

UNITED STATES SENATOR • IOWA
CHUCK GRASSLEY

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OPENING STATEMENT OF SENATOR CHUCK GRASSLEY
AT THE MARK-UP OF S. 1971,
THE NATIONAL EMPLOYEE SAVINGS AND TRUST EQUITY GUARANTEE ACT

MR. CHAIRMAN, THANK YOU FOR CALLING THIS MARK-UP OF S. 1971, THE NATIONAL EMPLOYEE SAVINGS AND TRUST EQUITY GUARANTEE ACT (NESTEG). THIS BILL PROVIDES IMPORTANT PROTECTIONS FOR WORKERS' RETIREMENT SAVINGS IN LIGHT OF THE FINANCIAL IMPROPRIETIES AT ENRON AND WORLDCOM.

THERE ARE OVER 5,000 EMPLOYEES OF THOSE TWO COMPANIES IN IOWA. I SPEAK FOR ALL OF THEM WHEN I SAY THAT I AM FIRE-FIGHTING MAD ABOUT EXECUTIVES AND DIRECTORS WHO PLAY FAST AND LOOSE WITH THE RETIREMENT MONEY OF HONEST, HARD-WORKING CITIZENS.

I INTRODUCED MY BILL LAST FEBRUARY IN AN EFFORT TO PRODUCE A BILL REPRESENTING A BROAD PENSION PROTECTION CONSENSUS. I THINK WE ACHIEVED THAT OBJECTIVE. THIS BILL CONTAINS A THREE-YEAR DIVERSIFICATION RULE FOR MATCHING CONTRIBUTIONS IN COMPANY STOCK. IT HAS 30-DAY ADVANCE NOTICE PRIOR TO A COMPANY PLAN BLACK-OUT AND HAS REQUIREMENTS FOR PERIODIC BENEFIT STATEMENTS.

MY ORIGINAL BILL CONTAINED A PROVISION RESTRICTING INSIDER TRADING DURING A PLAN BLACKOUT. THE ACCOUNTING BILL THAT IS ON THE FLOOR THIS WEEK CONTAINS A PROVISION MAKING THOSE RESTRICTIONS, SO IT DROPPED OUT OF OUR BILL. I OBJECT TO THE BANKING COMMITTEE LEGISLATING PENSION PLAN RESTRICTIONS. AND I HOPE YOU AND I CAN CLEAR THAT UP WITH SENATORS SARBANES AND ENZI IN THE NEXT DAY OR SO. WE SHOULD ALSO CLEAN UP THE 'INSIDER TRADING' LANGUAGE IN S. 2673. THE BILL DOES NOT DESCRIBE PLAN BLACK-OUTS CORRECTLY AND HAS OTHER DEFECTS.

MONTHS AGO I PREDICTED THAT INVESTMENT ADVICE WOULD BE ONE OF THE MOST CONTENTIOUS ISSUES THAT WOULD BE RAISED THIS YEAR. I WAS RIGHT. THERE ARE TWO VERY DIFFERENT POINTS OF VIEW ON INVESTMENT ADVICE. ONE STRONGLY FAVORS INDEPENDENT ADVICE. THAT IS SENATOR BINGAMAN'S APPROACH. THE OTHER FAVORS ALLOWING AFFILIATED ADVISORS. YOUR MARK CONTAINS THE SAFE HARBOR FOR INDEPENDENT INVESTMENT ADVICE INTRODUCED BY SENATOR BINGAMAN.

I DO NOT THINK THERE IS ANY HARM IN THE BINGAMAN APPROACH. MANY AGREE THAT IT IS CLOSE TO CURRENT LAW. IT PROBABLY IS NOT A TOTAL CURE FOR OUR RETIREMENT SAVING ILLS. I WANT TO FIND THE BEST WAYS TO PROTECT PLAN PARTICIPANTS, AND HELP THEM TO SAVE WISELY FOR RETIREMENT.

MR. CHAIRMAN WOULD YOU AND SENATOR BINGAMAN WORK WITH ME TO FIND OUT IF THERE ARE ADDITIONAL PROVISIONS WE CAN LOOK AT TO HELP PLAN PARTICIPANTS?

