Joint Economic Committee Republicans
Wednesday, June 7, 1995

Stopping the Clinton Pension Grab

H.R. 1594: The Pension Protection Act of 1995 (PPA)

By definition what the Clinton administration is trying to do is lower savings and increase the risk of people who work to save all their lives...This is another classic example of pro-big government, of tax-and-spend liberals trying to achieve through the back door what they can't do through the front door.

Speaker Newt Gingrich, May 9, 1995

President Clinton seeks to incrementally erode that firewall that protects American workers' pensions from political mismanagement. At the same time that Democrats are engaging in scare tactics on the Medicare issue rather than working to save the trust fund on which 34 million seniors depend for health care, White House spenders have their eyes on our private pensions the way Jimmy Dean looks at a pig -- as a source of pork to be divvied up among their special interest constituents.

Majority Leader Dick Armey, May 9, 1995

This dangerous attack on ERISA represents a systematic effort by the Administration to hijack America's pension funds.

Congress has an obligation to protect America's pension funds from being invested in risky socially-engineered programs. This legislation ensures America's pension plans are protected from the Administration's efforts to find money to pay for its agenda.

It is unconscionable that the Clinton Administration is actively pursuing private pension funds to pay for its pet projects. It seems the Administration is more interested in putting high-price programs first and the welfare of America's retirees second.

JEC Chairman Senator Connie Mack, May 9, 1995

When you take my money, it's a tax. When you spend my money for me, it's a tax. When you jeopardize my savings to finance unsound social investments, that's the most unreasonable tax of all. Yet this is precisely what Bill Clinton and Labor Secretary Robert Reich seek to do in corrupting ERISA to bring private workers' pension funds under political control. High taxes on saved income and deficit spending by government have already driven the savings rate in our country below what is needed for long-term economic growth. A new tax on investment is the last thing we need.

Grover Norquist, President, Americans for Tax Reform, May 9, 1995

But the administration's plans to pilfer the nation's pension funds goes far beyond Mr. Reich's regulatory end-run scheme. Treasury's Ms. Munnell has proposed that a 15 percent federal tax be levied on all private pension funds to produce new sources of government revenue.

These are dangerous and radical ideas that would weaken the foundations of prudent pension investment rules, undermine the security of 36 million pension participants, and further erode America's savings and venture capital base.

Mr. Saxton's bill could spawn a new populist campaign slogan for 1996: Keep Bill Clinton's hands off my pension.

Donald Lambro, *Washington Times*, May 8, 1995

Today's workers have a right to expect the best return on their hard-earned investment. They shouldn't have to worry about government requirements that are not in their best interest and threaten their hope of a safe future.

Jake Hansen, VP Gov't Affairs, Seniors Coalition, May 9, 1995

The same social policy architects who have squandered $5 trillion in social welfare spending during the past 30 years have now set their sights on the future pension benefits of the American workers who footed the bill. If Secretary of Labor Robert Reich and the many like-minded members of the Clinton administration get their way, a substantial portion of the nearly $5 trillion in pension fund assets would be put at risk financing so-called "economically targeted investments" (ETIs)...

Seeking to prevent future financial catastrophes and to protect workers' hard-earned assets from political expropriation, Rep. Jim Saxton, New Jersey Republican, last week introduced the Pension Plan Protection Act, which would make it a breach of fiduciary duty for an investment manager to consider any so-called collateral benefits in the investment process. It specifically would nullify Secretary Reich's 1994 Interpretive Bulletin, which was conveniently issued without relying on congressional legislation even though it essentially canceled Section 404 of ERISA. Promoting ETIs, the bulletin defined them as investments "selected for their economic benefits apart from their investment return to the employee benefit plan [emphasis added]."

Editorial, *The Washington Times*, May 18, 1995

Are ETIs Risky Business? You bet!

The administration has pursued a devious behind the scenes, incremental approach to promoting ETIs because it knew that the pension community would offer stiff resistance and millions of pensioners would be outraged if ETIs were sprung all at once...

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 easy tomorrow.

Congressman Jim Saxton, *The Washington Times*, May 9, 1995

For all the publicity and political support that economically targeted investments have attracted (Institutional Investor, September, 1993), the vast majority of pension plans don't want anything to do with them, according to this month's Pension forum.

ETIs are investments motivated by social policy considerations -- such as building low-income housing or supporting minority-owned businesses -- in addition to returns. Proponents insist that such investments needn't compromise performance. Still, more than 90 percent of the respondents in this survey consider ETIs a bad idea because they divert managers from their prime focus returns.

***Institutional Investor*, July, 1994**

This fact [ETIs are not the soundest of investments] exposes the ETI scheme for what it is - a political attempt to raise more revenues for ill-defined, and sometimes unacceptable, social spending programs. This strategy of big government intervening in the free market to advance its own perception of 'social good' is simply a redistribution of wealth...

In an article distributed by Clinton's Labor Department, Richard Ferlauto identifies the fact that ETIs are not a strong investment, and plans must by made to subsidize their use...The taxpayers end up holding the bag, and the pensioners are left with little to show for their hard work.

Kimberly Schuld, Seniors Coalition, May 18, 1995

Secretary Reich's ETI policy interferes with the private property rights of working Americans by undermining the fundamental duty of trustees to act solely in the interest of their beneficiaries.

Charles Rounds, Professor of Law, Suffolk University Law School, May 18, 1995

Until now, workers planning for their retirement could at least assume that their pensions were safe from the reach of big spenders in government, even though their tax dollars were not. Since the

American voters' anti-tax fervor has stymied the Clinton Administration's big-spending agenda, pension funds represent an opportunity to latch onto more money without pensioners even knowing about it...

Workers look on pension contributions as part of their earnings. They work hard to build their pensions to ensure income security in retirement. The pension funds due to a worker are his property. The government cannot simply take these funds for its own purposes, without any authorization whatsoever. And yet that is exactly what the Department of Labor has done. It has unilaterally begun to raid pension funds.

Beau Boulter, United Seniors Association and former Member of Congress, May 18, 1995