Members who serve on the Standards Committee, and will make serving on the committee much less onerous. Various other professions are increasingly calling on outsiders to help them police their membership; the House should too.

Our reform, as I mentioned, received strong bipartisan support on the Joint Committee on the Organization of Congress, and it is strongly supported by congressional scholars including Norm Ornstein of the American Enterprise Institute, Tom Mann of the Brookings Institution, and Dennis Thompson, director of the program in ethics and the professions at Harvard.

Mr. Speaker, it is essential that complaints of unethical conduct by a Member of Congress be investigated fully, impartially, and promptly. We owe that to the accused Member and we also owe that to the institution of the House. I believe that this reform will help insulate the ethics process from the partisan rancor which sometimes exists in the House, and will make the process fairer and more credible to the public. It is an important step in making the House more effective and in restoring public confidence in the institution.

COMPREHENSIVE WOMEN'S PROTECTION ACT OF 1997

HON. BARBARA B. KENNELLY

OF CONNECTICUT

IN THE HOUSE OF REPRESENTATIVES

Thursday, February 13, 1997

Mrs. KENNELLY of Connecticut. Mr. Speaker, I rise today to introduce the Comprehensive Women's Protection Act of 1997.

Senator MOSELEY-BRAUN and I introduced this legislation last year and were extremely gratified that several provisions were enacted. We hope to build on those successes because there is much more work to be done, particularly for the women of America.

For instance, less than one-third of all women retirees over age 55 receive pension benefits compared to 55 percent of male retirees. Yet the typical American woman who retires can expect to live approximately 19 years. Sadly, over one-third of elderly women living alone live below the poverty line and three-fifths live within 150 percent of the poverty line. Women's pension benefits depend on several factors including: participation in the work force, lifetime earnings relative to those of current or former husbands, and marital history.

There has been a long-term trend toward greater labor market participation by women. In 1940, only 28 percent of all women worked and less than 15 percent of married women worked. By 1993, almost 60 percent of all women worked and married women were slightly more likely than other women to be working. The growth of women in the work force is even more pronounced for women in their prime earning years—ages 25–54. The labor force participation rate for these women increased from 42 percent in 1960 to 75 percent in 1993. For married women in this age bracket labor force participation increased from 35 percent in 1960 to 72 percent in 1993.

Not only are more women working, they are staying in the work force longer. For instance, 19 percent of married women with children under age 6 worked in 1960; by 1993 60 percent of these women were in the work force. Similarly, 39 percent of married women with children between the ages of 6 and 17 were in the work force in 1960 and by 1993, fully 75 percent of these women were in the work force.

Women's median year-round, full-time covered earnings were a relatively constant 60 percent of men's earnings until about 1980. Since that time, women's earnings have risen to roughly 70 percent of men's. This increase will, in time, increase pension benefits for women although this change will be slow because benefits are based on average earnings over a lifetime.

A woman's marital status at retirement is also a critical factor in determining benefits. The Social Security Administration projects that the proportion of women aged 65 to 69 who are married will remain relatively constant over the next 25 years, and that the proportion who are divorced will more than double over this period. There are tremendous inequities in the law with respect to the pension of a widow or divorced spouse. For instance, only about 54 percent of married private pension plan recipients have selected a joint and survivor option, which, in the event of their death, will continue to provide benefits to their spouse.

The face of women in America today has changed; it's time our pension laws recognize those changes. The bill before us today does just that. Representatives CONNIE MORELLA, ELIZABETH FURSE, CORRINE BROWN, JULIA CARSON, SHEILA JACKSON-LEE, MARCY KAPTUR, NITA LOWEY, CAROLYN MALONEY, CARRIE MEEK, JUANITA MILLENDER-MCDONALD, and LORETTA SANCHEZ have agreed to be original cosponsors. We would welcome others. A section by section follows. Thank you.

