

WHOSE SIDE ARE THEY ON?

Republicans Look Out for Executives, Oppose Real Pension Reform for Working Families

SPECIAL REPORT



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Graphic Courtesy United for a Fair Economy and Matt Wuerker



“The Republican House passed pension bill is a sell-out to corporate executives, and does nothing to prevent another Enron. The House Democratic bill rejected by House Republicans offers real pension reform, and will protect workers like me from having their life savings decimated by corporate wrongdoers.”
- Gary Kemper, Oregon-based Enron Employee

**REP. GEORGE MILLER, SENIOR DEMOCRAT
HOUSE EDUCATION AND THE WORKFORCE COMMITTEE**

<http://edworkforce.house.gov/democrats/>

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Report by Rep. George Miller

Americans are shocked by corporate executives who stand by and watch as the retirement security of tens of thousands of long time, loyal employees has been destroyed.

Equally upsetting are the calculating maneuvers by executives to protect their own salaries, bonuses, loans and retirement packages even as their employees were losing everything. In many cases, pension fund managers and other corporate officials encouraged employees to purchase declining company stock while unloading their own holdings.

The American people rightly ask: When is Congress going to step in and protect the security of people like *me*? They are shocked by reports of corporate executives who played by different rules, who deceived their employees about the company's health, and who skimmed over \$3 billion from corporations heading into bankruptcy, while over 100,000 employees watched their jobs and hundreds of billions of dollars in pensions and investments evaporate.

"The Republican sponsored, House-passed pension bill utterly fails to protect working Americans."

- Karen Ferguson,
Director,
National Pension
Rights Center

The House of Representatives had a chance to institute real pension reforms last spring ... *and blew it*. Republican leaders rammed a pro-executive, anti-employee bill through the House, defeating important employee amendments in committee, and refusing to allow Democrats – who constitute 49% of the House – to offer amendments. Since then, things have only gotten worse.

And as the pension crisis has worsened in the intervening months, the Republican House leadership, like the Bush Administration, has been virtually silent.

Here is the Republican record on pension policy, one that ignores the needs of employees:

- **Republicans Vote Against Including Employees on the Boards That Manage Their Own Pension Money.** Pension plan funds belong to the employees, but usually are denied any say in how their funds are managed. Instead, corporations fill pension boards with company executives who often have substantial conflicts of interest. Private plans should allow employees to have a voice on the management of their own nest egg like many public plans already do. But Republicans voted against requiring that employees be allowed a seat on the boards managing their own money!¹

¹ Floor vote on H.R. 3762, Amendment in the Nature of a Substitute offered by Cong. George Miller, Roll Call Vote No. 90, April 11, 2002 (referred herein as vote No. 90; Education and Workforce Committee Markup on H.R. 3762, Roll Call No. 2, March 20, 2002.

- **Republicans Open Giant Loopholes to Permit Conflicted Investment Advice.** Employees need impartial and informed advice about their pension investments. Current law prohibits employers from offering “conflicted advice” – where consultants profit from the investment decisions they suggest. Violations of those protections are why officials at Merrill Lynch and Salomon Smith Barney are in trouble. But the centerpiece of the Republicans’ pension bill reverses current law and allows conflicted advice! Democratic efforts to keep protections for employees were defeated by Republicans.²
- **Republicans Let Executives Play by Different Rules.** Some executives have exploited pension law loopholes to squirrel away hundreds of millions of dollars for themselves while employees must wait at the end of the line in bankruptcy court to recover their losses. Gary Winnick of Global Crossing pocketed over \$500 million in 1999-2001 while over 5,000 men and women lost their jobs; Ken Lay of Enron pocketed nearly a quarter-billion dollars while 5,500 loyal employees became unemployed. Richard Lumpkin of McLeonUSA walked away with \$116 million while nearly 2,200 employees got pink slips. Republicans rejected Democratic efforts to insist that executives and employees play by the same set of rules.³
- **Republicans Lock Employees Into Bad Investments While They Protect Executives’ Money.** Employees should have the right to rescue their own vested retirement savings when things go bad, instead of waiting for years to have control over their funds. But many companies block employees from selling their company-provided stock until age 60 or even older. The House-passed Republican bill ties employees’ hands from diversifying existing company-matched stock for a five year phase-in period and permanently locks them out of their savings for three years after each match is made. Republicans voted against two Democratic amendments to allow employees to sell all their company-matched stock — one after they had been employed for one year, and a second after they had been employed three years.⁴

²Floor vote on H.R. 2269, on Amendment in the nature of a Substitute offered by Cong Robert Andrews, Roll Call No. 441, November 15, 2001; Education and the Workforce Committee amendment on H.R. 2269, Roll Call No. 2, October 3, 2001.

³Floor Vote No. 90 (above); Floor vote on Motion to Recommit on H.R. 3762 offered by Cong. George Miller, Vote No. 91, April 11, 2002; Education and Workforce Committee amendment on H.R. 3762 offered by Cong. Lynn Woolsey, Roll Call No. 2, March 20, 2002.

⁴Floor Vote No. 90 (above); Education and Workforce Committee amendment to H.R. 3762 offered by Cong. Rush Holt, Roll Call No. 2, March 20, 2002.

- **Republicans Vote to Allow Executives to Deceive Employees About Sales of Stock.** Employees deserve to know when executives are dumping their own company stock. Enron executives not only failed to notify their own employees of their massive sell-off of stock, allowing thousands to lose life savings; those executives even encouraged employees to “Buy” or “Hold” the rapidly depreciating stock that the executives were selling. Republicans voted against the Democratic plan to require notification of executive stock sales.⁵

“The House thinks it’s OK to use the same company that provides the mutual funds for the 401k. To me that’s a conflict of interest with plenty of dangers down the road. The Senate bill would require independent advice from companies not involved with the funds.”

- Jane Bryant Quinn, Newsweek, August 19, commenting on a major, new loophole in pension protections created by the House-passed Republican pension bill.

- **Republicans Allow Executives to Conceal Stock Options and Conflicts of Interest.** Employees and investors should know when a company provides exorbitant stock options to its executives and whether those options are properly included in the company’s financial statements. Republicans blocked a disclosure requirement, but increased penalties for *union* executives who conceal information, and even voted to let executives conceal insider loans, financial conflicts of interest and financial impropriety by company officials – all forms of disclosure that currently apply to unions that represent employees!⁶

With polls clearly showing that the American people are disgusted by the special protections given executives while employees and investors are suffering, it is little wonder that Republicans and the Bush Administration are scrambling to appear concerned. But the hard votes they made earlier this year demonstrate their true sympathies – for the now-beleaguered corporate special interests – and their failure to act on behalf of working families.

⁵ Floor Vote No. 90 (above); Education and Workforce Committee amendment to H.R. 3762 offered by Cong. Major Owens, Roll Call No. 2, March 20, 2002.

⁶ Education and Workforce Committee, Subcommittee on Employer-Employee Relations on appeal on Chairman’s ruling of Democratic amendment, July 18, 2002 (Cong. Robert Andrews amendment)