EXTENSIONS OF REMARKS

INTRODUCING THE PENSION PROTECTION ACT OF 1995

HON. JIM SAXTON

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Tuesday, May 9, 1995

Mr. SAXTON. Mr. Speaker, I am here to speak to you this morning because $3.5 trillion in private pension funds are at risk. Why? Because the Clinton administration has targeted private pension funds as a new way to finance their liberal social spending agenda.

Faced with an angry revolt of voters, fed up with an oversized and overintrusive Federal Government, Clinton's advisers devised a behind the scenes, incremental strategy to achieve Clinton's pension grab.

The overall strategy came from a campaign document called, A National Economic Strategy calling for an $80 billion investment in an array of social projects that will be leveraged with public and private pensions.

President Clinton and his Department of Labor are trying to use private pensions to fund social investments. These social investments include: Public housing, infrastructure, and pork-barrel projects. The administration has dubbed these social projects economically targeted investments or ETI's, but I prefer to call them PTI's or politically targeted investments.

Stage 2 in Clinton's great pension grab came in June 1994, when Labor Secretary Robert Reich issued an interpretive bulletin which defined ETI's in a way that makes them seem consistent with the Employee Retirement Income Security Act, or ERISA. This law was specifically designed to ensure the safety of America's private pension funds. The strength and force of this law has now been undermined.

Stage 3 in Clinton's pension-fund grab was the establishment of a clearinghouse intended to showcase ETI investments and give them the Federal Government's seal of approval. The Clinton Labor Department, without congressional authorization I note, has already contracted to spend $1.2 million to get the clearinghouse up and running.

Stage 4 is now in the process of unfolding. As members of the press know, it has been widely reported that the President will likely nominate Assistant Treasury Secretary Alicia Munnell to be the next Governor of the Federal Reserve Board. Not long ago, Munnell proposed a 15-percent Federal tax on private pension funds to help finance the Federal Government's liberal spending habits. Once planted at the Fed, not only will Munnell be completely outside of the reach of Congress, she will also be strategically situated to help the administration execute its grab for private pensions.

Let me emphasize that targeting private pension fund investments is a radical and dangerous idea. ETI's violate the clear mandate of ERISA that a pension fund manager must give complete and undivided loyalty to the pension beneficiaries. Let me quote directly from ERISA: a pension fund manager must ''discharge his duties with respect to a plan solely in the interest of the participants and beneficiaries and for the exclusive purpose of (i) providing benefits to participants and their beneficiaries; and (ii) defraying reasonable expenses of administering the plan.''

Besides ETI's obvious conflict with ERISA, the best economic research indicates that pension funds that target social investments produce yields well below market averages. For instance, a 1983 study by none other than Alicia Munnell found that public pension funds that targeted social investments had assets that were significantly riskier, less liquid, and earned lower yields. Also, a 1993 study by Roberta Romano of Yale Law School concluded that the greater the political influence on the investment decision, the lower the corresponding return. And, a 1994 University of Pennsylvania study by Olivia Mitchell determined that public pension funds required to make a certain portion of in-State investments generated lower investment returns.

In light of the empirical research on ETI's and given their dubious legal standing, stage five and beyond in the great pension fund grab becomes easy to predict. The President and his administration will seek ways for the Federal Government to offer subsidies, guarantees, and other imaginative techniques to shield pension trustees from blame when ETI investing pension funds get into trouble.

Richard Ferlauto of the Center for Policy Alternatives gives us a clue to their plans: ''ETI programs must be enhanced through the development and use of appropriate risk reduction mechanisms. Examples include state-funded loan guarantee programs, state or private insurance pools, and insurance premiums . . .''

This means taxpayers will be put at risk as well.

The ultimate objective would be to implement a social-responsibility requirement for private pension funds similar to the one now being imposed on banks—an ETI quota for every private pension fund. One need only refer to the ETI quota bill introduced on February 24, 1995, in California to realize the potential damage to the pension community.

What would a 5-percent quota mean if enforced at the national level? In 1993, total private pension fund assets in the United States amounted to $3.5 trillion. A 5-percent ETI quota would mean that the Government would suddenly have at its command a whopping $175 billion with which to enact the liberal social agenda. More insidiously still, a quota of even this magnitude would mean that politicians had succeeded in conscripting private pension funds into the compulsory economic service of the U.S. Government.

What Secretary Reich would make permissible today, will become compulsory tomorrow.

Today, I am introducing a bill that will protect the 36 million private pension participants from President Clinton's pension fund grab. My bill, the Pension Protection Act of 1995, will not alter the fiduciary duties laid out in ERISA. Instead, my bill will simply reiterate that the act means what it says, no more, or less.

ERISA couldn't be clearer. Trustees may not invest in ETI's because by definition ETI's seek to benefit someone other than solely the participants and beneficiaries of the pension plan; and ETI's pursue an objective other than exclusively the interest of the plan's participants and beneficiaries.

My bill removes any uncertainly by making it unambiguously clear that solely means solely not primarily or even overwhelmingly; and my bill makes it unambiguously clear that exclusively means exclusively not almost only or even just about completely. Exactly what parts of solely and exclusively doesn't the Clinton Labor Department understand?

My bill also will prohibit the Federal Government from guaranteeing, subsidizing, or encouraging social investments. And, it will put an end to the clearinghouse.

The security of our pension funds is no small issue. Every American who plans on retiring someday should be very concerned about what the Clinton administration is up to. I believe that if we act quickly, we can ensure that everyone working today can rest easier if my bill to protect their pensions is passed.

FUNDING FOR THE INTERNATIONAL MILITARY EDUCATION AND TRAINING [IMET] PROGRAM

HON. LEE H. HAMILTON

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, May 9, 1995

Mr. HAMILTON. Mr. Speaker, the Committee on International Relations will be considering the American Overseas Interests Act of 1995, authorizing foreign assistance programs for fiscal years 1996 and 1997, this week.

The International Military Education and Training [IMET] Program will be among those authorized in this legislation. The administration considers IMET a cost-effective and critically important program in advancing the U.S. interest in enhancing allies' defense professionalism and promoting professional militaries under civilian control. Accordingly, Under Secretary of Defense Slocombe has written to me, urging full funding of the administration's $39.8 million request for IMET for each fiscal year. The letter follows:

THE UNDER SECRETARY OF DEFENSE,
Washington, DC, May 5, 1995.

Hon. LEE HAMILTON,
Ranking Democratic Member, Committee on International Relations, House of Representatives, Washington, DC.

DEAR MR. HAMILTON: I ask your support for full funding of the Administration's FY96 budget request for the critically important International Military Education and Training (IMET) program.