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House of Representatives

Mr. HOLT. Mr. Speaker, I rise to express my opposition to the pension reform legislation that we are considering today. I oppose this legislation because it will further erode an employer's willingness to provide defined benefit plans and will close the loopholes that allow companies to dump their pension obligations on to taxpayers.

Throughout the 1990's, in American workplaces a dramatic shift from traditional defined-benefit plans to defined-contribution plans occurred. Rather than being able to count on a regular pension check of a specified amount each month for the rest of his or her life, many workers must now put money in a mutual fund or other investment and take what comes each month for as long as it may last. Many other companies began to "cash out" their pensions giving employees a cash balance payout, claiming it was equivalent to a pension. It is not equivalent to a pension. Furthermore, some companies have used the Pension Benefit Guarantee Corporation to bail them out of their financial troubles. Now, millions of workers have entered retirement, only to learn that their company could not provide the benefits they had been promised. The Pension Benefit Guarantee Corporation has amassed a \$23 billion deficit, jeopardizing its ability to insure defined pension benefit plans. As millions of more workers face reduced benefits, it is clear that Congress must find an effective solution to this problem. Unfortunately, the legislation we are considering today will not strengthen the defined benefit program or help to ensure that millions of workers receive the benefits they have been promised and planned on for retirement.

Unlike the Democratic substitute that Representative Miller and Representative Rangel tried to offer, this bill will not make it more difficult for companies to use the bankruptcy code to dump their pension obligations to the Pension Benefit Guarantee Corporation (PBGC). The decision of United Airlines to force the PBGC to cover its pension obligations resulted in reduced benefits for its employees and retirees and shifted its burden to fulfill pension promises on to the American taxpayer. As a result of United Airlines action, the PBGC was forced to absorb \$8 billion in guaranteed benefits, and employees and retirees lost \$3 billion in their earned pension benefits. Then the directors of the reorganized company gave themselves bonuses. Northwest and Delta Airlines, as well as companies such as Delphi are also on the verge of following in the path of United Airlines. This will undoubtedly increase the PBGC deficit, and further jeopardize its ability to insure pension plans. I hope that when this bill moves to conference, the conferees will include important provisions from the Democratic substitute that will reduce a company's ability to dump their pension liabilities to the PBGC. Specifically, pension reform legislation should include measures that require companies to seek alternatives before terminating their pension plan and require companies to prove that the plan is unaffordable in a court of law.

I also believe that the provisions in the bill that legalize cash balance plans will hurt millions of workers. Over 8 million workers have already been affected by cash balance conversions, before the courts put a hold on the discriminatory way companies converted to these cash balance plans. The GAO has estimated that without older worker protections over 85 percent of younger workers and 90 percent of older workers would lose expected pension benefits if a defined benefit plan were converted to a cash balance plan. Legalizing cash balance plans will hurt workers that are nearing retirement and will cause more anxiety for younger workers that must plan for retirement with uncertain benefits.

Although I will oppose this bill for the aforementioned reasons, there are provisions that I believe will benefit workers. For example, this legislation will allow employers to give their employees access to professional investment advice. With the dramatic increase in hybrid plans and defined contribution plans, employees are now faced with making multiple investment decisions that will have a profound impact on their retirement security. This investment advice provision will ensure that workers will be able to make informed decisions regarding their future.

American workers deserve to know that their pension is secure and that they will receive the benefits that they have been promised during their years of service. As this bill moves to conference, I hope the conferees will be able to improve the shortcomings of this legislation so that we can pass legislation that will preserve the defined benefit pension system.