

NOMINATION OF STANFORD G. ROSS  
AND DAVID M. WALKER

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HEARING  
BEFORE THE  
COMMITTEE ON FINANCE  
UNITED STATES SENATE  
ONE HUNDRED FIRST CONGRESS  
SECOND SESSION  
ON THE  
NOMINATION OF

STANFORD G. ROSS AND DAVID M. WALKER, TO BE MEMBERS OF THE  
BOARDS OF TRUSTEES OF THE FEDERAL HOSPITAL INSURANCE TRUST  
FUND, THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND,  
THE FEDERAL DISABILITY INSURANCE TRUST FUND, AND THE FEDERAL  
SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND FOR A TERM OF FOUR  
YEARS

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JULY 24, 1990  
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# CONTENTS

## OPENING STATEMENTS

	Page
Bentsen, Hon. Lloyd, a U.S. Senator from Texas, chairman, Senate Finance Committee .....	1
Moynihan, Hon. Daniel Patrick, a U.S. Senator from New York .....	2

## COMMITTEE PRESS RELEASE

Finance Committee to Consider Social Security Trustee Nominations; Ross and Walker are Nominees.....	1
--	---

## ADMINISTRATION NOMINEES

Ross, Stanford G.....	3
Walker, David M.....	5

## ALPHABETICAL LISTING AND APPENDIX MATERIAL SUBMITTED

Bentsen, Hon. Lloyd:	
Opening statement.....	1
Moynihan, Hon. Daniel Patrick:	
Opening statement.....	1
Prepared statement .....	9
Ross, Stanford G.:	
Testimony .....	3
Prepared statement with attachment .....	9
Walker, David M.:	
Testimony .....	5
Prepared statement with attachment .....	14

## COMMUNICATIONS

Letters from the U.S. Office of Government Ethics.....	16
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**NOMINATION OF STANFORD G. ROSS AND DAVID M. WALKER, TO BE MEMBERS OF THE BOARDS OF TRUSTEES OF THE FEDERAL HOSPITAL INSURANCE TRUST FUND, THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, THE FEDERAL DISABILITY INSURANCE TRUST FUND, AND THE FEDERAL SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND FOR A TERM OF FOUR YEARS**

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**TUESDAY, JULY 24, 1990**

**U.S. SENATE,  
COMMITTEE ON FINANCE,  
Washington, DC.**

The hearing was convened, pursuant to notice, at 10:00 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Lloyd Bentsen (chairman of the committee) presiding.

Also present: Senators Moynihan, Pryor, Rockefeller, Daschle, Packwood, and Chafee.

[The press release announcing the hearing follows:]

[Press Release No H-47, July 20, 1990]

**FINANCE COMMITTEE TO CONSIDER SOCIAL SECURITY TRUSTEE NOMINATIONS; ROSS AND WALKER ARE NOMINEES**

The Finance Committee will hold a hearing and executive session on the nominations of Stanford G. Ross and David M. Walker to be members of the boards of trustees of the Federal Hospital Insurance Trust Fund, the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund.

The hearing and executive session will be on *Tuesday, July 24, 1990 at 10 a.m.* in Room SD-215 of the Dirksen Senate Office Building.

Ross is a senior partner with the law firm of Arnold & Porter, and Walker is a partner and national director of compensation and benefits practice with the accounting firm of Arthur Anderson & Co.

**OPENING STATEMENT OF HON. LLOYD BENTSEN, A. U.S. SENATOR FROM TEXAS, CHAIRMAN, SENATE FINANCE COMMITTEE**

The CHAIRMAN. This hearing will come to order. Today's hearing is on the President's nomination of David Walker and Stanford Ross to fill the positions of public trustees of Social Security and the Medicare Trust Funds. These are relatively new positions having been put into the law back in 1983. Most of us would remember that sense of crisis that we had about Social Security at

that time. There were looming deficits in the trust funds, both in the short term and in the long-term 75 year projections that they make.

But today, that Social Security trust fund is sound. There will soon be enough reserves to weather any kind of financial storm that you might possibly imagine, other than possibly legislative. Now despite that kind of remarkable turnaround in the condition of the trust funds, we still see a lingering distrust on the part of the public.

When you have a public opinion poll and you ask people do you expect to receive retirement pay out of the Social Security trust fund a substantial percentage of them say, no, they do not. They never expect to realize that. So the two gentlemen before us today have their work cut out for them.

The decision to add the two new members to represent the public to serve on that Board of Trustees was made on the assumption that they would increase the public's confidence in the supervision of that fund in its investment procedures and the actuarial assumptions, demographic assumptions. But the fundamental goal is to reassure the public of the long-term integrity of the system. To let them know that those benefits will be paid and they will be paid on time.

