

Statement of Rep. John Boehner

Chairman, Committee on Education and the Workforce

Hearing on:

“The Enron Collapse: Impact on Investors and Financial Markets”

before the

Subcommittee on Capital Markets, Insurance and Government

Sponsored Enterprises, and the Subcommittee on Oversight and

Investigations, Committee on Financial Services,

U.S. House of Representatives

December 12, 2001

I want to thank the Committee on Financial Services for inviting me to make a statement today on this very important issue of the Enron bankruptcy. I would also like to acknowledge the very important contribution to this effort of Mr. Baker, Ms. Kelly, Mr. Gutierrez, Mr. Kanjorski, and the full committee chairman, Mr. Oxley and ranking member, Mr. LaFalce.

Let me congratulate the committee on your quick action and hard work on behalf of America's investors, who now include more than half of all American families. I submit this statement to raise concerns as they relate to another segment of investors – Enron employees and retirees who have invested a substantial portion of their retirement assets in Enron stock. Employer-sponsored pension plans are regulated by the Employee Retirement Income Security Act, more commonly known as “ERISA,” which is within the jurisdiction of the Committee on Education and the Workforce. Many of the issues raised by the Enron bankruptcy involve not only the participants in the Enron pension plan but also potentially the millions of Americans who participate in their employers' pension plans and depend upon these plans to provide them with financial security in their retirement. ERISA's cornerstone is a series of strict fiduciary standards of conduct imposed on individuals or entities that manage employees' assets in company pension plans.

ERISA allows employees to invest in equities offered by their pension plan. Investing in equities offers opportunities for rewards in growth, but it also offers risks. This is certainly true of company stock. Enron's employees who held Enron stock in their 401(k) accounts appear to have lost substantial amounts of money. On the other hand, employees at many other companies have made substantial amounts and therefore have significantly enhanced their retirement security. Furthermore, on a bipartisan basis over the last 20 years, Congress has encouraged the sale of employer stock to employees both individually and in their pension plans as a means to provide an extra incentive for enhanced job performance and direct participation of an employee in the future of their company. We should continue to protect these gains and not adversely affect the holdings of employees by unduly restricting this opportunity.

At the present time there are a number of formal investigations and inquiries taking place as a result of the Enron bankruptcy. Today's hearing, the action of the Securities and Exchange Commission, and the investigation of the Department of Labor's Pension and Welfare Benefit Administration will bring the relevant facts to light. Once the facts are known, careful consideration should be given as to whether Congress should amend the law regarding company stock ownership in pension plans. If the facts demonstrate that the conduct in the Enron case was in violation of existing law then the appropriate parties will be held accountable. It may also be the case that the Enron matter demonstrates that Congress needs to make legislative changes to protect employees. If that is the case, we should move quickly and thoughtfully to make those changes.

As the chairman of the Committee with jurisdiction over ERISA, I assure you that in the next session the Committee will be carefully considering the Enron situation and its implications. The Committee will be examining the issues surrounding the Enron benefits plan and its compliance with ERISA. Specifically, the Committee will seek to understand the facts and circumstances surrounding the problems with Enron and will use this information to assess how well ERISA protects plan participants.

Our consideration of these issues will be thorough, fair and deliberate. I intend to work with the Committee's ranking member Mr. Miller, Employer Employee Relations Subcommittee Chairman Mr. Sam Johnson and ranking member Mr. Andrews to achieve this goal.