

**Opening Statement of Senator Herb Kohl
Special Committee on Aging Hearing
No Guarantees: As Pension Plans Crumble, can PBGC Deliver?
May 20, 2009**

Good afternoon. I would like to thank everyone for being here today as we take a hard look at the Pension Benefit Guaranty Corporation, which is responsible for insuring the pension plans of nearly 44 million Americans. The Committee has grave concerns about the agency's viability, especially in light of a report released last week by the PBGC Inspector General questioning whether the agency currently has effective financial oversight.

Given the state of the economy, the question of PBGC's viability is more urgent than ever. One in seven Americans count on the agency to pay out their pension in the event that their employer is unable to do so due to bankruptcy. As General Motors teeters on the edge of insolvency, hundreds of thousands of workers' pensions could soon become the responsibility of PBGC. And though Chrysler has managed to maintain its pension plan despite filing for bankruptcy, it may be only a matter of time before PBGC will have to accept responsibility for that pension plan as well.

Today we will explore two important questions. First, as some of our nation's largest employers come crumbling down, is PBGC prepared to fulfill its mission? Unfortunately, we are finding that the answer seems to be maybe not. PBGC is currently underfunded by over \$33 billion, while their duty to manage and pay out benefits is expanding.

Second, we want to understand how the PBGC got into this financial situation. There are many answers to that question, but most lead back to decisions made by the management of the PBGC and a lack of oversight and governance by previous PBGC Boards, which consists of only three members: the Secretary of Labor, Secretary of Treasury, and Secretary of Commerce. The members of the Board have their own agencies to run, and are currently dealing with an economic crisis.

The Government Accountability Office has indicated for years that the PBGC Board members do not have enough time or resources to provide the necessary policy direction and oversight. In 28 years, the full Board has met only 20 times. The fact that we could not get a representative of the PBGC Board to come to today's hearing is a prime example of this. But the role of PBGC is too crucial to allow its governance to slip through the cracks.

For example, during the Bush Administration, the former PBGC Director Charles Millard was able to implement a risky investment strategy just months before the market downturn, with little more than a rubber-stamped approval from the Board. The Board's oversight was also in question as Mr. Millard inappropriately involved himself in the bidding process of a \$100 million contract.

But the allegations against Mr. Millard are merely a symptom of the bigger problem. I will soon be introducing legislation to significantly improve the PBGC Board's governance oversight structure. First and foremost, the bill will expand its membership and ensure that the board retains continuity during a change in administration. The bill will also ensure the PBGC Advisory Council, Inspector General, and General Counsel have full and direct access to the entire board. Finally, the bill will require the PBGC Director to recuse him or herself from potential conflicts of interest, to include any involvement with the agency's Technical Evaluation Panels.

In the meantime, PBGC should reopen the bidding process for the controversial \$100 million contract, a process which seems to have been improperly influenced the first time around. Yesterday I received a letter from Secretary of Labor Hilda Solis indicating that they are likely to do so. If not, we will ask GAO's Special Investigations Unit to assist us in reviewing copies of PBGC-related communication the Committee has obtained from the Wall Street firms that won the first contract. I appreciate the cooperation we have received so far from these companies, and I hope we can continue to work together to shed light on the issue.

I am not alone in my concern. Finance Chairmen Max Baucus and HELP Chairman Ted Kennedy, along with Ranking Members Chuck Grassley and Mike Enzi, have also followed this issue closely, and will keep a close watch to ensure the PBGC carries out the recommendations of its Inspector General. They also have requested a further investigation into Mr. Millard's involvement with these companies.

The role of the PBGC is a vital one, now more than ever. For 44 million Americans with defined benefit pension plans, PBGC is the only thing that stands between the secure retirement they've worked so hard for, and the prospect of living without retirement security. So we must get the PBGC back on track, or face the possibility of absorbing its obligations as taxpayers.

Thank you to all of today's witnesses for being here, and we look forward to your testimony. Now we turn to Ranking Member Martinez for his opening statement.