



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Statement of Sen. Chuck Grassley, Chairman
Finance Committee Consideration
of the Revised *National Employee Savings and Trust Equity Guarantee (NESTEG) Act*
Tuesday, July 26, 2005

Today the Finance Committee is turning its attention to the critically important and time-sensitive issue of pension reform. The fragile state of our nation's pension plans has caught the attention of Americans everywhere. It was not long ago that 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 that Americans have lost confidence in the pension system is they've lost confidence in the way those plans are funded. They've seen the tremendous damage left in the wake of United's massive pension default, and they know United was only following the rules. Companies that fund their pension plans well also have lost confidence in the pension system. They know that when a financially troubled company defaults on its pension, the other companies that pay PBGC premiums have to pick up the losses. That's not fair, and it's not right. 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. 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. So-called 'smoothing' techniques hide the pensions' true financial condition. These techniques 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 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.