



Consumer Federation of America



OPPOSE AYOTTE AMENDMENT 165: THREAT TO RETIREMENT SAVINGS

This amendment would prohibit the Department of Labor from updating ERISA fiduciary protections to safeguard the savings of workers in employee stock ownership plans (ESOPs). AARP, Americans for Financial Reform, Consumer Federation of America and the Pension Rights Center urge you to oppose this amendment.

- ERISA fiduciary protections are the basic rules that protect workers' retirement savings from being lost through fraudulent or deceptive financial management by pension trustees or advisors.
- Key parts of the ERISA fiduciary protections have not been updated since 1975. It is crucial that the Department of Labor update these protections to take account of the many changes that have occurred in the financial system and retirement savings over the past 38 years.
- Updating these protections involves many issues and it is inappropriate to legislate these issues in the rushed environment of a budget resolution.
- This amendment is apparently designed to prevent the Department of Labor from addressing valuation issues involving ESOPs.
- While most ESOPs provide excellent benefits to employees, the unique nature of ESOPs raises many issues that can threaten employee savings.
- Some of the most dramatic scandals in pension savings have involved ESOPs. For example, in the Enron collapse Enron employees lost most of their retirement savings because they were over-invested in company stock and the company did not give them sufficient warning to be able to exit as the stock lost value.
- This legislation would prevent the Department of Labor from acting on problems around the appraisal and valuation of company stock in ESOPs. This is a particularly problematic area as some stock in ESOPs is not publicly traded. Appraised valuation is critical.
- Blanket legislative prohibitions on action in this area are totally inappropriate, particularly in the rushed context of the budget resolution.

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