

Chairman Miller Statement at Committee Hearing On “Strengthening Worker 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 “Strengthening Worker Retirement Security.”*

The Education and Labor Committee meets today to explore shortcomings in our nation’s retirement system and look at solutions so that Americans can enjoy a safe and secure retirement.

The current economic crisis has exposed deep flaws in our nation’s retirement system. These flaws were mostly hidden when the market was doing well.

Since the beginning of this crisis, trillions of dollars have evaporated from workers’ 401(k) accounts. Millions of workers have seen a significant portion of their retirement balance vanish in just a few short months.

The committee heard testimony last year that the decline has forced many workers to consider postponing retirement or rejoining the workforce if they have already retired. For many retirees coping with rising costs for health care and other basic expenses, this loss in income is simply devastating.

For too many Americans, 401(k) plans have become little more than a high stakes crap shoot. If you didn’t take your retirement savings out of the market before the crash, you are likely to take years to recoup your losses, if at all.

As a result, we are realizing that Wall Street’s guarantees of predictable benefits and peace of mind throughout retirement was nothing more than a hallow promise.

And, many more are questioning whether our nation’s retirement system as a whole is sufficient to ensure retirement security.

Workers and retirees have historically depended on three sources of income during retirement – from defined contribution plans, defined benefit plans and other savings, and Social Security.

One leg of our retirement system is Social Security, and this program has never looked better. When you consider the trillions that employees have lost in retirement investments, thank goodness we didn’t get suckered into gambling Social Security funds at the Wall Street casino.

Another leg is traditional pension plans.

But over the last two decades, many companies have unceremoniously frozen or terminated pension plans.

Defined contribution plans, including 401(k)s, and other savings make up the third leg of our nation’s retirement system.

However, the 401(k) is not the supplemental retirement plan as it was originally designed.

In fact, more than two-thirds of workers with retirement plans rely solely on 401(k) type plans as their primary retirement vehicle.

While 401(k)s are a fact of life, this committee has found that these plans in their current form do not and will not provide sufficient retirement security for the vast majority of Americans.

That is why in the short term, we must preserve and strengthen 401(k)s.

Hidden fees and conflicts of interest must be rooted out.

And, 401(k)s need to be run in the interest of account holders, not the financial services industry.

Wall Street middle men live off the billions they generate from 401(k)s by imposing hidden and excessive fees that swallow up workers money. Over a lifetime of work, these hidden fees can take an enormous bite out of workers accounts.

Last Congress, I proposed a bill that would require simple and straightforward disclosure of 401(k) fees. Wall Street opposed it.

The ferocity of Wall Street's response to simple fee disclosure leads me to believe that they do not want 401(k) account holders find out the billions they skim from Americans' hard-earned savings.

I firmly believe that workers have the right to know exactly how much is taken from their accounts. Every penny contributed to a 401(k) is the worker's money and it should be used for the worker's retirement.

In addition, as one of our witnesses will testify today, the interest of the investment managers selling retirement products to workers do not line up with the interests of account holders.

Too often, the most marketed investment options are the worst for workers in terms of expense and performance.

Finally, in the long term, we should ask ourselves whether our current system gives workers the ability to ensure a safe and secure retirement.

Witnesses appearing today will discuss how the decades-old realignment of our retirement system is putting enormous stress on Americans' retirement security.

Being able to save for retirement after a lifetime of hard work has always been a core tenet of the American Dream. Retirees ought to have financial security that allows them to focus on family and friends without sacrificing their standard of living.

In the short-term, Congress must address ways to improve defined contribution plans. The 401(k) needs to be more transparent, fair, and operated on behalf of the account holder, not Wall Street firms.

But, we must also ask the difficult questions about the state of our nation's retirement system as a whole and look to see whether we need to create a new leg of retirement security.

I hope this marks the beginning of an open and frank discussion on where we are today and what we need to do as a country to create a retirement system that works for all Americans, not just the fortunate few.

In the coming weeks and months, this committee and Mr. Andrews' subcommittee will be exploring all these issues.

I look forward to today's testimony.

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