SECTION-BY-SECTION SUMMARY

SECTION 101—INTEGRATION

Problem—Social Security integration is a little known, but potentially devastating mechanism whereby employers can reduce a portion of employer-provided pension benefits by the amount of Social Security to which an employee is entitled. The Tax Reform Act of 1986 limited integration so as to guarantee a minimum level of benefits, but the formula only applied to benefits accrued in plan years beginning after December 31, 1988. Low wage workers are disproportionately affected by integration and are often left with minimal benefits.

Solution—Apply the integration limitations of Tax Reform Act of 1986 to all plan years prior to 1988, thereby minimizing integration for low and moderate wage workers. In addition, eliminate integration entirely for plan years beginning on or after January 1, 2004. The lag between enactment and 2004 is designed to be a transition period for employers. No integration would be permissible for Simplified Employee Pensions for taxable years beginning after January 1, 1998.

SECTION 102—APPLICATION OF MINIMUM COVERAGE REQUIREMENTS WITH RESPECT TO SEPARATE LINES OF BUSINESS

Problem—Current law allows companies with several lines of business to deny a substantial percentage of employees pension coverage. The employees denied coverage are disproportionately low-wage workers.

Solution—Require that all employees within a single line of business be provided pension coverage to the extent the employer provides coverage and the employee meets other statutory requirements such as minimum age and hours.

SECTION 103—DIVISION OF PENSION BENEFITS UPON DIVORCE

Problem—Pension assets are often overlooked in divorce even though they can be a couple's most valuable asset.

Solution—Using COBRA as a model for the process, provide for an automatic division of defined benefit pension benefits earned during the marriage upon divorce, provided that the couple has been married for five years. The employee would notify his or her employer of a divorce. The employer would then send a letter to the ex-spouse informing him or her that he or she may be entitled to half of the pension earned while the couple was married. The ex-spouse would then have 60 days, as under COBRA, to contact the employer and determine eligibility. If a Qualified Domestic Relations Order (QDRO) dealt with the pension benefits, then this provision would not apply.

SECTION 104—CLARIFICATION OF CONTINUED AVAILABILITY OF REMEDIES RELATING TO MATTERS TREATED IN DOMESTIC RELATIONS ORDERS ENTERED INTO BEFORE 1985

Problem—In response to both the greater propensity of women to spend their retirement years in poverty and the fact that women were much less likely to earn private pension rights based on their own work history, the Retirement Equity Act of 1984 gave the wife the right to a share of her husband's pension assets in the case of divorce. This law only applied to divorces entered into after January 1, 1985.

Solution—Where a divorce occurred prior to 1985, allow the Qualified Domestic Relations Order (QDRO) to be reopened to provide for the division of pension assets pursuant to a court order.

SECTION 105—ENTITLEMENT OF DIVORCED SPOUSES TO RAILROAD RETIREMENT ANNUITIES INDEPENDENT OF ACTUAL ENTITLEMENT OF EMPLOYEE

Problem—Under the Railroad Retirement System a divorced wife is automatically entitled to 50% of her husband's pension under Tier I benefits as long as four conditions are met: 1) the divorced wife and her husband must both be a least 62 years old; 2) the couple must have been married for at least 10 consecutive years; 3) she must not have remarried when she applies; and 4) her former husband must have started collecting his own railroad retirement benefits. There have been situations where a former husband has delayed collection of benefits so as to deny the former wife benefits.

Solution—Eliminate the requirement that the former husband has started collecting his own railroad retirement benefits.

SECTION 201—EXTENSION OF TIER II RAILROAD RETIREMENT BENEFITS TO SURVIVING FORMER SPOUSES PURSUANT TO DIVORCE AGREEMENTS

Problem—The Tier I benefits under the Railroad Retirement Board take the place of social security. The Tier II benefits take the place of a private pension. Under current law, a divorced widow loses any court ordered Tier II benefits she may have been receiving while her ex-husband was alive, leaving her with only a Tier I annuity.

Solution—Allow payment of a Tier II survivor annuity after divorce.

