

**STATEMENT OF JOSEPH P. SZATHMARY
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LLC**

**UNITED STATES SENATE
COMMITTEE ON GOVERNMENTAL AFFAIRS
HEARING**

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Good morning Mr. Chairman and members of the Committee. My name is Joseph P. Szathmary (zath-mary), and I am an Associate at Northern Trust Retirement Consulting, LLC (“NTRC”). In that position, I was in charge of client relations for the Enron Corporation account with NTRC. I am a native of Brooklyn, New York and a graduate of SUNY-Oneonta. I have worked in the retirement plan services industry for twenty years. In 1992 I moved to Atlanta, Georgia, and I began working for NTRC in 1999. I appreciate the opportunity to explain to you the administrative services provided to Enron by NTRC.

NTRC offers a variety of services to assist retirement plan sponsors in administering their programs. Headquartered in Atlanta, Georgia, the company employs approximately 600 people. NTRC is a wholly-owned subsidiary of Northern Trust Corporation, a multibank holding company

based in Chicago, Illinois. Northern Trust's subsidiaries have offices located in Arizona, California, Colorado, Connecticut, Florida, Georgia, Illinois, Pennsylvania, Michigan, Missouri, Nevada, New York, Ohio, Texas, Washington and Wisconsin.

From October 1993 until November 1, 2001, NTRC acted as the recordkeeper of the Enron 401(k) and several other Enron retirement plans. Pursuant to the Enron 401(k) services agreement ("Services Agreement"), NTRC agreed to perform certain ministerial and recordkeeping functions for Enron and the Enron 401(k) administrative committee ("Enron Administrative Committee"), an entity comprised entirely of Enron personnel. The Services Agreement provided that the duties and responsibilities assigned to NTRC were to be performed within a framework of policies, interpretations, rules, practices and procedures established by Enron and the Enron Administrative Committee. The Services Agreement did not give NTRC any discretion with regard to the management of the Enron 401(k) or the management, investment or disposition of plan assets. More specifically, as recordkeeper, NTRC did not establish the terms and conditions of the Enron 401(k), including investment options.

In the fall of 2000, Enron representatives told NTRC that Enron planned to consider other service providers. I understand that several

companies competed for the contract, including NTRC. In April 2001 NTRC met with Enron to discuss NTRC's proposal to continue its administrative services with respect to the Enron 401(k).

In July 2001 Enron formally informed NTRC that it had decided to transfer the recordkeeping services for its 401(k) to Hewitt Associates. Enron informed NTRC that it would terminate the services provided by NTRC effective October 1, 2001. In August 2001 Enron changed that date to November 1, 2001.

As is customary, Enron, in its capacity as the plan sponsor, and Hewitt Associates, in its capacity as the incoming recordkeeper, designed and directed a plan for transition. Hewitt Associates created a detailed timetable setting out the numerous acts that needed to be accomplished for a smooth transfer. Under the timetable, Hewitt Associates designated October 19 as the last day for certain types of transactions, including the initiation of participant loans, and October 26 as the last day for participants to transfer balances between the plan's various investment fund options. NTRC did not set the conversion date or the timetable for the conversion of the recordkeeping and administration of the Enron plan.

On October 25, 2001 Enron telephoned me to inquire about NTRC's ability to further delay the conversion and requested a January 1, 2002

transfer date. I said that NTRC could further delay the conversion period, but the January 1 date could present problems because of year-end processing demands. I suggested that a March 31, 2002 conversion date would be preferable. Later the same day, Enron notified me that the Enron Administrative Committee had decided that the transition would take place on November 1, as previously planned.

It is standard industry practice for daily valued plans to suspend participant activity, including investment choices, during part of the period of transition from one service provider to another in order to ensure that participant records are properly reconciled. The length of time of suspension periods varies depending on the complexity and size of the plan. The suspension period plan and timeline applicable to the Enron 401(k) were proposed by the successor recordkeeper, Hewitt Associates, and subsequently approved by the Enron Administrative Committee. NTRC did not set or control the suspension period applicable to the Enron 401(k). NTRC also did not develop the plan for notifying Enron employees of the impending suspension period and the temporary restriction of their access to the Enron 401(k) accounts. I understand that Enron, acting in consultation with Hewitt Associates, developed the plan for notice to affected employees.

The suspension period of the Enron 401(k) began on October 29, 2001. This was the first business day on which the participants in the plan were unable to transfer balances into or out of the various investment options. As discussed, Hewitt Associates became the recordkeeper on November 1, 2001. I understand that Hewitt Associates restored the participants' ability to transfer plan balances on November 13, 2001.

Finally, I would like to stress that NTRC performed all of its duties properly, professionally and responsibly. NTRC fully complied with all of its obligations in connection with its administration of the Enron 401(k) and the transition of the recordkeeping services for that plan.

Again, Mr. Chairman and members of the Committee, thank you very much for the opportunity to testify today. I would be happy to respond to any questions you may have.