



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

Floor Statement Sen. Chuck Grassley
Chairman, Committee on Finance
Senate Consideration of the *Pension Security and Transparency Act of 2005*
Wednesday, Nov. 16, 2005

I'm very pleased that the Senate is turning its attention here this morning to the Pension Security and Transparency Act of 2005. This is a bipartisan bill that every Member of the United States Senate should be proud to support. This is a bill that is about one thing – improving the retirement security of all Americans. And it will improve Americans' retirement years in a lot of different ways. Much of the public focus on this legislation has been on the comprehensive pension funding reforms that are in the bill. Those reforms are very important, but before I talk about them, I want to spend a couple minutes talking about the other important provisions in this bill.

Number one – this bill represents a completion of the post-Enron retirement plan reforms that I have worked on with my good friend, Senator Baucus. We all remember that when Enron spiraled into bankruptcy and the value of Enron's stock evaporated, Enron employees had their 401(k) plans locked in Enron stock. They had no chance to diversify their 401(k) portfolios, and they were blocked from selling Enron stock at the same time top executives were cashing out. This bill would say that is unacceptable. Employees shouldn't be forced to stuff their 401(k) plans with company stock. Diversification is the most fundamental principal of a sound investment strategy. The bipartisan legislation before us today would guarantee that employees have a right to diversify their 401(k) accounts.

This bipartisan bill also seeks to increase savings by adopting new rules to promote "automatic enrollment" in 401(k) plans. Very often, the hardest dollar to save is that first dollar. Once people begin to save, it can become a habit that lasts a lifetime. Automatic enrollment means that saving that first dollar will be easier – and it means that millions of Americans will be saving more. The bipartisan bill before us today also simplifies retirement plan rules – making it easier and less burdensome for employers to give retirement plans to their employees. These types of changes will be particularly helpful to small businesses, which are often discouraged from sponsoring a retirement plan because of the costs and burdens.

The bipartisan bill before us today would allow small businesses to combine a defined benefit plan with a 401(k) plan into one simple plan called a "DB-k". This new type of combined plan will give employees the best of both worlds at the same time.

And speaking of combining the best of both worlds, the bipartisan bill we are considering today provides long-needed clarification that cash balance and other types of "hybrid" pension plan designs are not inherently age discriminatory. Hybrid pensions combine positive features of both traditional pension plans and defined contribution plans. These plans have long provided meaningful

retirement benefits to employees. Today, we will help lift the cloud of legal uncertainty hanging over these plans. At the same time, we also ensure that the rights of participants are protected and that the plans truly do meet the needs of today's mobile workforce by requiring faster vesting of employee benefits in these plans.

And finally, I want to talk about the pension funding changes in the bill. This bill honors a promise that we made as a Congress in 1974 when ERISA was enacted. That promise was that the pensions of rank-and-file employees should not depend on the financial solvency of their employer. ERISA says it is okay for the non-qualified pensions of senior management to be exposed to the company's risk of bankruptcy. But when it comes to rank-and-file employees – people who work hard all their lives in hopes of a pension – those people's golden years should not be ruined because their employer falls on hard times. ERISA has worked pretty well for the last 30 years in most cases, but we've found in recent years that there are times that the promise is not honored. So today, we are here to fulfill the promise and to let the American people know that if you've been promised a pension, we're going to make sure you receive it. The pension funding reforms in this bill also stand for another bedrock American principal – that you're responsible for your own promises. We all know that most companies fund their pension plans responsibly. Unfortunately, there are a few who have abused loopholes in the current rules to avoid funding their pensions. Those who have taken advantage of the loopholes have also often dumped their pension plans on the PBGC. They've essentially said, "We can't pay our bills. Someone else is going to have to pay them for us." Unfortunately, the people who they want to pay are other employers who have done the right thing and funded their plans well. Those employers get stuck with the bill in the form of higher PBGC premiums. That's not fair, and it's no way to run a pension system.

Even more unfair is the concept of a taxpayer bailout of the PBGC. As we have watched the financial condition of the PBGC deteriorate rapidly in recent years, the prospect of such a bailout has become increasingly real. The bipartisan bill before us today will reverse this decline over time by improving pension funding and bringing in additional premium revenue to the PBGC.

This bipartisan bill represents a huge leap forward for retirement security. I want to thank my good friend, Senator Baucus, the Ranking Member of the Finance Committee, for his outstanding dedication to this legislation. He has been a great partner in working together with me to advance this bill through the Finance Committee and to the Senate floor. I also want to thank Chairman Enzi and Senator Kennedy – we've had a great partnership working together as two Committees on this legislation, and I commend their dedication to the important reforms in the bill. They have both been tireless in their efforts to get us to this point, and I look forward to working closely with them and all of my colleagues in the Senate as we continue to work toward the goal of getting this bipartisan legislation to the President for his signature.