U.S. House of Representatives

EDUCATION & LABOR COMMITTEE
Congressman George Miller, Chairman

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Chairman Miller Statement at Committee Hearing On *"The Impact of the Financial Crisis on Workers' Retirement Security"*

WASHINGTON, D.C. – *Below are the prepared remarks of U.S. Rep. George Miller (DCA), chairman of the House Education and Labor Committee, for a field hearing on "The Impact of the Financial Crisis on Workers' Retirement Security."*

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Good morning.

Today this Committee is holding our second hearing to examine how the current financial crisis is affecting retirement savings – one of the many issues creating enormous anxiety for Americans in our ailing economy.

We started this investigation last week, as part of a series of hearings the House is conducting to investigate the causes of the financial crisis, and what additional steps are needed to protect homeowners, workers, and families.

What we heard confirmed that while this crisis may have started on Wall Street, it's Main Street that stands to suffer the most.

Peter Orszag, the director of the Congressional Budget Office, told us that American workers have lost more than $2 trillion in retirement savings over the last fifteen months – an astonishing loss that could lead workers to delay their retirement. Yesterday, the Center on Retirement Research found that $4 trillion in retirement savings has been lost. Over the last year, $2 trillion in 401(k)s and IRAs and $2 trillion in defined benefit plans has been lost.

Several experts also told us that workers closest to retirement could suffer the most from this financial tsunami.

A survey released last week by the AARP found that one in five middle-aged workers stopped contributing to their retirement plans in the last year because they had trouble making ends meet. One in three workers has considered delaying retirement.

A new poll by the Washington Post/ABC News also captured this growing strain on older workers.

More than 60 percent of respondents ages 50 to 64 were not confident that they'd be able to save enough money to carry them through retirement – a steep drop in confidence that cuts across Americans from all income brackets.

Overall, less than half of all respondents said they will be able to save enough for a secure retirement.

But while the housing and financial crises are intensifying retirement insecurity, we also know that workers' retirement savings have been declining for quite some time.

Rising unemployment, stagnating wages and benefits, and a shift away from more traditional defined-benefit pension plans have been making it much harder for workers to save for retirement while juggling other expenses.

Now, the number of investors taking loans on their 401(k) accounts is increasing. And hardship withdrawals are also increasing.

T. Rowe Price estimates a 14 percent increase in hardship withdrawals just in the first eight months of 2008.

And, all the signs point to an increased frequency of 401(k) loans and hardship withdrawals in the coming year.

Even more troubling, just this week, our Committee obtained preliminary estimates showing that the Pension Benefits Guaranty Corporation – the government agency that insures private sector pension plans – lost at least $3 billion in equities in the last fiscal year.

This dramatic loss represents a swing of more than $6 billion from the previous year. It's likely that the agency's losses will be substantially worse once numbers from September are reported.

These estimates raise serious questions about a controversial new investment policy that the agency recently approved that shifts assets from fixed-income securities into more risky securities like real estate.

At this time of severe economic uncertainty, it's crucial that this agency be a responsible steward of these funds which pay pensions to workers whose plans have been terminated. The PBGC needs to be accountable to the millions of Americans who count on the agency to protect their retirement.

More than ever before, there is an urgent need to help Americans strengthen their retirement savings.

Taxpayers subsidize 401(k) plans by $80 billion dollars annually. For a taxpayer investment of this size, we must ensure that the structure of 401(k)s adequately protects the nest eggs of participating workers.

At a minimum, we know that much greater transparency and disclosures in 401(k) investment policies are needed, to protect workers from "hidden" fees that could be eating deeply into their retirement accounts.

And with seniors poised to suffer the most from the current economic turmoil, we must suspend an unfair tax penalty for seniors who don't take a minimum withdrawal from their depleted retirement accounts, like 401(k)s.

Last week, Rep. Andrews and I called on Secretary Paulson to immediately suspend this unfair penalty.

We'll also push to enact legislation based on a bill Rep. Andrews recently introduced, so that seniors who have seen their retirement savings evaporate don't get penalized for trying to build those savings back up.

Today our Committee will hear additional ideas about what we can do to strengthen and protect Americans' 401(k)s, pensions, and other retirement plans. We will also hear from Roberta Quan and Steve Carroll – two retirees who are grappling with significant losses to their retirement savings. I'd like to thank them for sharing their personal stories and all of our witnesses for joining us.

As other committees' hearings have revealed, many of the Wall Street titans responsible for this crisis have still escaped with their plush perks, lavish spa trips and golden parachutes intact. This is an outrage.

For too long, the Bush administration anything goes economic policy allowed Wall Street to go unchecked.

As we look at how we can rebuild workers' retirement savings and our nation's economy, the Democratic Congress will continue to conduct this much-needed oversight on behalf of the American people.

Being able to save for retirement after a lifetime of hard work has always been a core tenet of the American Dream. We can't allow the promise of a secure retirement for workers to become a casualty of the financial crisis.

Thank you.

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