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Ford dropping PIMCO Total Return Fund from 401(k) plan

BY CHRISTINE WILLIAMSON | OCTOBER 21, 2014

Ford Motor Co., Dearborn, Mich., will drop the PIMCO Total Return Fund as an option in its $12.8 billion U.S. 401(k) plan.

The decision to remove the Total Return Fund from the company's 401(k) plan, effective Nov. 14, was made because of the recent resignation of Bill Gross, PIMCO's chief investment officer and portfolio manager of the fund, said Becky R. Sanch, a Ford spokeswoman, in an e-mail.

"Ford Motor Co. constantly monitors and assesses the performance of its investment lineup. Participant balances and future contributions will be transferred to the Bond Index Fund, which shares the same benchmark as the PIMCO Total Return Fund," Ms. Sanch wrote. Ford 401(k) plan participants may transfer out of the Total Return Fund any time, she added.

The Bond Index Fund is a commingled fund, managed by BlackRock (BLK). Ms. Sanch said Ford's policy is not to disclose the size of investments.

"These moves are to be expected by 401(k) plan administrators in the wake of the abrupt departure of Bill Gross from PIMCO," said David Kudla, CEO and chief investment strategist of registered investment adviser Mainstay Capital Management, which manages the 401(k) plans for some Ford active and retired workers.

Mr. Kudla said in an interview that he took his Ford clients out of the PIMCO Total Return Fund soon after Mr. Gross left PIMCO and is keeping the firm under "close scrutiny."

Ford has been trimming investment options from the 401(k) plan "for a variety of reasons" for several years, Mr. Kudla said, adding that "we would like to see Ford immediately add a replacement bond fund to strengthen, rather than weaken, the investment menu."