SECTION 202—SURVIVOR ANNUITIES FOR WIDOWS, WIDOWERS, AND FORMER SPOUSES OF FEDERAL EMPLOYEES WHO DIE BEFORE ATTAINING AGE FOR DEFERRED ANNUITY UNDER CSRS

Problem—In the case of a husband dying before collecting benefits, his contributions to the Civil Service Retirement System are paid to the person named as the ''beneficiary.'' The employee may name anyone as the beneficiary. A divorce court cannot order him to name his former spouse as the beneficiary to receive a refund of contributions upon his death, even if she was to receive a portion of his pension.

Solution—Authorize courts to order the ex-husband to name his former wife as the beneficiary of all or a portion of any refunded contributions.

SECTION 203—COURT ORDERS RELATING TO FEDERAL RETIREMENT BENEFITS FOR FORMER SPOUSES OF FEDERAL EMPLOYEES

Problem—Currently, under CSRS, if the husband dies after leaving the government (either before or after retirement age) and before starting to collect retirement benefits, no retirement or survivor benefits are payable to the spouse or former spouse.

Solution—Make widow or divorced widow benefits payable no matter when the ex-husband dies or starts collecting his benefits.

SECTION 301—SMALL 401(K) PLANS REQUIRED TO PROVIDE ANNUAL INVESTMENT REPORTS TO PARTICIPANTS

Problem—Current law requires that pension plans file an annual detailed investment report with the Treasury Department and make it available to any participant upon request. Pension plans, including 401(k)s, with fewer than 100 participants and beneficiaries are not required to file or make detailed investment reports available to participants. 401(k)s, unlike traditional pension plans, do not have the plan sponsor guaranteeing their pension benefits nor do they have PBGC pension insurance. Consequently small 401(k) participants bear the investment risks, but are not told what the investments are.

Solution—The Secretary of Labor must issue regulations requiring small 401(k) plans to provide each participant with an annual investment report. The details of the report are left to the Secretary.

SECTION 302—SECTION 401(K) INVESTMENT PROTECTION

Problem—Under federal law, a traditional defined benefit pension plan may not invest more than 10% of its assets in the company sponsoring the plan. The purpose of the limitation is to protect employees from losing their jobs and pensions at the same time. The 10% limitation does not apply to 401(k) plans, despite their having become the predominant form of pension plan, enrolling 23 million employees and investing more than $675 billion.

Solution—Apply the 10% limit to employee contributions to 401(k) plans—unless the participants, not the company sponsoring the plan, make the investment decisions.

SECTION 401—MODIFICATIONS OF JOINT AND SURVIVOR ANNUITY REQUIREMENTS

Problem—Under current federal law, traditional defined benefit pension plans can offer unequal survivor benefit options. That option can pay the surviving spouse (most often the wife) only half the survivor's benefit paid to the spouse who participated in the plan. Plans may, but are not required, to offer more equitable options. Current law also requires that pension plans disclose retirement benefit options to one spouse, the spouse who participated in the plan. This leaves the other spouse (usually the wife) uninformed about an irrevocable decision that affects her income for the rest of her life.

Solution—Require that pension plans offer an additional option that provides either surviving spouse with two-thirds of the benefit received while both were alive. Require that both spouses be given a illustration of benefits before any benefit can be chosen.

SECTION 501—SPOUSAL CONSENT REQUIRED FOR DISTRIBUTIONS FROM SECTION 401(K) PLANS

Problem—Under current federal law, in order for a plan participant to take a lump sum distribution from a defined benefit plan, the participant must have the consent of his or her spouse. This is not true of a 401(k) plan.This means that a participant can, at any time, drain his or her pension plan and leave the spouse with no access to retirement savings.

Solution—Require that 401(k) plans be covered by the same spousal consent protections as defined plans when it comes to lump-sum distributions.

SECTION 601—WOMEN'S PENSION TOLL-FREE PHONE NUMBER

Problem—One of the key obstacles to women's pension security is lack of information. Too many women do not know whether or not they are eligible for retirement income, the implications of the decisions they are asked to make regarding divorce and survivor benefits, the steps they should take to provide for a secure retirement, or even how to gather the necessary information.

Solution—Create a women's pension hotline that can provide basic information to women regarding pension law and their options under that law.