So this hearing is a step in that process. We look forward to hearing how Mr. Walker and Mr. Ross, in that high position of trustee to which they have been nominated, how they anticipate trying to build that kind of public trust in this institution.

My friend on my right has taken a long-time interest in Social Security and the trust fund, its administration, the soundness of it, the assurance of it, and proposed some modifications along the way. He is one who is, I think, as knowledgeable on the trust fund as anyone in the entire Congress. I now defer to him for such comments as he wants to make.

#### OPENING STATEMENT OF HON. DANIEL PATRICK MOYNIHAN, A U.S. SENATOR FROM NEW YORK

Senator MOYNIHAN. You are very generous, Mr. Chairman. I welcome our two nominees. May I just make a quick point? There is nobody at the press table which is one of the problems with Social Security—it is either in crisis or alternately forgotten, disappeared from view.

There are three ex officio trustees—the Secretary of the Treasury is the managing trustee, and then the Secretary of Labor, and the Secretary of Health and Human Services. In the 1983 legislation we created two positions for which we have nominees here before us today. They are meant to be members of the public and to represent the contributors in a sense that you have such persons on Boards in many comparable institutions—none of this size. We received the first nominations in September of 1984 and in that same month the nominations were confirmed, as Senator Packwood will recall; he was Chairman of the Committee at the time.

Then an extraordinary event occurred. They no more took office than the trust funds for the first time in the history of the Social Security Act were put to unprecedented uses. They were used to

provide cash for the general expenses of the Government, specifically in September and October a total of \$19.5 billion was received by the Treasury as payroll contributions and not invested in bonds so that they had the cash. And an additional \$10 billion was redeemed before it was needed for benefits in order to lower the debt ceiling so that bonds could be sold, and again that much cash could be obtained. It totaled \$29 billion.

A year later, \$28 billion was credited to the trust funds but not converted into interest bearing bonds and \$27.9 billion was cashed in order to sell other bonds and get cash. Events without precedent and the amounts involved, you know, backward reels the mind, \$56 billion in the second year.

Now the Secretary of the Treasury was in a very difficult situation. The U.S. Senate had not increased the debt ceiling. He had to choose between doing this or defaulting. But they chose to do this and the choice was defensible. But what was not defensible was, they did not tell anybody. They did not tell the public trustees. They did not tell the Congress. And that made those two trustees, at least on one side, unacceptable to us. They said not a word. They did not say a word.

We had to find it out. We learned it from the actuary. So the situation of trustee did not get off to a very happy start. I think we are starting again, Mr. Chairman. We have two more than well qualified nominees and I would like to ask them a question or two about this later.

Thank you.

The CHAIRMAN. Thank you.

[The prepared statement of Senator Moynihan appears in the appendix.]

The CHAIRMAN. Senator Packwood, any comments?

Senator PACKWOOD. No statement, Mr. Chairman.

Senator MOYNIHAN. I have a statement I would put in the record.

The CHAIRMAN. Mr. Ross you have had a lot of experience as Commissioner and then as Chairman of the Advisory Council and currently as President of the National Academy of Social Insurance. Of course the job of public trustee did not exist at the time when you were Commissioner. But I am sure that at least in the last few weeks you have given some thought to that. I would like to know how you think your responsibilities as such relates to the administration of the trust fund, to the Congress, to the public. What kind of goals do you set out for yourself in that kind of role?

Mr. Ross. Thank you, Mr. Chairman. I have a short introductory statement which I will just—

The CHAIRMAN. Well, why don't we do that statement first then.

Mr. Ross. Okay, sir.

The CHAIRMAN. Maybe you will answer that question in the process.

#### STATEMENT OF STANFORD G. ROSS, NOMINEE TO BE TRUSTEE OF SOCIAL SECURITY AND MEDICARE TRUST FUNDS

Mr. Ross. I am honored to be nominated by the President for one of the two positions of public number on the Boards of Trustees for the Social Security Trust Funds. It is a distinct pleasure for me to

appear before your Committee and I thank you for your consideration of my nomination.

The positions of public trustee are of great importance in the institutional structure of today's Social Security system. Social Security is our country's largest and most successful social program; and its continued vitality is critical to the future of our society. It provides basic economic support for the elderly, survivors of covered workers and the disabled. It serves as a social compact between generations and promotes the general welfare of our nation.

The mechanism of the trust funds is a key element of this Social Security system. It provides an institutional arrangement to assure the American people of the financial soundness of the program. The trust funds provide accountability that the Government is properly managing the vast sums that are being contributed to this system. The public trustees can help assure the integrity of the Social Security system on behalf of the American people.

If confirmed, I will bring to my service as public trustee a background with broad government and private experience. I have served as the Commissioner of Social Security, Chairman of the Advisory Council on Social Security, and in the Treasury tax policy office, and in the White House on the domestic policy staff. In addition, I have extensive private experience as a practicing lawyer and law professor.

