in their handling of employee benefit funds. Because corporate fiduciaries manage more than two-thirds of the accumulated reserves under private employee benefit funds, we believe that a thorough understanding of the corporate fiduciary and its function is a necessary part of the study.