SECTION 701—PERIODIC PENSION BENEFITS STATEMENTS

Problem—Under federal law, pension plans are required to provide a benefits statement annually, upon request by the employee. Many employees, especially young employees, do not consider pension income or do not feel secure requesting information from their employer. Thus, many employees do not know the amount of their accrued benefits, or payout upon retirement. In addition, there are numerous instances of defined contribution plans misappropriating money by failing to place funds in the employee's account. Unless an employee asks for a statement, he or she does not have a clear idea of the state of his or her retirement security, or if the funds are being properly placed.

Solution—Require that 401(k) plans provide benefits statements automatically at least once year. For defined benefit plans, due to the more complicated calculation required to produce an accurate future benefits statement, require that a statement be automatically provided every three years.

UPON THE INTRODUCTION OF THE "DEPOSITORY INSTITUTION AFFILIATION ACT"

HON. JOHN J. LaFALCE

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, February 13, 1997

Mr. LAFALCE. Mr. Speaker, I am pleased to be the chief Democratic cosponsor of H.R. 669, the Depository Institution Affiliation Act, introduced by Chairman RICHARD BAKER. The goal of modernizing our financial services industry has been a longstanding objective of mine and many other Members of Congress, as well as many in the financial services industry. Unfortunately, that goal has eluded us to date.

The purpose of any financial modernization legislation should be to encourage the development of a competitive and efficient financial services system. Such a system should provide consumers with financial services at the lowest possible cost, while at the same time ensuring safety and soundness. In fact, a competitive industry providing a broader range of services enhances the safety and soundness of the industry, rather than reducing it. Indeed, it is the narrowness and rigidity of the bank charter that has been responsible for the banking industry's loss of market share over the past several decades.

There are several different approaches to financial modernization being discussed in this Congress, as has been the case in all previous debates. Of all of these, Chairman BAKER's legislation—which is the companion to Senator D'AMATO's bill in the Seante—is the broadest, and therefore I believe offers the best opportunity for Congress to debate the full range of issues related to modernization. It is expected that the administration will soon present its own proposal to Congress, and I believe it also will be broad in scope. In order to get the job done, it is critical that we work on a bipartisan basis and in close cooperation with the Senate and the administration.

If we are to seriously take up the modernization issue, we must not restrict ourselves to considering only delimited legislation which addresses a very finite array of issues. Such legislation is necessary too narrow in scope to reflect the rapidly changing financial services market. Nor should we assume that legislation passed by the Banking Committee in previous years is a model for reform today. As the financial marketplace evolves, Congress must explore that evolution. We must attempt to understand its implications, ask critical questions about the most effective means of regulating new developments, and only then consider the most effective legislative vehicle for achieving reform.

Despite our previous failures to pass legislation, the debate in Congress over financial modernization has been progressing along with the evolution in the marketplace. Indeed, issues on which there was major disagreement in past debates are now a matter of near consensus. For example, many now agree that the total separation between commercial and investment banking is artificial in today's financial world.

No bill before this House has yet found the perfect resolution of the many issues we must address, including this one. But our bill has the advantage of raising the full range of issues we must study if we are to legislate intelligently. First, we need to understand more fully the appropriate relationship between banking and commerce. The affiliation of banks with commercial firms is an issue with a long and controversial history, and one on which many have strong and often contradictory opinions. However, very few of us adequately understand the rationale for allowing affiliations between banking and nonbanking or commercial firms. It is difficult to even agree on the meaning of the word "commercial."

The proposal to allow banks to affiliate with commercial firms should not be an ideological issue requiring one to take sides. There are beneficial aspects to linkages between banking and commercial firms, as well as some very legitimate concerns which should be addressed. I believe it is possible to strike a balance. We can place appropriate limitations on the affiliations between banks and commercial firms, while retaining the benefits of such affiliations and recognizing that companies in which some mix of banking and commerce already exists have posed no harm and done much good.

We also need to recognize that there are a broad range of nonbanking activities that some might consider "commercial." Some of