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Office of the White House Press Secretary

THE WHITE HOUSE

## STATEMENT BY THE PRESIDENT

Dramatic growth in recent years has thrust private pension plans into a central role in determining how older Americans live in their retirement years.

From 1960 to 1970, private pension coverage increased from 21.2 million employees to approximately 30 million workers. During this same period, assets of these private plans increased from \$52 billion to \$138 billion. And they are now increasing at a rate of \$12-15 billion a year. It will not be long before such assets become the largest source of capital in our economy.

Yet, this same growth in pension plans has brought with it a host of new problems. Many workers have ultimately lost their benefits -- even after relatively long service -- because when they left jobs, they thereby gave up rights to hard-earned pension benefits. Others have sustained hardships because their companies folded with insufficient funds in the pension plan to pay promised pensions. In addition, some pension funds have been invested primarily for the benefit of the companies or plan administrators, not for the workers. It is essential to bring some order and humanity into this welter of different and sometimes inequitable retirement plans within private industry.

Today, with great pleasure, I am signing into law a landmark measure that may finally give the American worker solid protection in his pension plan.

Under this law, which is entitled The Employee Retirement Income Security Act of 1974, the men and women of our labor force will have much more clearly defined rights to pension funds and greater assurances that retirement dollars will be there when they are needed. Employees will also be given greater tax incentives to provide for their own retirement if a company plan is unavailable.

It is certainly appropriate that this law be signed on Labor Day, since this act marks a brighter future for almost all the men and women of our labor force.

There are seven essential parts to this legislation:

- First, it establishes major standards for employee participation in private retirement plans, standards which encourage earlier participation by workers and longer periods over which benefits can be earned;
- Second, and perhaps most important to those already under private pension plans, the new law establishes equitable standards for the "vesting" of retirement benefits. The standards under this law will assure to the greatest possible extent that a worker who participates in a plan actually receives some benefits from that plan and does not lose them because of punishing forfeiture standards or inadequate pension fund resources;

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- Third, the act requires that the fiduciaries who control the pension funds act as reasonable and prudent men, discharging their duties solely in the interests of protecting the beneficiaries of the fund;
- Fourth, the law will impose a high standard upon the operation of plans by making mandatory full disclosure of all information concerning the operations of the employer's retirement plan;
- Fifth, the tax laws will be revised to provide more nearly equal treatment to different kinds of plans. The new law will encourage the self-employed to provide for their retirement by raising the limits on the amount of their income which may be contributed on a deductible basis to a retirement fund. It will also allow the one half of American employees not covered by private pension plans to enjoy equivalent tax advantages if they set up individual retirement accounts;
- Sixth, as a final backstop to private pension plans, a federally sponsored, privately financed Pension Benefit Guaranty Corporation will be set up to pay an adequate retirement benefit to those whose private pension funds have foundered and are not adequate for the beneficiaries; and,
- Seventh, the act will establish a limited form of portability of pension benefits by allowing workers to transfer some of their pension benefits to other plans or to their individual retirement accounts.

Together these seven points add up to a better deal for American workers than they have ever known before in private pension plans.

I believe this act is a model of what can be done by the Government to improve the lives of Americans within the private sector without harming the dynamics of our free enterprise system.

I also believe that its passage is a model of cooperation and hard work between the executive and the legislative branches.

The act has its genesis in a message to the Congress by President Nixon on December 8, 1971. The legislation was and is extraordinarily complicated. It was worked on relentlessly by four congressional committees, House Ways and Means, House Education and Labor, Senate Labor and Public Welfare, and Senate Finance.

Individual members have devoted enormous effort to this bill. I believe we can all be proud that the Government has now taken action to make workers' lives more secure.

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