27 years. It is only appropriate that the House recognize Assistant Sheriff Bradford today as he begins his well deserved retirement.

PENSIONS

HON. LEE H. HAMILTON

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 27, 1996

Mr. HAMILTON. Mr. Speaker, I would like to insert my Washington Report for Wednesday, March 27, 1996 into the CONGRESSIONAL RECORD.

PENSION PLANS: SAVING FOR A SECURE RETIREMENT

I am impressed by how many constituents stress the importance of working toward a good pension and a comfortable retirement. They put in many long hours to pay the bills and put their kids through school. They emphasize the value of hard work and sacrifice, and believe that a life of hard work should be rewarded with a secure retirement.

Many, however, are increasingly concerned about the outlook for their retirements. They find themselves working harder, often at more than one job, but can't seem to find the money to put away for retirement. In the past, Americans could rely on their employer to guarantee a pension, but the trend in recent years has been toward employers providing less generous pension benefits or no benefits at all, reflecting in part the shift from manufacturing to service-oriented businesses.

The average American will live about 18 years in retirement, more than ever before. Workers will need on average 70% of their pre-retirement income to maintain their standard of living. Today, half of all full-time workers have no private pension coverage. Most Americans rely on a combination of Social Security, individual savings, and pension plans for retirement, but traditional pension benefits represent a shrinking portion of retirement income. Since few pension plans are adjusted for inflation, the benefits retirees ultimately receive can only go so far. Increasingly, employees, rather than employers, are responsible for their pension savings and investment.

PENSION PLANS

There are two basic types of private pensions. The more traditional pension plan—a defined benefit plan—involves a company guaranteeing its workers a set monthly pension benefit based on earnings and years of service. A defined contribution plan, in contrast, involves an interest-bearing account established for each employee into which a contribution is made by the employee, and sometimes the employer. The employee is not guaranteed a set monthly benefit, but receives whatever funds are available in his account upon retirement. Of the 64 million active participants covered by private pension plans, about 39% are covered by a define benefit plan,while the remaining 61% are covered by a defined contribution plan.

In recent years, many employers have shifted from defined contribution plans. The federal government insures and regulates defined benefit plans, adding to their overall cost. Defined contribution plans, like 401(k) plans, are not federally insured and are less complicated and less costly for employers. Career employees tend to favor defined benefit plans because the pension is more predictable and larger. Employees who often change jobs fare better under defined contribution plans because they are portable.

CONCERNS

Concerns have been raised about both types of plans. Defined benefit plans are generally considered safer than contribution plans because they are federally insured and the employer bears the investment risk. Current law, however, does permit businesses to underfund their plans. Furthermore, the soundness of the government fund which insures defined benefit plans has been questioned. Most pension funds are adequately funded, but the federal insurer, the Pension Benefit Guaranty Corporation, has had to step in to pay benefits when bankrupt companies have been unable to do so. Congress, with my support, has taken steps to shore up the insurance fund, but underfunding continues to be a problem among some plans.

Defined contribution plans create a different set of problems. There are substantial funds invested in these plans. Today 401(k) plans, for example, hold $550 billion in assets for 22 million employees, and these plans continue to grow. These plans, however, are not federally insured. Also, recent news reports have shown a number of these plans to be susceptible to fraud. Investment decisions and risks lie with employees. Consequently, more responsibility is placed on employees to know what options they have, to invest their contributions wisely, and to monitor the management of pension funds.

POSSIBLE REFORMS

Congress can take steps to protect pension plans.

First, Congress should block efforts to let employers withdraw money from currently overfunded pension plans. Current law allows companies to use assets from overfunded plans only for retiree health benefits. Speaker Gingrich favors a change in the law to permit companies to raid surplus pension assets for other business purposes. I strongly oppose this proposal.

Second, Congress should consider ways to ease the regulatory burden on pension plans to encourage more companies, particularly small businesses, to establish plans for their employees. Tax incentives and simplified, uniform regulations for employers who offer plans can do much to offer American workers some security in their retirement.

Third, we should look for ways to make pension plans more portable. As workers move from job to job, it is important that they be able to carry benefits and contributions with them. Defined contribution plans offer workers this option, and because of the growth in such plans over the last 10 years, workers' pension plans have become more portable. Defined benefit plans are less portable than contribution plans because employers want to encourage their employees to stay at their jobs. In cases where employees do leave, they should be encouraged to roll over their contributions into an IRA rather than cash out their contributions.

Fourth, we must look at ways to further protect the assets which workers invest in 401(k)'s and other contribution plans, particularly given their recent enormous growth. The Labor Department has proposed several reforms, such as shortening the time an employer has to deposit employee contributions from the current 90-day period and encouraging employers to offer workers general investment information so that employees can better monitor their own plans.

CONCLUSION

Americans understand that planning for the future is crucial, and the sooner they start to save the better. It has become increasingly difficult, however, for workers to set aside a portion of shrinking salaries for retirement.

Congress should consider measures to protect the integrity of the private pension system as well as Social Security, and encourage businesses to expand coverage to those without a pension plan. I have co-sponsored a bill that would create a federal commission to study the pension issue and develop proposals to increase participation in pension plans and provide more protection for pension assets.

JOB CORPS IMPROVEMENT ACT OF 1996

HON. BOB FRANKS

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 27, 1996

Mr. FRANKS of New Jersey. Mr. Speaker, today I am introducing legislation to make the Job Corps safer for program participants and more cost-effective for taxpayers.

I support the Job Corps and its important mission. But for too long, Congress has tolerated too much waste, fraud, and inefficiency in this program. The American taxpayer wants more accountability, and the young people that the Job Corps serves need to better prepare themselves for an increasingly competitive job market. My legislation targets these two goals.

Job Corps was created more than three decades ago as part of President Lyndon Johnson's war on poverty. Presently, it is funded at over $1 billion a year, and it is the largest job training program for disadvantaged youth between the ages of 16 and 24.

In 1994, a survey of Job Corps students showed that 68 percent of enrollees had two or more barriers to employment, including not having a high school diploma, lacking basic skills or having limited English proficiency. The program currently serves over 60,000 young adults in 46 States.

The original idea behind Job Corps was to give disadvantaged youths a hand up in order to avoid a lifetime of hand-outs. But as times have changed, so have the problems facing Job Corps students.

And in too many instances the Federal Government has been too slow in adopting policies to adjust to changing times. Today many Job Corps students come from one parent homes in communities ravaged by crime, drugs, and violence—problems whose proportions could scarcely be imagined a generation ago.

In order to maintain an environment within which young people can learn, the centerpiece of my bill institutes a zero tolerance policy for drugs, alcohol abuse, and violence in the Job Corps. I know the Job Corps bureaucracy has recently made strides in combating these scourges. But because violence, alcohol abuse and drugs are anathema to a productive learning environment, Job Corps students deserve a guarantee in law that these centers can be a sanctuary where students can live and learn without fear. My bill ensures that those who enter the Job Corps in order to learn can do so, and those who enter the program without that commitment will be weeded out before they disrupt those who are intent to learn new job skills.

My bill also contains a provision requiring the Department of Labor to undertake an in-depth, comprehensive review of the entire Job Corps program. The purpose of this review would be to ascertain what the Job Corps does well and where further improvement is needed. Such a review has not taken place since 1982, and hard data on how well the