I believe that over the years I have developed particular expertise with respect to Social Security, Federal taxation, and public finance. All of this should be of value in addressing issues of the Social Security trust funds and discharging the duties of a public trustee. I appreciate the unique opportunity that is being afforded to me to continue my public service and will be dedicated to contributing to a solution to the issues presented by these Social Security trust funds and the continued success of the Social Security system.

I look forward to working with the members of this committee in my capacity as public trustee; and I would be happy to answer any questions you may have now or in the future.

[The prepared statement of Mr. Ross appears in the appendix.]

Mr. Ross. And if I might just add in answer to your question, Chairman Bentsen, I think the Public Trustee can provide an important link to the larger public. I think that it is possible that the Public Trustee can help by bringing someone to the table who is not part of the executive branch as these important decisions are made in the portrayal of the programs in the annual reports and that there can be a real possibility to try to communicate and increase public understanding of this very important system.

The annual reports are very arcane, full of statistics. But at the same time they are the way in which our Government accounts to the people for these enormous sums. I hope that as a public trustee I can do something to make the program more understandable. I believe that with understanding and knowledge we can rebuild the confidence that this program richly deserves.

Thank you, sir.

The CHAIRMAN. Mr. Ross, no question of what you have had the experience, the background, and the knowledge for the job.

Mr. Walker, as a certified public accountant, as a man who has been the Assistant Secretary of Labor for Pension and Welfare, one who has had a number of executive positions with the Pension Benefit Guaranty Corporation, you too have a wealth of experience in this field. I would be delighted to hear your statement.

**STATEMENT OF DAVID M. WALKER, NOMINEE TO BE TRUSTEE  
OF SOCIAL SECURITY AND MEDICARE TRUST FUNDS**

Mr. WALKER. Thank you, Mr. Chairman. Mr. Chairman, Senator Moynihan, Senator Packwood, other members of the Committee, my name is David M. Walker. I am currently a partner and national director of the compensation and benefits practice of Arthur Andersen & Co. based here in Washington.

I feel that it is indeed an honor for the President to have nominated me to serve as one of two public trustees for the Social Security and Medicare trust funds. I am delighted to come before this Committee this morning to discuss my qualifications for the position and to state my strong commitment to fully and properly discharge the duties of a public trustee should I be confirmed by the Senate.

I believe that my combined public and private sector experience with retirement and health programs and my strong commitment to public service will enable me to serve effectively as a trustee of these important Federal trust funds.

For example, my prior public sector experience includes serving as head of two of the three Federal agencies that administer the Employee Retirement Income Security Act of 1974 (ERISA). In my former position as Assistant Secretary of Labor for Pension and Welfare Benefit Programs I had the responsibility for enforcing the fiduciary provisions of ERISA and for protecting the retirement and benefit security of over 60 million Americans covered by private sector pension, health, and other employee benefit plans. Prior to joining the Department of Labor, as you mentioned, Mr. Chairman, I served as head of the Pension Benefit Guaranty Corporation and in several other capacities.

I believe that my 6-year record of prior Government service serves as evidence of my commitment to assuring the economic security of Americans in their retirement years. My record includes working closely with this Committee and others in achieving enactment of the Pension Protection Act of 1987, the Retiree Health Benefit Security Act of 1988, and other important pieces of pension and health legislation.

In addition, as a certified public accountant and a partner in one of the world's leading accounting and consulting firms, I understand and appreciate the importance of having two independent public trustees serving on the Social Security and Medicare Boards of Trustees in order to enhance the public's confidence in these programs.

If confirmed, I will do my best to assure that these important trust funds are protected and that the related annual reports fully, fairly and effectively communicate the financial status of the related Federal programs. I will also do my best to maintain the public's confidence in these important programs.



In this regard, as a member of the so-called "baby boom" generation, I have a vested interest in maintaining the integrity of the trust funds in order to assure that the members of my generation and our children receive their benefits.

I am confident that by working together with the other trustees, other members of the administration, this Committee, and other members of Congress, we can assure that our commitments to this and future generations are kept.

That concludes my statement, Mr. Chairman. I would be happy to answer any questions that you or the other Senators may have.

[The prepared statement of Mr. Walker appears in the appendix.]

The CHAIRMAN. Mr. Walker, Senator Moynihan correctly observed there is often no press on Social Security matters. How do you get the message across as to the integrity of the system? How do you think that can be accomplished?

Mr. WALKER. I think there are several ways, Senator. First, I think as Public Trustees we have a responsibility to make sure that the assets in the trust funds are protected, that they are properly invested, and invested for the purpose of paying benefits to beneficiaries of the trust funds.

