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■ Retirement Plan Participation and Asset Allocation

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An important component of a retiree's income that can help ensure an adequate level of income security throughout retirement is the ownership of an employment-based pension or funds that were accumulated in an employment-based retirement plan. Various data sources are available for measuring the percentage of workers with these types of plans so that retirees' potential income can be predicted. The EBRI-ERF Retirement Security Projection Model (RSPM), created by the Employee Benefit Research Institute (EBRI) in collaboration with the Milbank Memorial Fund, allows for estimation of the additional savings current workers would need—beyond savings that would be generated assuming existing saving behavior within tax-qualified plans—in order to cover the same basic expenditures throughout retirement.¹ To establish existing savings behavior, it is necessary to estimate the percentage of workers with an employment-based retirement plan as well as to know the characteristics of the workers with and without a plan.

The March Current Population Survey (CPS), conducted by U.S. Census Bureau, has the most up-to-date information on the percentage of workers with a retirement plan.² However, the CPS does not provide for a breakdown of the retirement plan types—defined benefit and defined contribution—for those participating workers. Previous EBRI research established the plan-type breakdown for families using the Survey of Consumer Finances (SCF), which is conducted by the Federal Reserve Board.³ This article builds upon that research to examine the plan-type breakdown by the characteristics of the participating family heads' employers. The findings, which confirm those of other analysts, show that there has been a significant increase in the percentage of family heads with a defined contribution plan. Consequently, the manner in which participants allocate their defined contribution balances among asset categories will have a significant impact on the funds available for these participants in retirement. While SCF does not provide the level of detail on asset allocation within 401(k) plans found in the EBRI/ICI Participant-Directed Retirement Plan Data Collection Project,⁴ it does allow for the comparison of asset allocation in general terms within these types of plans when controlling for the existence of other tax-qualified retirement plans (defined benefit and individual retirement accounts (IRAs)).

This article discusses the types of results that are incorporated into RSPM related to participation in employment-based retirement plans and the asset allocation in defined contribution plans and IRAs in the estimation of future retirement income security. In addition, the article updates previous EBRI research on these topics that used the 1998 SCF with results from the 2001 SCF.⁵ The SCF is a triennial interview survey of U.S. families sponsored by the Board of Governors of the Federal Reserve System in cooperation with the U.S. Department of Treasury, which measures the financial characteristics and status of U.S. families.⁶

Retirement Plan Participation

In 2001, according to the SCF, 48.7 percent of working family heads participated in an employment-based retirement plan and 61.9 percent worked for an employer that sponsored one (Figure 1).⁷ This percentage of those participating is a slight increase from the 1998 and 1992 level of 48.3 percent. The percentage of those working for an employer that sponsored a plan also showed a small increase from a rate of slightly more than 61 percent in 1998 and 1992.⁸

Employer Size—The likelihood of a working family head participating in a retirement plan increased with the size of the employer. In 2001, among family heads working for employers with 10–19 employees, 30.2 percent participated in a plan. In comparison, 70.2 percent of family heads who worked for employers with 500 or more employees participated in a plan. From 1992 to 2001, family heads who worked for employers with 20–99 employees or 100–499 employees experienced the largest increases in their likelihood of participating in a retirement plan, while among those working for the largest employers the probability of participating in a plan decreased. Family heads working for the smallest employers had slight to moderate increases in participation.

Industry—Family heads who worked for employers in public administration or manufacturing had the highest probability of participating in a retirement plan, while those working in agriculture, forestry, and fisheries had the lowest likelihood of participation. Among workers in public administration, 86.3 percent participated in a plan, compared with 12.3 percent of those working in agriculture, forestry, and fisheries.

From 1992 to 2001, workers in public administration had the largest increase in their likelihood of participating in a plan (75.2 percent versus 86.3 percent). Family heads working in the manufacturing industry also had a significantly increased likelihood of participating in a plan, while for family heads working in the mining industry the probability of participating in a plan decreased (36.7 percent versus 30.7 percent). The probability of a change in participation among those working in the remaining industries ranged from moderate to virtually none.

