Testimony before the U.S. House of Representatives Committee on Education and Labor Subcommittee on Health, Employment, Labor and Pensions

Retirement Security: The Importance of an Independent Investment Adviser

March 24, 2009

Thank you, Mr. Chairman and members of the subcommittee. I am Ken Baker, the Corporate Director of Human Resources for Applied Extrusion Technologies, Inc (AET). My Company is the largest producer of oriented polypropylene films in North America. Our films are used in hundreds of packaging and labeling applications. For example, we produce most of the labels used on Coke bottles.

In the United States, AET has 620 employees; most of them are located at a large manufacturing site in Terre Haute, Indiana. Shop floor employees make up nearly 66% of the total employment.

Like many companies we have had our challenges. In 2004 AET went into Chapter 11. In March 2005, we came out of bankruptcy with an improved product focus and more efficient organization.

Our 401(k) plan has always been very important to our Company and our employees. We have a Plan Investment Committee made up of company leaders from Finance, Manufacturing, and Human Resources which reviews our plan benefit structure and investment options.

Coming out of bankruptcy, we engaged a commissioned investment advisor at Morgan Stanley who brought us to Fidelity Investments to be our 401(k) plan provider. In this capacity, the advisor and Fidelity provided the investment options, advised us on our investment options and also did plan administration.

Over time we began to feel uneasy about the close relationship between the advisor and Fidelity. It was difficult to understand the financial model in this arrangement and what fees our employees were really paying for all the various services. It really felt like the advisor was working for Fidelity and not for us.

In 2006 the Committee attended an Investment Conference to better understand the 401(k) plan industry. At the conference, it became apparent that to be more responsible fiduciaries to our employees, there really should be an RFP for our Retirement Plan Investment Advisor.

The key criteria in the 2007 RFP:

- Passion and competence for employee education and services
- 401(k) industry knowledge and experience
- Transparent and competitive fees
- Recommendations for our 401(k) Plan

CapTrust out of Raleigh, NC was selected as the new Plan Investment Advisor. Starting in the first part of 2008, we now have an independent advocate that asks the timely and tough questions about fund performance and fees. The uneasiness went away. We also appreciate their boldness of spirit in encouraging us take advantage of new opportunities to improve the 401(k) plan experience for our employees.

The employees know what the Investment Advisor fees are, and they know they do not change with the Plan assets grow. After the first meeting with CapTrust, the Committee decided to move to significantly diversify the investment options offered in the plan. Based on their advice, we immediately moved from retail fund options to institutional fund options that performed better and had lower investment fees that were now transparent. The new Advisor continued to hold one on one and group employee meetings. As the new guys in the room, they were challenged and passed the tests with flying colors. In fact, even though employees could now see that they would be paying the fees for our new independent advisor, they did not object because they could see that it was worth it.

In the rest of the year's quarterly Plan Investment Committee meetings, initiatives were planned to go with automatic enrollment for all non-enrolled employees, to improve vesting, and to go with more frequent Company matches. The guidance provided to the Plan Investment Committee by our new independent advisor has made an enormous difference. Here are some compelling statistics:

- Our employee participation has increased from 79 percent to 96 percent;
- The average deferral rate for employees has increased from 4 percent to 7 percent;
- Our company match is now contributed at the end of each month as opposed to the end of the year;
- Employees are now vested fully after 2 years instead of 5 years;
- We now automatically enroll all employees not participating;
- Fees are now transparent and lower than what we were paying before; and
- I am convinced that despite the market declines, the investment performance of the plan is much better than it would have been.

Midst the downturned economy filled with a lot of financial stresses and much lower 401(k) account balances, AET's 401(k) Plan stands tall. Going with monthly Company matches effective January 1, 2009 has been a tremendous boost. The transparency of our Independent Advisor and Fund fees has been a big deal. The employees feel valued and respected. They know about the value of buying low cost shares and they have confidence in our advisor. In fact, at the beginning of 2009, the automatic deferral rate was increased by 1% for participants in this program. No one waived out, despite what is going on in the market.

AET has always offered a 401(k) benefit as a help for the employees retirement readiness. I do want to state that Fidelity has always done an excellent job administering our plan and continues to do so today.

Going forward the focus will continue to be employee education. In May, our independent advisor will conduct group and one on one meetings with employees. CapTrust will help the participants look at their investments and the fund performances. Fidelity will provide training on the online plan administration web site.

The Investment Committee believes there are real financial benefits for the Company and long-term financial benefits for the employees to be retirement ready and financially fit. The reason I am here is to make sure you understand how important we believe it is to have an independent investment advisor involved with the plan. I understand that recent DOL regulations would have made it easier for advisors with a conflict to offer their services to plan sponsors. That is not, in my opinion, the direction we should be going, and instead we should be making it easier for plan sponsors to engage independent advisors like ours.

Thank you for this opportunity and I would be happy to answer any questions.

Ken Baker

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