Secondly, I think there is much that can be done to improve the current annual reports. As Mr. Ross mentioned, there is a wealth of information contained in the annual reports on the four trust funds at the present point in time. However, it is almost an overabundance of data and while a researcher might appreciate all the data, I am not sure they communicate effectively to the general public. I think that much can be done to improve the annual reports and to combine the improved annual reports with more of a public education program, if you will, to convey the information contained therein.

I also believe that public trustees have a responsibility to do whatever they can—through speaking, writing and otherwise to instill public confidence in these programs; and I am committed to do so if confirmed by the Senate.

The CHAIRMAN. Gentlemen, hopefully we will be able to finish this up before the vote that is coming up later on. So with that in mind I will now ask you, Senator Moynihan, if there are any questions you might have.

Senator MOYNIHAN. Well yes. First I would say that both statements were very refreshing and reassuring.

Mr. Walker, especially to say that, you know, your statement to see that the assets are properly invested. Let me ask you a question related to what caused the crisis of confidence, and about your predecessors. I just put it to you both for what it is worth.

If you were to learn next January, having been confirmed, from GAO or just from somebody you met on K Street that \$28 billion worth of Social Security revenues had been received by the Treasury but not converted into Social Security trust fund bonds, and rather used as general revenues, and you had not been told, what would you do, sir?

Mr. WALKER. Well, number one, I think that would be clearly an unacceptable situation; and it is one that I understand has occurred in the past. Because of that fact Mr. Ross and I have already met with Treasury Department officials and have received a

full briefing on the past situation and have been given assurances that the process or lack thereof that occurred in 1985 will not occur again.

Senator MOYNIHAN. You have?

Mr. WALKER. Yes. Specifically that we would be advised in advance if that situation ever arose again; and that secondly, that Congress would be advised if that situation ever arose again. That being said, I think it is important to know that one has to be very concerned to make sure that the assets of the trust fund are properly invested and that those assets are used for the benefit of paying Social Security benefits, not general revenue expenses.

I think that clearly I would follow up with the managing trustee if that ever did occur.

Senator MOYNIHAN. Would you let us know that you had learned of something that troubles you?

Mr. WALKER. Absolutely, if you had not already been advised. But it is my understanding—

Senator MOYNIHAN. Well this is a situation that once occurred, twice occurred, or occurred many times in the course of 2 years where we did not know and the trustees did not know. So it happens, you know. These things happen.

If you learned that something has happened that was not according to your understanding that you have now, and you go to the managing trustee, would you also come to us?

Mr. WALKER. Senator, yes. I think I would have the responsibility to do that.

Senator MOYNIHAN. Would you not feel that we need to know it just as much as you need to find out what happened?

Mr. WALKER. I believe you do need to know.

Senator MOYNIHAN. Good.

Mr. WALKER. And I also think, Senator, it is important the payment of Social Security benefits not be held hostage to the debt limit. And as you know, the debt limit is coming up very soon and I am sure you can appreciate that.

Senator MOYNIHAN. I am more than aware that these are hypothetical questions.

Mr. WALKER. Thank you, Senator.

Senator MOYNIHAN. Mr. Ross, would you give substantially the same answer?

Mr. ROSS. I would. We have had two briefings at the Treasury Department and we have been assured that there will be no repetition of the kind of pattern that happened in the past, that they would notify us, and they would notify the Congress.

But I would—

Senator MOYNIHAN. If it should, even so, happen that they did not—

Mr. ROSS. I would say we would not only notify you, but I would go one step further. I think it would be part of the responsibility of a public trustee to have some recommendation as to how to rectify any situation which we felt was untoward and that would probably inevitably involve coming to the Congress with not just bringing to you the knowledge that this had taken place but whatever we could contribute to a solution to the problem.

Senator MOYNIHAN. Could I just say to my friend from Oregon in particular that we still have a situation under which the Secretary of the Treasury can be put in an untenable position. He either breaks his trust as a trustee or he bankrupts the United States. We have legislation before this body and it ought to be addressed. I mean we really ought to address that. The last time around it was not handled well but you can put the responsibility around a lot of places, including the Senate.

I think some legislative solution—you may want to have some thoughts on that. I do not want to keep you.

Mr. WALKER. Senator, clearly the Secretary of the Treasury does have divided loyalties and they put him in an untenable situation. I think it is important for you to know that Mr. Ross and I both understand that we do not have divided loyalties. Our loyalty is to the trust fund and the integrity of the trust fund.

Senator MOYNIHAN. Thank you. Very well answered. Very reassuring. Very pleased to have you.

The CHAIRMAN. Thank you.

Senator Packwood?

Senator PACKWOOD. As I looked at the resumes of both of you I thought about how much we know about you and how qualified you are. I wish we knew as much about Judge Souter as we know about you. [Laughter.]

But you are not up for that position and he is not up for this, so we will have to go as best we can with him. But I am delighted to go with the two of you. Thank you very much.

