

United States Senate
Committee on Finance

Washington, D.C. 20510

Statements by the Leaders of the Senate Committee on Finance
Pension Reform Chairman's Mark
Friday, July 22, 2005

Senator Chuck Grassley of Iowa, Chairman —

“American workers used to be fairly sure of a good pension plan. That’s not the case anymore. There are a lot of reasons for that, some within Congress’ control and some not in our control. We need to fix the problems within our control. One reason for pension erosion is poor funding rules. Companies accept the tax breaks that come with offering pension plans, but pension funding rules allow companies to avoid fully funding them for their workers. Thankfully, most companies take responsibility for making sure their pension plans are fully funded, but we can’t let a few bad apples spoil the whole barrel. When companies dump their pension plans on the PBGC, those costs must be picked up by other pension plan sponsors who are forced to pay higher PBGC premiums. That’s not fair, and it’s not right. The PBGC can’t sustain many more hits to its bottom line, and the potential for a taxpayer-funded bailout is growing every day we do nothing.

“The public has also lost confidence in the pension system because it’s not transparent enough. Current law allows companies to hide big pension losses from employees and the public at large. ‘Smoothing’ techniques hide the true financial condition of pensions, and allowed United Airlines and other companies to avoid making pension contributions even while the pension plans were going down the tubes. We need to protect workers from bad actors and give them more, timely knowledge about their pension funding status.

“Some have complained that reforming the rules will make companies abandon their plans – that the status quo is okay and that we should all bury our heads in the sand. It’s understandable that businesses don’t want to shell out more money to fund their pensions. Their goal is to make money, not spend it. But at the same time, everyone plays a part in pension income security. Senator Baucus and I have worked to produce a bill that treats both companies and workers fairly. It’s a reasonable approach that’s meant to prevent a real crisis and bring pension rules into the 21st Century.”

Senator Max Baucus of Montana, Ranking Member —

“The need for Americans to save more for a secure retirement has been on all of our minds. The pension bill we have unveiled today takes strong yet measured steps to strengthening the private pension system. Too often we talk about the past and yet fail to learn from it. The hard lessons of corporate scandals and airline pension plan terminations should be applied to build a better, more secure future for hardworking Americans. That is what Senator Grassley and I have done in this bill.

“When companies don’t fund their pension plans, employees ultimately lose. Retirement is not the time to find out some or all of your pension is gone. This legislation is the result of months of

research and hard work. We are proposing strong funding rules and other worker protections. The Mark released today would go a long way toward shoring up millions of Americans' retirement security."