
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE RESOLUTION

No. 540 Session of
2002

INTRODUCED BY G. WRIGHT, THOMAS, BELFANTI, BEBKO-JONES,
COLAFELLA, CORRIGAN, CREIGHTON, DeLUCA, TANGRETTI, WALKO,
WASHINGTON, WOJNAROSKI, YUDICHAK, FAIRCHILD, GEORGE,
HENNESSEY, JAMES, McCALL, McILHATTAN, MUNDY, READSHAW,
RUBLEY, SANTONI, SATHER, SEMMEL, SHANER, SOLOBAY, STABACK,
STEELMAN, COY, CURRY, SURRA, TIGUE, WANSACZ, WATERS,
YOUNGBLOOD, J. EVANS, FREEMAN, HARHAI, HORSEY, KELLER,
McGEEHAN, MELIO, PISTELLA AND J. TAYLOR, APRIL 17, 2002

REFERRED TO COMMITTEE ON RULES, APRIL 17, 2002

A RESOLUTION

1 Requesting the Joint State Government Commission to create a
2 task force to review Pennsylvania law governing pension fund
3 investments.

4 WHEREAS, Employer-provided profit-sharing plans and 401(k)
5 plans are among the most popular sources of retirement income
6 for the citizens of this Commonwealth and the United States; and

7 WHEREAS, Recent figures reveal that as of 1998 more than 50
8 million Americans were accumulating retirement savings through
9 employer-sponsored defined contribution plans such as profit-
10 sharing plans and 401(k) plans; and

11 WHEREAS, Employer retirement plans often require or strongly
12 urge employees to invest a certain portion of their 401(k) or
13 other retirement plan in the employer company stock; and

14 WHEREAS, Employers often match employee contributions to
15 401(k) plans with company stock rather than cash; and

1 WHEREAS, The volatility of the stock market coupled with
2 retirement plan rules and the actions of third parties often
3 leaves employees with 401(k) and similar retirement plans
4 vulnerable when it comes to ensuring that the retirement savings
5 the employee has accrued are available to the employee upon
6 retirement; and

7 WHEREAS, Recent history highlights risks relating to the
8 security of an employee's 401(k) or other employer-sponsored
9 retirement plan; and

10 WHEREAS, Risk associated with investing 401(k) funds in
11 employer stock is readily apparent in the recent events at
12 Lucent Technologies and the collapse and subsequent bankruptcy
13 filing of Texas-based energy company Enron Corporation; and

14 WHEREAS, Until 2001, Enron Corporation ranked number 7 on the
15 Fortune 500 list of the United States' largest corporations; and

16 WHEREAS, The business and accounting practices of Enron
17 Corporation's management contributed to Enron's stock price
18 dropping from approximately \$90 per share in August 2000 to less
19 than \$1 per share in January 2002; and

20 WHEREAS, In December 2001, Enron filed for Chapter 11
21 bankruptcy protection in the State of New York; and

22 WHEREAS, Enron Corporation's bankruptcy filing is the largest
23 in the history of the United States; and

24 WHEREAS, Enron's collapse has adversely affected the
25 retirement savings of thousands of Enron employees who
26 participated in the company's 401(k) plan and thousands of other
27 investors who relied on Enron management to act in the best
28 interests of its employees and shareholders; and

29 WHEREAS, Reports indicate that approximately 60% of all Enron
30 employee 401(k) money was invested in Enron stock; and

1 WHEREAS, Despite the spiraling stock price, Enron employees
2 participating in the company's 401(k) plan were prohibited from
3 selling the Enron stock held in the plan in the months leading
4 up to the company's ultimate collapse; and

5 WHEREAS, Many of Enron's 20,000 employees lost their
6 retirement savings when Enron collapsed; and

7 WHEREAS, More than 4,000 employees were left unemployed due
8 to Enron's collapse; and

9 WHEREAS, The facts and circumstances leading to Enron's
10 collapse have led to numerous investigations into the company's
11 business and accounting practices; and

12 WHEREAS, Enron Corporation is currently being investigated by
13 the United States Securities and Exchange Commission, the United
14 States Department of Justice, the United States Department of
15 Labor and at least five congressional committees; and

16 WHEREAS, At least 60 lawsuits have been filed on behalf of
17 Enron shareholders and employees as a result of the Enron
18 collapse; and

19 WHEREAS, As of January 2002, the New York Stock Exchange has
20 suspended trading of Enron shares and has moved to delist the
21 company; and

22 WHEREAS, Public confidence that corporate management will act
23 in the best interests of its employees and shareholders is
24 crucial in a market-driven capitalist economy; and

25 WHEREAS, Maintaining the integrity of the retirement plan
26 system and public confidence in that system is vital to the
27 United States economy and the economy of the Commonwealth of
28 Pennsylvania; and

29 WHEREAS, A vast number of Pennsylvania workers directly
30 participate in various forms of retirement plans which include

1 pension plans, profit-sharing plans and 401(k) plans; and

2 WHEREAS, Pennsylvania workers contribute a significant amount
3 of their savings to these plans for purposes of ensuring that
4 they will be prepared financially to provide for themselves and
5 their families upon retirement; and

6 WHEREAS, Pennsylvania workers often place great confidence in
7 their employers and other entities coordinating their retirement
8 plan as relates to the investment of funds and management of
9 retirement assets; and

10 WHEREAS, Pennsylvania workers and their families depend on
11 their pension funds and deserve tough laws that protect their
12 investment in these funds from fraudulent activities by company
13 executives, investment advisors or their agents; therefore be it

14 RESOLVED, That the House of Representatives request that the
15 Joint State Government Commission create a task force to review
16 State law governing pension fund investments to ensure that the
17 Commonwealth adequately protects Pennsylvania workers and
18 investors from the fraudulent and criminal activity of company
19 executives, pension fund investment advisors or their agents
20 which jeopardizes the retirement assets of Pennsylvanians; and
21 be it further

22 RESOLVED, That the task force also review State laws which
23 govern licensure of accountants and prohibit fraudulent
24 activities in the representation of clients; and be it further

25 RESOLVED, That the task force issue a report on its findings
26 and recommendations on proposed legislation to the General
27 Assembly by June 30, 2002.