Mr. Ross. Thank you.

Mr. WALKER. Thank you.

The CHAIRMAN. I am really not concerned about how you stand on abortion. [Laughter.]

Senator Pryor?

Senator PRYOR. I have no questions, Mr. Chairman.

The CHAIRMAN. Senator Rockefeller?

Senator ROCKEFELLER. No questions, Mr. Chairman.

The CHAIRMAN. Very well. The hearing is adjourned.

[Whereupon, the hearing was adjourned at 10:24 a.m.]

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## APPENDIX

### ADDITIONAL MATERIAL SUBMITTED

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#### PREPARED STATEMENT OF SENATOR DANIEL PATRICK MOYNIHAN

I commend the Chairman of the Finance Committee for this expeditious action on the President's nominations for the vacancies on the Social Security Board of Trustees. The Committee has only in recent days received all the paperwork from the administration on the nominees. As the posts have been vacant for 8 months now, I trust the Senate will act quickly on the nominations.

In the Social Security Amendments of 1983 Congress made provision for two members of the public, one Democrat and one Republican, to serve on the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds. The public trustees are nominated by the President and confirmed by the Senate for four-year terms. The other trustees are the Secretaries of Treasury (Managing Trustee), Labor, and Health and Human Services, who serve *ex officio*.

In September 1984, President Reagan nominated the first public trustees and the nominees were quickly confirmed by the Senate the same month. Their statutory terms expired on September 28, 1988, and subsequent recess appointments of the same individuals expired at the end of the last session of Congress. The posts have been vacant since.

On June 13, 1989, Senator Bentsen and I wrote President Bush to express our concern about the continuing vacancies and urge him to take action on nominations.

On April 3, 1990, I introduced, with Senators Bentsen, Bradley, and Heinz, S. Res. 267, expressing the sense of the Senate that the President should promptly send to the Senate nominations for the vacancies on the Social Security Board of Trustees. We were concerned that the annual report of the Trustees on the status of the Trust Funds was late—it has a statutory due date of April 1—and was being prepared without public trustees.

The nominations were received by the Senate on June 12, 1990, but related paperwork was delayed until just this month.

We are pleased to have the nominations. They are good nominees and I expect they will do a good job and take their oversight responsibilities quite seriously.

In 1984 and 1985, the Treasury Secretary disinvested a total of \$38 billion in Social Security Trust Fund assets—\$28 billion in 1985 alone. He was operating under debt ceiling constraints, but the worst part of it is he didn't tell anybody what he was doing. Not the Congress, and as near as we can tell not the public trustees. We held a hearing on this in the Senate Finance Social Security Subcommittee on November 7, 1985, and even then the Treasury Department was not very forthcoming. The funds were later restored through congressional action, but let us hope this kind of activity will not be repeated, and that if something is amiss we can count on our public trustees to speak up.

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#### PREPARED STATEMENT OF STANFORD G. ROSS

Mr. Chairman and Members of the Committee, I am honored to be nominated by the President for one of the two positions of Public Member on the Boards of Trustees for the Social Security Trust Funds (the Old-Age, Survivors and Disability Insurance Trust Funds and the Hospital Insurance and Supplementary Medical Insurance Trust Funds). It is a distinct pleasure for me to appear before your Committee and I thank you for your consideration of my nomination.

The positions of Public Trustee are of great importance in the institutional structure of today's Social Security system. Social Security is our country's largest and

most successful social program and its continued vitality is critical to the future of our society. It provides basic economic support for the elderly and disabled. It serves as a social compact between generations and promotes the general welfare of our nation.

The mechanism of the trust funds ~~is~~ a key element of the Social Security system. It provides an institutional arrangement to assure the American people of the financial soundness of the program. The trust funds provide accountability that the government is properly managing the vast sums that are being contributed to the system. The Public Trustees can help to assure the integrity of the Social Security system on behalf of the American people.

If confirmed, I will bring to my service as Public Trustee a background with broad government and private experience. I have served as Commissioner of Social Security, Chairman of the Advisory Council on Social Security, in the Treasury tax policy office, and in the white House on the domestic policy staff. In addition, I have extensive private experience as a practicing lawyer and law professor. I believe that over the years I have developed particular expertise with respect to Social Security, Federal taxation and public finance. All of this should be of value in addressing issues of the Social Security Trust Funds and discharging the duties of a Public Trustee.

I appreciate the unique opportunity that is being afforded to me to continue my public service and will be dedicated to contributing to a solution to the issues presented by the Social Security Trust Funds and the continued success of the Social Security system. I look forward to working with the Members of this Committee in my capacity as Public Trustee and I would be happy to answer any questions you may have now or in the future.

Attachment.

