



*For Immediate Release*

**ACCJ Concerned About Possible GPIF Introduction of Book-Value Accounting for Bond Portfolios**

**November 30, 2005 (Tokyo)** - The American Chamber of Commerce in Japan (ACCJ) reacted today to reports that the Government Pension Investment Fund (GPIF) may introduce hold-to-maturity classifications and book-value accounting methodology for its bond portfolios. Its Financial Services Committee and the Investment Management Subcommittee are concerned that the actions and policies of the GPIF will have a substantial impact on public and private pension funds in Japan, and have begun to study the potential ramifications of this proposal.

"Japan has made significant strides in recent years to introduce market value accounting in many fields, including the pension fund industry, so it is surprising that the Government is considering such a step which would appear to reduce transparency and to be inconsistent with international best practices," said Chris Wells, Co-Chair of the ACCJ Financial Services Committee.

A Working Group under the Social Welfare Advisory Council (Shakai Hoshō Shingikai Nenkin Unyō Bunkakai) is reportedly set to recommend that the GPIF introduce so-called "hold-to-maturity" classifications for its government bond portfolios which are estimated to total 30 trillion yen. Designating bonds as "hold to maturity" generally makes them unavailable for sale, even if it would be in the best interest of plan members for those bonds to be sold. These bonds would become subject to book value accounting rather than the market value accounting that is currently used by the GPIF and the pension fund industry as a whole.

The Financial Accounting Standards Board (FASB) in the United States announced last week that it has launched a project which will require that the funded or unfunded status of postretirement benefit plans be recognized in the balance sheet at the difference between the fair value of plan assets and the current measure of the benefit obligation incurred for past employee service.

The GPIF is the largest and most prominent public pension fund in Japan. It is scheduled to become an Independent Administrative Corporation in April 2006. Jonathan Schuman, also Co-Chair of the Financial Services Committee said, "One of the main objectives of transforming the GPIF into an Independent Administrative Corporation is to establish clear accountability and fiduciary responsibility. The ACCJ takes a strong interest in the transparency of the process for developing and deliberating the business goals and business plan of the new Independent Administrative Corporation."

The Financial Services Committee and the Investment Management Subcommittee of the ACCJ intend to closely follow the deliberations of the Working Group going forward.

### **About the ACCJ**

The mission of the American Chamber of Commerce in Japan (ACCJ) is to further the development of commerce between the United States of America and Japan, promote the interests of U.S. companies and members, and improve the international business environment in Japan. Established in 1948 by representatives of 40 American firms, the ACCJ has grown into one of the most influential business organizations in Japan, with close to 3,000 individual members representing more than forty countries and 1,400 companies.

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