NOW LET ME TURN TO EXECUTIVE COMPENSATION. SOME PEOPLE ARE UPSET ABOUT THESE PROVISIONS BEING INCLUDED IN THIS MARK. WE HAVE SEEN A LOT OF EXECUTIVE HANKY-PANKY REACHING BACK AS MUCH AS FOUR OR FIVE YEARS. THIS SET OF PROVISIONS IS FAIR IN LIGHT OF THE BAD BEHAVIOR WE HAVE LEARNED ABOUT. I AM NOT SAYING THIS TITLE OF THE BILL IS PERFECT, BUT IT IS PRETTY DECENT. THE PRESIDENT WANTS TO PROHIBIT LOANS TO EXECUTIVES. THIS BILL MERELY RESTRICTS THEM. THAT'S MORE THAN FAIR. IT ALSO REQUIRES PAYMENT OF TAX ON BONUSES. IF YOU GET A BONUS, YOU SHOULD PAY TAX ON IT, SO THAT IS FAIR, TOO. IF COMPANIES ARE SENDING LARGE AMOUNTS OF MONEY TO OFF-SHORE "RABBI" TRUSTS TO AVOID PAYMENT OF TAXES, WE CAN RE-CAPTURE THE MONEY.

FINALLY LET ME TURN TO THE TEACHER'S ISSUE. THIS IS VERY IMPORTANT TO ME. WHEN THE TEACHERS OF IOWA COME TO ME FOR HELP, I WANT TO BE THE FIRST TO EXTEND A HELPING HAND. IN IOWA, SCHOOL TEACHER TURNOVER IS LOW, AND THE DEDICATION IS HIGH. TEACHERS WHO STAY ON THE JOB KNOW THAT THE PENSION BENEFITS ARE GREAT, IF YOU CAN LAST UNTIL AGE 65 (WHEN SOCIAL SECURITY KICKS IN). BUT LIKE SCHOOL TEACHERS EVERYWHERE, THEY GET BURNED OUT. IN RECOGNITION OF THIS, THE SCHOOL DISTRICTS ALL OVER IOWA HAVE PUT IN VOLUNTARY SUPPLEMENTAL PAYMENT PROGRAMS FOR THEIR SCHOOL TEACHERS.

THESE ARE REALLY LIKE A SOCIAL SECURITY BRIDGE BENEFIT OR A SEVERANCE BENEFIT BUT THAT IS PAID OUT OVER SEVERAL YEARS. THE BENEFITS ARE MODEST, BUT THEY ARE VERY IMPORTANT TO TEACHERS PREPARING FOR RETIREMENT. FURTHERMORE, IN EVERY CASE, THESE BENEFITS ARE MERELY A SUPPLEMENT TO A GOOD DEFINED BENEFIT PENSION PLAN.

THE SUPPLEMENTAL PORTION OF THE BENEFIT, UNFORTUNATELY, DOES NOT FIT INTO INTERNAL REVENUE CODE AND ERISA SECTION 457 AS IT SHOULD. THIS BILL MAKES PUBLIC SCHOOL TEACHER SUPPLEMENTAL RETIREMENT BENEFITS PERMISSIBLE. IT WILL HELP TEACHERS IN IOWA AND MANY, MANY OTHER STATES. THE AARP, AN ORGANIZATION WITH WHICH I HAVE LONG ENJOYED A POSITIVE RELATIONSHIP, HAS RAISED CONCERNS ABOUT THE SCHOOL TEACHERS PLANS. I KNOW THAT THE NEA, AFT AND THE AARP SHARE SIMILAR GOALS FOR RETIREES. THIS IS SIMPLY A DISAGREEMENT AMONG FRIENDS. OUR BILL ATTEMPTS TO ADDRESS THE RETIREMENT PROBLEMS FACED BY TEACHERS. IT DOES NOT REACH THE RETIREE MEDICAL PROBLEM. I WOULD LIKE TO SOLVE THAT, TOO, IF POSSIBLE, AT SOME FUTURE TIME. FOR THE SAKE OF MAKING PROGRESS FOR THE TEACHERS, I WILL AGREE TO PUT IT ASIDE. HOWEVER, I WANT TO CONTINUE THIS DIALOGUE, SO THAT WE CAN HELP MORE WORKERS RETIRE EARLY, IF THEY CHOOSE TO.