## STANFORD G. ROSS

- 1983 to Present Partner in law firm of Arnold & Porter, Washington, D.C.; Adjunct Professor of Law, Georgetown University Law Center; Visiting Professor of Law, University of Virginia School of Law
- 1980 to 1982 Partner in law firm of Califano, Ross & Heineman, Washington, D.C.
- 1978 to 1979 Commissioner of Social Security, Department of Health, Education and Welfare; Chairman, Advisory Council on Social Security
- 1969 to 1978 Partner in law firm of Caplin & Drysdale, Washington, D.C.; Adjunct Professor of Law, New York University School of Law
- 1968 to 1969 General Counsel, Department of Transportation; Advisory Committee, Department of Housing and Urban Development
- 1967 to 1969 White House Domestic Staff Assistant; Consultant, Bureau of the Budget and Council of Economic Advisors; Executive Director, National Advisory Panel on Insurance in Riot-Affected Areas (The National Advisory Commission on Civil Disorders)
- 1963 to 1967 Professor of Law, New York University School of Law; Consultant, Treasury Department; Advisory Committee on Tax Administration, City of New York
- 1961 to 1963 Assistant Tax Legislative Counsel, Treasury Department
- 1958 to 1961 Attorney, Dewey, Ballantine, Bushby, Palmer & Wood, New York City
- 1957 to 1958 Teaching Fellow and Research Assistant, International Program in Taxation, Harvard Law School
- 1956 to 1957 Attorney, Irell & Manella, Los Angeles, California

Education

Washington University, St. Louis, Missouri, A.B. 1953, with honors; Phi Beta Kappa

Harvard Law School, J.D., 1956, magna cum laude.  
Editor, Harvard Law Review

Other Teaching Experience

Lectures: Harvard Law School and Kennedy School of Government; Brandeis University Graduate School for Advanced Studies in Social Welfare and Gordon Public Policy Center

Director, Salzburg Seminar on the Worldwide Crisis in Retirement Income Systems, 1982

Other Professional Activities

President, Director and Founding Member, National Academy of Social Insurance

Consultant, Social Security Administration, Department of Health and Human Services, on disability adjudication process, 1989

Working Seminar on the Family and American Welfare Policy, 1986-87

Former Chairman, American Bar Association Section of Taxation Committees on Foreign Activities of U.S. Taxpayers (1977-78) and Social Security and Payroll Tax Problems (1980-82)

Advisory Committee on federal income tax laws, American Law Institute

Former Member of Council and Vice President, International Fiscal Association, U.S.A. Branch

Washington International Tax Study Group

Honors

Outstanding Leadership Award, Department of Health, Education and Welfare (1979)

Nomination for Arthur S. Fleming Award for Outstanding Young Men in Federal Government (1969)

Recent Publications

"U.S. International Tax Policy: Where Are We? Where Should We Be Going?," Tax Notes, April 16, 1990

"Federal Tax Policy," Ch. VII of Business, Work, and Benefits: Adjusting to Change (Employee Benefit Research Institute 1989)

"International Tax Law: The Need for Constructive Change," Ch. 8 of Tax Policy in the Twenty-First Century, Herbert Stein (Editor) (John Wiley & Sons, Inc. 1988)

"Developing Countries and the New International Aspects of U.S. Taxation," a paper prepared for a Conference and Reunion of the International Tax Program, Harvard Law School, June 1987; Bulletin 1988/3, International Bureau of Fiscal Documentation, Vol. 42

"New Directions in Social Security: Restructuring Rights and Responsibilities," a paper prepared for the State Planning Commission, Beijing, Peoples Republic of China, May 1988

"U.S. Tax Considerations for Foreign Persons: Major Implications of the Tax Reform Act of 1986," a paper prepared for a conference in London on the 1986 Tax Reform Act, November 1986

"Public and Private Aspects of Social Policy: What are the Appropriate Roles for Public and Private Sector Programs?," in The National Social Conscience Conference Proceedings (Brandeis University 1986)

"Foreign Tax Provisions of H.R. 3838," Tax Notes,  
February 24, 1986

"A Perspective on International Tax Policy," Tax Notes,  
February 18, 1985

"Private Sector Retirement Security: The Need for a  
Comprehensive National Income Security Policy," Pensions  
and Taxes, Who Wins, Who Loses?, Government Research  
Corporation, 1984

"The Politics of Income Security" (June 1982); an  
outline prepared for discussion at a Conference on "The  
Worldwide Crisis in Retirement Income Systems" organized  
by the Salzburg Seminar in American Studies

"Developments in United States Tax and Fiscal Policies,"  
a paper delivered to the Keidanren, Tokyo, Japan,  
September 1983

"The Changing Nature of Social Security," in A Challenge  
to Social Security: The Changing Roles of Women and Men  
in American Society, Ch. 11, Richard V. Burkhauser and  
Karen C. Holder (editors) (Academic Press 1982)

"Income Security: A Framework for Reform," National  
Journal (October 18, 1980); a paper prepared for  
discussion at the Conference on Retirement Income held  
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September 1979)



## PREPARED STATEMENT OF DAVID M. WALKER

Mr. Chairman, my name is David M. Walker. I am currently a Partner and National Director of the compensation and Benefits Practice of Arthur Andersen & Co. based in Washington, DC.

