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STATEMENT OF EDWARD M. KENNEDY AT FIRST PENSION CONFERENCE MEETING (H.R. 2830)
(*As prepared for delivery)*

I commend our colleagues for all their work on this legislation and their commitment to strengthening pensions.

Millions of Americans are increasingly concerned about their retirement security, and rightly so. For years, each leg of the three-legged stool of retirement—private pensions, private savings, and Social Security—has been sound, but that's no longer true, and the stool obviously needs repairs.

The personal savings rate has now fallen below zero. That's no surprise, when wages are stagnant and costs are soaring for basic necessities such as energy, housing, health care and education. The 40 million workers and retirees who rely on guaranteed defined benefit pensions need them now more than ever.

But the pension system is in trouble, too. In the past 5 years, 700 pension plans have gone onto life support, and workers have lost $8 billion in pensions they earned by foregoing pay and other benefits.

Our Senate Pensions Committee and Finance Committee agreed on a bipartisan bill that passed with 97 votes, and I hope we can work together the same way in the conference.

One key goal is to make sure that companies can keep their pension promises by requiring the money to be there to pay for them. Companies should contribute more money to single-employer pensions in a fair and predictable way, without unfairly penalizing companies in cyclical industries like manufacturing. We don't want companies to drop their defined benefit plans, which would hurt the very workers and retirees we're trying to help.

We must also see that workers don't have to pay the price of company mismanagement or a poor economy. The issue is basic fairness. Employees have worked hard and given up other benefits to earn these pensions. In Enron, and

Polaroid, and too many other cases, rank-and-file workers lost their pensions while executives walk off with millions of dollars.

Executives should be prevented from feathering their own retirement nests if workers' benefits are in jeopardy. If limits on new pension benefits are needed to protect pension plans, rank-and-file workers should not have their pensions capped while management pensions keep rising.

Workers and the public also deserve to know more about the financial state of pensions. They've earned these pensions, and they deserve to know whether the funds are there to pay them. We need to see that this information is available.

Long-term financial solutions are important, but we also must address near-term crises. In recent years hundreds of thousands of workers and retirees at steel and airline companies have lost their pensions in bankruptcy, and these failures have also placed huge strains on the federal pension insurance system. The Senate bill gives government the power to negotiate payment plans to prevent companies from dumping their pensions completely. I urge my colleagues to support this basic provision.

Airline pensions are an example of the crisis. Hundreds of thousands of pilots, flight attendants and mechanics have lost their pensions, and the pensions of other employees are at risk. Appropriate relief will enable these companies to shift to the new rules and to protect the pensions that employees have worked so hard to earn.

Some multiemployer plans have had financial difficulties, too, because of poor stock market returns and a weak economy. The Senate and House bills will enable companies and employees to work together and agree on a plan to restore these plans to good financial health.

Hybrid pension plans, including cash balance plans, also have a growing role in our retirement system. But older workers can lose a large portion of their promised pensions when companies switch from traditional defined benefit pensions to these plans. The Senate bill provides transition protections to older workers. It also ensures that companies cannot erode benefits by requiring employees to work extra years for pensions they have already earned.

Another key protection of our pension laws is to prohibit conflicts of interest and self-dealing by pension fund advisers. As Jack Javits, the father of ERISA, used to say, “We should not relent, conflicts of interest are a very great evil.”

Exceptions to these rules are risky, and I commend Senator Enzi for his leadership in this area. His expert knowledge of financial transactions was invaluable in writing fair language in the Senate bill that reflected the advice of experts in the industry, the Department of Labor, and the Securities and Exchange Commission.

Defined contribution plans also have an important pension role. We need to encourage workers to join these plans, and see that they receive good advice in investing for retirement. I support provisions to encourage companies to automatically enroll workers in these pensions, to automatically increase the amount they save over time, and to provide workers with the best advice, free from conflicts of interest, about their investment options.

We also need to prevent employers from overloading their pension plans with company stock, a problem whose consequences we saw so clearly with Enron and other cases. It’s obvious we need new protections to help workers diversify their retirement savings.

Retirement security is also a critical issue for women. Senator Snowe and I developed language in the Senate bill to make pensions more responsive to the realities of women’s lives and careers, and I hope it will be included in the final bill.

I’m concerned as well about the cost of this legislation. The House bill contains $70 billion in tax cuts that are not in the Senate bill and are not paid for. With record deficits, they’re difficult to justify, and I hope we can work out a satisfactory agreement.

Workers and their families rightly expect Congress to protect their pensions. Our responsibility is clear, and I hope we can meet it together.

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