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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 (D-CA), chairman of the House Education and Labor Committee, for a committee hearing on "The Impact of the Financial Crisis on Workers' Retirement Security."*

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Good afternoon.

Last week, Congress approved an emergency rescue plan in response to the worst financial crisis our country has seen since the Great Depression. We know that this plan alone will not magically turn the economy around. But we are confident that without it we will not have the chance to move forward.

We insisted that the plan include strong protections for taxpayers and tough accountability – neither of which was included in the President's original request to Congress.

Immediately after the plan was approved, Speaker Pelosi announced that the House would conduct a series of hearings to investigate the causes of the current financial crisis and what steps we should take next to protect homeowners, workers and families struggling today.

As part of that commitment, the Committee on Education and Labor today is holding a hearing to explore how this financial crisis is impacting the retirement security of American families.

Yesterday, the House Oversight and Government Reform Committee launched the first of many oversight hearings examining the toxic mix of corporate greed, recklessness, and deregulation that created this financial crisis.

During his testimony, Lehman's CEO, Mr. Fuld, showed no remorse for his catastrophic mismanagement of the company. In fact, he repeatedly denied responsibility for running the storied Lehman Brothers investment house into financial oblivion.

He refused to admit that his own reckless management – and his industry's success of keeping regulators at bay – directly contributed to this historic financial crisis that is costing taxpayers, shareholders, and the nation's current and future retirees billions of dollars from their nest eggs.

All the while, he insisted on taking obscene multi-million dollar bonuses for his executive teammates.

Unlike Wall Street executives, American families don't have a golden parachute to fall back on.

It's clear that their retirement security may be one of the greatest casualties of this financial crisis.

The current financial and housing crises are stripping wealth from American families at a record rate.

A new poll just found that 63 percent of Americans are worried that they will not have enough savings for their retirement. Tragically, they may very well be right. Due to the collapse of the housing market and the financial crisis, trillions of dollars that Americans were counting on has been lost.

Americans were counting on much of this wealth for their retirement. Now it is gone – as is their ability to adequately fund their retirement.

Even before the current meltdown, middle-income families were losing ground due to the decline in middle-class wages over the last decade – making it harder for them to save for their retirement and family emergencies.

Retirement and financial experts now predict that retirees and older workers who rely on financial investments for retirement income may suffer more than any portion of the American population in the coming years.

According a survey released today by the AARP, 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.

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.

It makes sense that more Americans will be raiding their retirement accounts as they deal with rising unemployment and increasing costs of basic necessities.

Unfortunately, these drastic measures taken by workers today will have a long-lasting impact by significantly reducing account balances once these workers reach retirement age.

Over the past 12 months, more than a half trillion dollars have evaporated from 401(k) plans as a direct result of the crisis in the markets.

Some experts say that it will take as long as 3 years to recover market losses in 401(k)-style accounts – but only if the market turns around soon.

Just like consumer directed retirement plans, traditional pension plans are not immune from the financial crisis.

Although pension plans hire professional money managers and are required to be diversified, these plans will likely lose value as a result of the weak performance of the investment markets.

Sophisticated pension funds lost 20 to 30 percent of their value during the 2001 recession and took several years to overcome those losses.

We must keep our eye on these plans and I await further data on the health of our nation's pensions.

While this crisis began on Wall Street, much of the financial burden will ultimately be borne by Main Street. And this did not happen overnight.

With the Republicans' help and armed with their powerful lobbyists, Wall Street cunningly held off fair regulations by Congress, arguing that Americans would be better off if left to their own devices.

As Congress continues our investigations into this crisis, we cannot allow those responsible to emerge unscathed. The American people are paying the price of this go-go, Wild West approach to governing.

One cost will be the concern that our nation's workers will not have sufficient savings to ensure a secure retirement after a lifetime of hard work. In the coming months, this committee will examine what measures may be needed to ensure a safe and secure retirement for workers, retirees and their families.

For starters, we know that 401(k) holders lack critical information about how their money is managed and what fees they pay.

I’m here to say right now, those days are over.

We must have more transparency in 401(k) investment practices. The Wall Street veil of secrecy must end.

I would like to thank all of our witnesses for joining us today. I look forward to their testimony.

And I expect that we will be back here repeatedly until we can ensure greater security for the retirement of hard-working Americans.

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