Hearing Statement of Senator Herb Kohl
Special Committee on Aging Hearing
"Boomer Bust? Securing Retirement in a Volatile Economy"
February 25, 2009

Good morning. First and foremost, I would like to extend a sincere welcome to Senator Mel Martinez, the Aging Committee's new Ranking Member. Hailing from the great state of Florida, he is no stranger to the constituency we serve, and the issues we confront. I am so pleased to join together with Ranking Member Martinez in leading this Committee, and I am confident that he and his staff will contribute meaningfully to the Committee's agenda.

With the country aging at a rate never seen before, the issues that come before this Committee are timely, urgent and ever changing. Just two years ago this month, we held a hearing to examine how the onslaught of baby boomer retirees would affect our then-robust economy. But what a difference two years can make. Today we will turn that issue on its head, as we examine how the now-flailing economy is affecting baby boomers. For the millions of Americans who thought they were on the precipice of retirement, a dark cloud has rolled in and obscured the golden years they were just beginning to see over the horizon. This morning we will hear from a woman whose struggles typify those that many boomers are now experiencing.

She is not alone. Over the past year, 401(k) plan and other defined contribution participants have experienced devastating losses. In these hard times, American companies have also had to cut back benefits. Thousands of American employers, large and small, have stopped providing 401(k) matching contributions to their employees. With the volatility in the stock market, many Americans are left wondering whether they should continue investing in their 401(k) at all.

The answer is, yes, they should continue to save for their retirement, but perhaps with updated strategies and more reliable investments. That is why, with more and more Americans relying on 401(k)s and other defined contribution plans as their primary source for retirement savings, we need to make sure their savings are well-protected with strong oversight and regulation. In the past, this Committee has called for the disclosure of 401(k) fees to employers and participants, and a ban on ill-conceived products like the 401(k) debit card.

This morning we will take a close look at 401(k) target date funds, which are designed to gradually shift to more conservative investments as workers approach retirement. A Committee investigation of investment funds designed for people planning to retire in 2010 has found that there is a wide variety of stock exposure. The results of excessive risk can be devastating for those on the brink of retirement: one 2010 target date fund lost 41 percent in 2008. Despite their growing popularity, there are absolutely no regulations regarding the composition of these funds. I have sent letters to Secretary of Labor Hilda Solis and U.S. Securities Exchange Commission Chairman Mary Schapiro asking them to consider regulations to better define target date funds. Dependent on their response, I may consider legislative options as well.

Today's hearing will also focus on the housing downturn and its effects on seniors and retirees. So many Americans, who were counting on the value of their home to provide a secure retirement, are now at a loss and wondering what to do. The result is that older Americans are forced to consider all their options. For a lot of them, the economic downturn will mean working longer. One of our witnesses today will describe the labor market for older workers and the challenges they face. To confront those challenges, I am introducing several pieces of legislation this week that would make it easier for older Americans to continue working past retirement age.

Finally, experts will share with the Committee how boomers should move forward with a revised plan to shore up their retirement savings. Now more than in recent decades, older Americans will need to rely on our bedrock government programs like Social Security and Medicare, and many may find some relief from provisions passed in the recent stimulus package. None of us can say when we will see the end of this economic downturn. The best we can do is reassess, reallocate, and recommit to finding stability in a volatile economy.

Thank you so much to our witnesses for joining us today. I now turn to Ranking Member Martinez for his opening statement.