THIS BILL IS AN OVERALL GOOD RESULT. WE HAVE APPROPRIATE, BUT NOT EXCESSIVE, RETIREMENT PROTECTIONS. WE HAVE APPROPRIATE, BUT NOT EXCESSIVE, LIMITATIONS ON EXECUTIVE COMPENSATION. I LOOK FORWARD TO HELPING YOU REPORT OUT THE BILL FAVORABLY.

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Opening Statement of Senator Grassley, of Iowa
Ranking Member, Senate Committee on Finance
Mark-Up of the *Family Opportunity Act of 2002*
Thursday, July 11, 2002

I'm very pleased the Committee is holding a mark-up today on a bill I introduced nearly three years ago. I want to take just a few minutes to talk about the history of the *Family Opportunity Act*.

For several years, Senator Kennedy and I have been promoting our bill called the *Family Opportunity Act* to help children with disabilities and their families. The bill became popular in short order. I attribute much its strong support to the hard work of families and child advocacy groups, many of whom are here today. The chart behind me lists the names of the organizations that have officially endorsed the legislation.

More impressive than this list of organizations are the hundreds and hundreds of letters and calls sent by individual families to Congress. I have a stack of letters here, but this is just a small sample of the letters that families have written.

The combined efforts of individuals and advocacy organizations representing families with children with special health care needs have helped to persuade 74 senators and over 235 members of the House of Representatives to join as co-sponsors of this legislation. Those numbers are extraordinary. I can't remember many pieces of legislation that attracted so much support in such a short period of time.

It feels great to work on legislation that's has such strong support from working families. Our bill is pro-family because it keeps families together. Our bill is pro-work because it lets parents work without losing their children's health care. And our bill is pro-taxpayer because it lets parents earn money and help pay their own way for Medicaid coverage for their child.

Why is this legislation so necessary? As a parent, your main objective in life is to provide for your child to the best of your ability.

Our federal government takes this goal and turns it upside down for the parents of children with special health care needs. The government forces these parents to choose between family income and their children's health care. That's a terrible choice. Families have to remain in poverty just to keep Medicaid. Obviously this affects entire families, not just the child with the health care needs.

I became aware of the obstacles facing families from an Iowa family, the Arnolds. The

Arnolds tell how their family was prevented from becoming self sufficient and forced to stay impoverished so that Adam Arnold could maintain his Medicaid coverage. Without Medicaid, Adam, a young boy with multiple medical needs, would not have been able to access the health care services he needed.

Melissa Arnold, Adam's mother, has been forced to turn down promotions and raises in order to keep her earnings low enough for her son to qualify for Medicaid. What's more, her oldest son Daniel was also prevented from work. Like so many teenagers, Daniel was eager to find a part-time job. But because any earnings Daniel would have made from a job would have counted against his family income and jeopardized Adam's Medicaid status, Daniel was not able to work.

No hard-working family should have to choose between work and caring for a child. Why does the Family Opportunity Act choose Medicaid as the means of coverage? Because Medicaid services are so critical to the well-being of children with multiple medical needs.

It covers a lot of services that these children need on a regular basis, such as physical therapy and medical equipment. Private health plans often are much more limited in what they cover. Many parents can't afford needed services or multiple co-payments out of pocket.

Our bill creates a state option to allow working parents who have a child with a disability to keep working and to still have access to Medicaid for their child. Parents would pay for Medicaid coverage on a sliding scale. No one would have to become impoverished or stay impoverished to secure Medicaid for a child.

The legislation recognizes a universal truth. Everybody wants to use their talents to the fullest potential, and every parent wants to provide as much as possible for his or her children. The government shouldn't get in the way.