I feel it is indeed an honor for the President to have nominated me to serve as one of two Public Trustees for the Social Security and Medicare Trust Funds. I am delighted to come before you this morning to discuss my qualifications for the position and to state my strong commitment to fully and properly discharge the duties of a Public Trustee should I be confirmed by the Senate.

I believe that my combined public and private sector experience with retirement and health programs and my strong commitment to public service will enable me to serve effectively as a trustee of these important Federal trust funds. For example, my prior public sector experience includes serving as agency head for two of the three Federal agencies that administer the Employee Retirement Income Security Act of 1974 (ERISA). In my former position as Assistant Secretary of Labor for Pension and Welfare Benefit Programs, I had the responsibility for enforcing the fiduciary provisions ERISA and for protecting the retirement and benefit security of the over 60 million Americans covered by private sector pension, health and other employee benefit plans. Prior to joining the Department of Labor, I served as head of the Pension Benefit Guaranty Corporation (PBGC).

I believe that my six year record of prior government service serves as evidence of my commitment to assuring the economic security of Americans in their retirement years. My record includes working closely with this committee and others in achieving enactment of the Pension Protection Act of 1987 and other important pieces of pension and health legislation. In addition, as a certified Public Accountant and a partner in one of the world's leading accounting and consulting firms, I understand the importance of having two independent public trustees serving on the Social Security and Medicare Boards of Trustees in order to enhance the public's confidence in these programs.

While the bulk of my prior experience has been with private sector retirement programs, I have had a strong interest in the Social Security and Medicare programs for some time. I fully recognize that these programs represent the foundation of our nation's commitment to the elderly. This foundation that is supplemented with private pension and health plans and personal savings.

If confirmed, I will do my best to assure that these important trust funds are protected and that the related annual reports fully, fairly and effectively communicate the financial status of the related Federal programs. I will also do my best to maintain the public's confidence in the important programs. In this regard, as a member of the "baby boom generation," I have a vested interest in maintaining the integrity trust funds in order to assure that the members of my generation and our children receive their benefits. I am confident that by working together with the other Trustees, other members of the Administration, this committee and other members of Congress, we can assure that our commitments to this and future generations are kept.

That concludes my statement Mr. Chairman. I would be happy to answer any questions which you or other members of the committee may have.

Attachment.

## DAVID M. WALKER

National Director - Compensation & Benefits Practice  
Arthur Andersen & Co.  
Washington, D.C.

Mr. Walker is a partner and National Director of the Firm's compensation and benefits practice based in Washington. In this capacity, he is involved in a broad range of compensation and benefits issues spanning the accounting/audit, tax and management consulting practices of the Firm. His primary responsibilities include: certain strategic and leadership responsibilities relating to the Firm's compensation and benefits practice, coordination of the Firm's activities with the legislative and executive branches of the federal government in the compensation and benefits areas, and; serving clients on a variety of compensation and benefits issues such as strategic compensation and benefits (e.g., retirement, savings, health, etc.) planning, retiree health benefits, employee ownership arrangements and various fiduciary, investment, funding and termination matters. Mr. Walker also coordinates the Firm's ERISA litigation support activities and serves as an expert witness in appropriate cases.

Before joining Arthur Andersen & Co., Mr. Walker held a variety of executive and policy making positions in the Federal government, including serving as head of two of the three federal agencies that administer the Employee Retirement Income Security Act of 1974 (ERISA). His most recent government position was Assistant Secretary of Labor for Pension and Welfare Benefit Programs at the U.S. Department of Labor (DOL). As Assistant Secretary, he was the ranking federal official in the pension and employee benefits areas. He served as principal advisor to three Secretaries of Labor on national retirement income, employee benefits and related policies (e.g., health policy, employee ownership, investment policy, corporate governance). He was also responsible for directing the Pension and Welfare Benefits Administration's (PWBA's) efforts to: administer and enforce the fiduciary, reporting and disclosure, and prohibited transaction provisions for the approximate 900,000 pension and 4,500,000 welfare (e.g., health, child care, severance) plans subject to ERISA, and; discharge various regulatory and oversight responsibilities relating to the Federal Thrift Savings Plan. Mr. Walker previously served as Deputy Assistant Secretary of Labor for Pension and Welfare Benefit Programs.

Mr. Walker served at the Pension Benefit Guaranty Corporation (PBGC) before joining the Department of Labor. During his tenure at the PBGC he served as the Agency's Acting Executive Director, Deputy Executive Director for Insurance Programs, and Chief Negotiator. Prior to the PBGC, he had over eleven years of private sector experience in the public accounting and recruiting/search professions.

