



**Remarks by Congressman Sam Johnson  
March 1, 2002**

Good Morning, Let's start this program with a very scientific survey.

I know it's scientific because I'm convinced that this is how the pollsters do it, so it must be accurate.

Please raise your hand up high if you have heard about someone who has lost their retirement savings because of the collapse of Enron?

Raise your hand if you think that Congress would be smart to empower employees and employers to help prevent another Enron?

Looks like most of us are on the same page.

I think that's because we believe that Americans want, need and deserve to retire with a nest egg, not a goose egg...

I've been working as the voice of caution...and the voice of conservatives in the U.S. House of Representatives to help all Americans have a secure retirement.

For those of you who don't know I'm the only member of the House who serves on both the House Ways and Means Committee and the Education and the Workforce Committee, and I chair the subcommittee with jurisdiction over ERISA and pension issues.

And I will tell you this: I am completely opposed, and will focus my remarks on those in the Senate, who are calling for a government takeover of America's voluntary pension system.

I am sick and tired of the liberals trying to protect Americans from themselves.

America was founded on freedom and free enterprise.

That includes the freedom to decide your own future without the government swooping in to decide it for you.

Americans are smart, innovative, productive and hard working.

They don't want the government to be the center of their lives.

Let's take a quick look at the last time the government intervened into a private, voluntary pension system.

They were called defined benefit plans.

Maybe you haven't heard of them, that's because the federal government got involved and regulated them to death.

Now they are practically extinct.

I am not saying the government doesn't have a role, but we must have a smarter government that helps, not hinders innovation in the private sector.

I have never known the government to create or produce anything that the private sector hasn't already done better..., smarter...and sooner.

It's not secret that Washington is usually five years behind...they don't call it bureaucracy for nothing.

Therefore, I'm confident we can find a way to protect voluntary employee retirement accounts without over-burdening the voluntary employer-based system.

By and large, we have found defined contribution systems to work very well as a means for saving for a secure future.

I have heard from many who are concerned that well-intentioned legislative tinkering would be harmful to the voluntary contribution system that has helped the baby boomers save for their golden years.

One problem with the current system that seems to get lost in the headlines is that only about half of the employees in America are covered by a retirement plan.

One reason that many employers don't offer retirement plans is that they simply cannot afford to.

The costs stem from well-intentioned government regulation that simply prevents employers from setting up and maintaining a plan.

This is one area I intend to address in my subcommittee.

In addition, the failure of Enron has revealed some areas of concern when it comes to retirement plans – especially:

- The need for investment advice
- Leveling the field during blackout periods
- Investment options

We have learned that too many workers lack access to meaningful information about their retirement savings, especially quality investment advice, on how to invest their hard-earned savings.

It is important to note that one goal we have been working on has been helping people "Save Smart" for their retirement.

Without a doubt, investment advice should be part of that.

And the U.S. Senate is holding that bill hostage. I believe you heard Mr. Kennedy trashing this very idea yesterday.

I don't know why because when a pilot prepares for a trip, he doesn't leave without a flight plan with hope he reaches his final destination.

No, he studies. He learns. He plans. He plots. He prepares.

And if the destination changes, he changes course. It's that simple. Just with retirement – if you fail to plan, you plan to fail.

Second, we have also learned that while so-called "Blackout" periods are common in plans, workers may not have an adequate understanding of blackout periods...

Or enough advance notice to adequately prepare for them.

As you know, this time is critical for people wanting to withdrawal money from the system to pay for a down payment on a house or a child's education.

The President believes that employers and management should have to play by the same rules when it comes to selling stock during black out periods...

What's good for the goose is good for the gander.

Additionally, in the wake of Enron, we have all seen the tragic outcome of putting all your eggs into one basket.

That too is part of "Saving Smart."

As I pointed out at a hearing recently though, some company stock is pretty well diversified simply by the wide range of products and services it sells.

Just look at Proctor and Gamble or G.E.

Third, please know that I am vehemently opposed to mandatory diversification in 401(k) plans.

There are any number of reasons why the U.S. Government should not take a heavy-handed view of 401(k) investments.

James, a constituent of mine, who devoted much of his career to Texas Instruments, told me that he made a comfortable retirement possible by investing 100% of his 401(k) contributions into company stock at opportune times.

He bought IT stock when it was a good deal...and didn't when it wasn't.

He also had defined benefit pension plan as well as other investments.

Looking at his total portfolio, James was comfortable with the risk level.

I don't think that any government should tell James that we know more than he does about his retirement portfolio.

That's just plain wrong!

Some Democrats will argue for caps on the amount of any single asset in a retirement plan.

They argue that because the system is "tax subsidized" that they have the right to substitute the government's judgment for that of the individual.

Isn't it ironic that the person in the Senate arguing the loudest for mandatory diversification is heavily invested in Goldman Sachs?

But then, I am not a subscriber to the belief that every penny someone earns is the property of the government's and that we just let you keep what we don't tax.

At our hearings, we also have heard about many employees greatly benefiting from voluntary company contributions or matches to employee retirement accounts.

These company matches to employee contributions are important for several reasons.

I have heard from many who are concerned about the three-year diversification right mandate upon employer contributions.

Specifically at Enron, we know that employees had 20 different investment options, including Enron stock. These investments could have been traded on a daily basis.

We also know that employees watched the value of their company stock fall from \$80 a share to about \$14 before the "Blackout Period" began.

When trading reopened, the stock was worth roughly \$10 per share. It was after that that the stock fell quickly to the point of being removed from the New York Stock Exchange.

While I don't profess to be a financial manager, what we had in that instance was probably a case of S.E.C. fraud and the pension plan fiduciaries not doing their job by providing plan participants with accurate information on the company stock.

As you know, at least three class action lawsuits have been filed to get money back to plan participants and I believe that we will see some litigation by the federal government as well.

Throughout the hearing process, I have been committed to vetting the pros and cons of retirement plan changes.

That way, when we do legislate, after hearing all sides, we address only problem areas.

We also must not unintentionally harm a retirement system that, again, has worked remarkably well for two decades - helping millions of people...

To that end, I along with Chairman Boehner introduced President Bush's Pension Security Act.

The Pension Security Act is the first step toward creating a consensus that can eventually be signed into law and will help restore worker confidence in the nation's retirement security and pension system.

I know you've heard a lot about the President's plan, so I'll only highlight what his proposal does to remove obstacles to saving and to increase pension security.

His plan gives workers the power to choose how to invest their pension assets.

It gives workers access to professional investment advice to help diversify & protect their savings.

While these are ambitious goals, we do not take our responsibility lightly to help Americans save for the time they no longer have to show up for work everyday.

As we consider all of the many proposals, we must be mindful not to jeopardize the retirement savings of millions of American workers at the hand of over regulating.

In closing, please know that I will be the voice of caution and conservatives as Congress embarks on the road to retirement reform. Thank You.