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PYRAMIS “PULSE” SURVEY: U.S. PENSIONS CONTINUE LONG-TERM VIEW ON INVESTMENTS

SMITHFIELD, RI, May 14, 2009 – Months of capital markets volatility and a severe economic downturn have not shaken the strategic, long-term view of portfolio allocations maintained by the country’s largest corporate and public defined benefit (DB) plan sponsors, according to a new Pyramis Pulse Survey conducted during the week of April 13th. This survey of CIOs, treasurers and executive directors at 233 of the largest DB plans in the United States is an addendum to the more comprehensive survey, “The Global Investor’s Challenge: Achieving Balance in a Volatile World,” released by Pyramis Global Advisors in October 2008.

“Last year we found that plan sponsors had concluded their formal assessments of the merits of freezing or closing their DB plans, and instead were focused on taking a long-term view of the plans’ value to employees and the investment approaches that will enable them to meet obligations,” said Patrick J. Mc Nelis, executive vice president, Global Distribution & Client Service. “Today, after a period of substantial financial market volatility that has impacted the funding status of plans, we find that sponsors are standing steadfast with that focus.”

When asked about their top concerns, among corporate DB plans, 38% cite their current funding status and 30% mention volatile markets. For public plans, 34% list current funding status and 30% point to a low-return environment as top concerns. That compares to last year’s survey in June 2008 when corporate plans cited volatility as a top concern, while public plans’ top concern was the low-return environment.

Implications for Asset Allocation Decisions

The Pyramis Pulse Poll showed corporate and public plan sponsors are pursuing different paths with their asset allocation, supporting a trend found in the earlier survey. According to the Pulse Poll, corporate plans continue shifting to fixed income, including long bond, corporate bond and high yield, while public plans continue to move assets to non-U.S., global, emerging markets equity and alternative strategies, such as hedge funds and hedge fund of funds.

“Complicating matters for corporate and public plans is the impact that last year’s significant equity market losses had on their asset allocation,” said Mc Nelis. “These plans are now substantially out of range for their equity allocation targets and many are rebuilding their current equity allocations even as they maintain their long-term view toward moving to other asset classes.”

The Pyramis Pulse Poll found that almost half (48%) of public plans are below target ranges for equity allocations. Most public plans (42%) plan to address asset allocations that are not within target ranges by rebalancing existing assets back to target ranges. However, as seen with last year’s survey, public plans will be taking a more global view to their reallocation decisions: 38% indicated they believe pension allocations will become more global (both fixed income and equity) over the next decade.

In addition, the survey showed that current and potential market conditions — especially a narrowing of credit spreads — are sparking interest among corporates in credit-based fixed income strategies, especially within liability driven investing (LDI) strategies. Among the 27% of corporate plans using LDI strategies, nearly half (46%) are implementing LDI by extending duration of existing fixed-income assets and 13% said they are using credit-based fixed-income strategies, such as corporate bonds.

About the Survey

The Pyramis Pulse Survey was designed by Pyramis Global Advisors and was executed in association with Asset International, Inc., and was conducted between April 13 and April 19, 2009. CIOs, treasurers and executive directors from 233 of the largest DB plans in the United States (154 corporate, 79 public) responded to an online questionnaire. A report on the survey is available by writing to Pyramis@pyramis.com.

About Pyramis Global Advisors

Pyramis Global Advisors, a unit of Fidelity Investments, is an investment management firm focused exclusively on serving institutional investors including corporate and public retirement funds, endowments, foundations, other institutions, as well as non-U.S. investors. Pyramis offers active and risk-controlled domestic equity, international equity, fixed-income, high-yield, real estate debt and REIT strategies, and alternative strategies including equity market neutral and 130/30 disciplines. As of March 31, 2009, assets under management totaled approximately \$113 billion.

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