Mr. Walker is a Certified Public Accountant and is actively involved in a number of governmental, professional, trade and other organizations. For example, he represents the accounting profession on the Secretary of Labor's ERISA Advisory Council, is Chairman of the Investment and Accounting Issues Committee of the Association of Private Pension and Welfare Plans (APPWP) and a member of the American Institute of Certified Public Accountants' (AICPA's) Employee Benefit Plans Committee. He also has and continues to serve as an advisor to a number of governmental and private sector organizations, including the Public Trustees of the Social Security Trust Funds (1989) and the Financial Executives Institute (current). In addition, on June 11, 1990, President Bush nominated Mr. Walker to serve as one of two Public Trustees for the Social Security and Medicare Trust Funds (OASI, DI, HI and SMI). He is a frequent speaker and author and is widely quoted in a number of publications on a variety of compensation, benefits, investment and related issues.

## COMMUNICATIONS

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U.S. OFFICE OF GOVERNMENT ETHICS,  
Washington, DC, June 28, 1990.

Hon. LLOYD BENTSEN, *Chairman,*  
*Committee on Finance,*  
*U.S. Senate,*  
*Washington, DC.*

Dear Mr. Chairman: Under the Ethics in Government Act of 1978, ("the Act"), Presidential nominees requiring Senate confirmation who are not expected to serve in their Government positions for more than 60 days in a calendar year are not required to file public financial disclosure reports. The Act, as amended, however, contains a provision in Section 201(b) which allows the Committee holding the confirmation hearing to request any additional financial information it may wish from the nominee.

I understand that your Committee wishes to receive the financial disclosure report (SF-278) of any Presidential nominee for whom your Committee holds a confirmation hearing along with a written opinion from this office regarding any possible conflict of interest.

Pursuant to this request, I enclose a copy of the financial disclosure report filed by Mr. Stanford G. Ross, who has been nominated by President Bush to be a Public Trustee of the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund, Department of Health and Human Services. Because Mr. Ross is not expected to serve more than 60 days in any calendar year, the enclosed report and this letter are submitted to you in accordance with your Committee's confirmation procedures and will be available for public inspection only to the extent provided by your practices. There is no authority under the Act for public release of this material by the executive branch.

We have reviewed the report and have also obtained advice from the Department of Health and Human Services concerning any possible conflicts of interest in light of its functions and the nominee's proposed duties.

Based thereon, we believe that Mr. Ross is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

DONALD E. CAMPBELL, *Acting Director.*

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U.S. OFFICE OF GOVERNMENT ETHICS,  
Washington, DC, June 28, 1990.

Hon. LLOYD BENTSEN, *Chairman,*  
*Committee on Finance,*  
*U.S. Senate,*  
*Washington, DC.*

Dear Mr. Chairman: Under the Ethics in Government Act of 1978 ("the Act") Presidential nominees requiring Senate confirmation who are not expected to serve in their Government positions for more than 60 days in a calendar year are not required to file public financial disclosure reports. The Act, as amended, does contain a provision in Section 201(b) which allows the Committee holding the confirmation to request any additional financial information it may wish from the nominee.

I understand that your Committee wishes to receive a financial disclosure report (SF-278) from any Presidential nominee for whom your Committee holds a confir-

mation hearing, along with a written opinion from this office regarding any possible conflict of interest.

Pursuant to this request, I am forwarding a copy of the financial disclosure report of David M. Walker, who has been nominated by President Bush to be a Public Trustee of the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund within the Department of Health and Human Services. Because Mr. Walker is not expected to serve more than 60 days in any calendar year, the enclosed report and this letter are submitted to you in accordance with your Committee's confirmation procedures and will be available for public inspection only to the extent provided by your practices. There is no authority under the Act for public release of this material by the executive branch.

We have reviewed the report and obtained advice from the Department of Health and Human Services concerning any possible conflict of interest in light of its functions and the nominee's proposed duties. As indicated in his SF-278, Mr. Walker proposes to continue in his present capacity as a partner with Arthur Anderson and Company. Mr. Walker also proposes to continue in his present positions as a committee chairman with the Association of Private Pension and Welfare Plans, a committee member with the American Institute of Certified Public Accountants, and as an advisor to the Financial Executives Institute. We note that Executive Order 12674 does not prohibit Mr. Walker from continuing to accept compensation for outside employment since the government position for which he has been nominated is not a "full-time" position. In any event, the agency's ethics official has advised this office that Mr. Walker's continued service in the positions mentioned above will not pose a conflict of interest with his official duties.

Based upon the foregoing, we believe that Mr. Walker is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

DONALD E. CAMPBELL, *Acting Director.*

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