



NEWS from U.S. Senator Bob Dole

(R.—Kans.)

New Senate Office Building, Washington, D.C. 20510 (202) 225-6521

Joe Reppert—Press Secretary

OPENING STATEMENT OF
HON. BOB DOLE
SUBCOMMITTEE ON PRIVATE PENSION PLANS
COMMITTEE ON FINANCE
MAY 21, 1973

Mr. Chairman, private pension plans are an extremely important feature of the economic and social fabric of our country today.

More than 30 million Americans are participating in private pension plans. This number represents a seven-fold increase since 1940, and over the same period, the assets held by these plans have grown from \$12.1 billion to more than \$150 billion. More than 6 million retired persons now draw benefits from these plans. The outlook for the future indicates that private pension plans will continue to expand in importance as their participants increase and as they serve still more of the rapidly expanding retirement age group.

Stimulate Growth

In view of these important considerations this Subcommittee has been convened to look into the methods of stimulating further growth in the private pension system while at the same time assuring each participant of those benefits to which he is legally and equitably entitled.

Growth of the private pension system has been encouraged as an effective means of providing individuals from all walks of life with an adequate source of income after retirement. Putting aside a portion of earnings during a person's most productive years, is in keeping with the most basic American traditions of thrift, self-sufficiency and concern for the future. It was recognized at an early date that many individuals' funds could be combined, managed and administered effectively with the result that the whole is greater than the sum of its parts. And with the cooperation and participation of employers, a significant system of retirement security has been created by the private sector of the economy. However, approximately one-half of all private, non-agricultural employees are still not covered by these pension plans, and numerous legislative proposals to extend and expand the private pension plan system have been put forward. In the course of our hearings we will be examining these suggestions in search of desirable and practical means of achieving a better and broader system.

Other Issues

In addition to provisions designed to encourage the expansion of our private pension system, we will consider additional legislation which would establish minimum standards for vesting and funding of benefits, a system of termination insurance, and a system to provide portability for pension benefits. As we consider

-2-

these suggestions, each must be thoroughly evaluated in terms of the improvements to be obtained, the costs to be incurred and the possible impact of such provisions in causing the termination of existing plans or discouraging the adoption of new plans.

Termination Insurance

To take just one of these subjects as an example, the Treasury and Labor Departments recently conducted a joint study of all private pension plans and those which were terminated during 1972. It found that 99.96 percent of all persons covered by these plans are receiving the benefits to which they are entitled. While it is a tragedy of serious dimensions when a single employee loses even a part of his vested benefits, it would appear that the overall system is alive and working quite well.

Admittedly this study covered a short period, but it gives reason to believe that the establishment of a termination insurance program will have to be very carefully evaluated. The insurance measures thus far proposed would base the assessment of premiums upon the unfunded liabilities of covered pension plans. But such liabilities arise from various sources -- for instance, through the liberalization of a plan's benefits in a given year -- and the implementation of this insurance financing arrangement would inevitably discourage such liability-producing steps. In addition many eminently sound plans would be called upon to contribute the great bulk of the financing for this insurance system, while the insurance benefits would be paid primarily to individuals covered by smaller, less secure plans. It may be that such a policy would be desirable, perhaps it would not. But we must have a clear view of these ramifications when these proposals are considered.

Aside from matters which bear upon the adequacy of the private pension system, we will also be considering the need for tighter fiduciary and reporting standards to ensure the proper management of pension funds.

Administrative Features

Finally, this Subcommittee will be highly concerned with the administration of any new regulatory requirements imposed upon the private pension system. Certain proposals would create an entire new bureaucracy in the Department of Labor to administer these new provisions while retaining the existing regulatory functions of the Internal Revenue Service. A dual system of regulation would be created, and, not only would there be a duplication in staffing, but there would be a doubly burdensome system of compliance thrust upon regulated plans. There would also be a difference in plans covered under this proposal and conflicting requirements with respect to qualifications. Lastly, Labor Department administration would require judicially enforced compliance as opposed to the self-enforcing compliance now obtained through IRS Administration. These are serious questions, and they deserve detailed consideration and study.

I would hope the deliberations of this Subcommittee will lead to recommendations for more efficient administration of a system providing more secure, improved, and expanded benefits for all employed persons.

Self-Employed Individuals

I also hope we will be able to achieve similar improvements in the retirement plans which serve self-employed individuals. These plans offer a major source of retirement security to individuals who are in business for themselves. I feel these people should not be discriminated against for the reason that they are not employed by a corporate entity. The individual

-3-

entrepreneur, professional or businessman has as much right as an assembly line worker, a corporate officer or anyone else to a reasonable, secure and sound retirement program. And I believe we must give this area careful scrutiny.

Complex and Timely Questions

Mr. Chairman, I believe this Subcommittee faces an extremely complex, important and timely challenge. I look forward to participating in these hearings and working with the Members of the Subcommittee and the full Finance Committee as we come to grips with questions which hold the utmost importance for millions of Americans.