

Statement of Senator John Kerry
Senate Finance Subcommittee
on Long-term Growth and Debt Reduction Hearing:
“Small Business Pension Plans: How Can We Increase Worker Coverage?”
June 29, 2006

Mr. Chairman, thank you for holding this hearing today on this extremely important topic — small business pension coverage. Back in April, this Subcommittee held a hearing on our national savings rate. We heard compelling testimony from witnesses about our fiscal outlook and how we need to improve our public and private savings. An important component of this is personal savings.

Our personal savings rate is negative for the first time since the Great Depression. We need to ask ourselves if we are saving enough for retirement. Retirement savings consists of individual savings, Social Security, and pensions. Currently, Congress is working on legislation that would strengthen one aspect of our pension systems, defined benefit plans, but more must be done.

We have to ask ourselves if we are providing the right tax incentives that will help improve pension coverage. According to the Joint Committee on Taxation, we will spend over \$700 billion over the next five years on tax expenditures for pension plans. From the testimony that we will hear today, we will learn that 71 million employees work for companies that do not offer pension plans. This statistic begs the question are we spending our resources appropriately. I am concerned that we might be providing too many tax benefits to those who do not need any incentives to save and that we are not doing enough for small businesses and low-income individuals.

Pension coverage needs to improve, particularly for small businesses. In 2004, only 26 percent of workers at firms with fewer than 25 employees participated in pension plans. We need to work together to improve this statistic. I look forward to learning from the witnesses ways that we can improve coverage. We need to know what works and what doesn't.

We will hear about a new proposal — automatic individual retirement accounts (IRAs). This proposal has merit because it provides a simple way for small employers to help their employees save. I look forward to learning more details about this proposal and how it will fit into our current system. If implemented properly, it could be a stepping stone for small employers to offer pension coverage. Hopefully, employers would start with an automatic IRA and then offer a plan with more benefits.

I look forward to working with Chairman Smith on legislation that will make it easier for small businesses to offer pension plans. I thank the Chairman for holding this hearing that should provide constructive information on how we should help the 36 million Americans employed by firms with less than 25 employees save for retirement.