Retirement Plan Types

In 2001, 21.3 percent of family heads who participated in an employment-based retirement plan had a defined benefit plan only (Figure 2). Approximately 61 percent had a defined contribution plan only, while the remaining 17 percent had both a defined benefit and defined contribution plan. This was a significant change from 1992, when 42.3 percent had a defined benefit plan only and 40.8 percent had a defined contribution plan only. However, there was virtually no change in the distribution of plan types from 1998 to 2001.

Employer Size—In 2001, family heads who worked for the largest employers were more likely to have a defined benefit plan than those who worked for smaller employers. For example, 23.5 percent of participants who worked for an employer with 500 or more employees had a defined benefit plan only, compared with 12.8 percent of participants working for an employer with 10–19 employees. Consequently, workers for smaller employers who participated in a plan had a higher likelihood of having a defined contribution plan only than those who worked for larger employers.

While the percentage of family heads who participated in a retirement plan and had a defined benefit plan only decreased significantly across all employer sizes from 1992 to 2001, only among

family heads working for an employer with 20–99 employees was there a significant change in the distribution among plan types from 1998 to 2001, with decreases in the percentage of participants with a defined benefit plan only and increases in the percentage of those with a defined contribution plan only. In contrast, the percentage with both types of plans remained relatively constant from 1992 to 2001.

Industry—Family heads who worked in public administration and participated in a retirement plan had the highest percentage with a defined benefit plan only, at 39.0 percent in 2001. The next highest percentage, 26.0 percent, occurred among those working in transportation, communications, public utilities, and personal and professional services. Family heads working in public administration also had the highest percentage with both a defined benefit and a defined contribution plan. Workers in the agriculture, forestry, and fisheries industry had the highest percentage with a defined contribution plan only, at 83.7 percent.

The percentage of retirement plan participants across all industries who had a defined benefit plan only declined significantly from 1992 to 2001. While family heads who worked in manufacturing had the smallest percentage point drop in defined benefit plans, those in public administration had the lowest percentage change. From 1998 to 2001, significant changes in the distribution among plan types occurred only among family heads who worked in public administration or agriculture, forestry, and fisheries, with participants working in both industries experiencing declines in the percentage with a defined benefit plan only and increases in the percentage having both a defined benefit and a defined contribution plan.

Asset Allocation in IRAs and 401(k)-Type Plans

SCF classifies where IRA and 401(k)-type plan⁹ owners hold their assets in broad general asset categories: 1) mostly or all in stocks, 2) mostly or all in interest-earning assets, 3) split between stock and interest-earning assets, and 4) other, although there are small differences in the classifications between the two types of accounts.¹⁰ Thus, the results do not give exact percentages, but they provide general insight into how individuals allocate their dollars within these plan types.¹¹

Demographic Characteristics—Among IRA participants, 53.5 percent had their assets invested mostly in stocks in 2001, while 401(k)-type plan participants had a similar percentage of 52.7 percent mostly invested in stocks (Figure 3). This is a substantial increase for both participant types: from 32.0 percent and 21.1 percent, respectively, in 1992. The percentage of participants with assets mostly invested in stocks increased with family income for both participant types. For IRA participants, this percentage increased from 31.1 percent among those family heads with less than \$10,000 in family income to 62.9 percent for those with family income of \$100,000 or more.

As family head IRA participants' ages increased, the likelihood that they were invested mostly in stocks decreased. For those under age 35, 70.7 percent were invested mostly in stocks, compared with 48.4 percent of those ages 55–64 and 25.9 percent of those ages 75 or older. Age did not have a significant impact on the probability of a 401(k)-type participant being invested mostly in stocks.¹²

As the educational attainment of the family head increased, the likelihood that the IRA participant was invested mostly in stocks also increased. Specifically, 23.8 percent of family head IRA participants without a high school diploma were mostly invested in stocks. This portion reached 60.1 percent among those with a college degree. This pattern did not emerge for 401(k)-type plan participants, as those family heads with the highest and lowest educational attainment were most likely to be invested mostly in stocks. Among IRA participants, the race of the family head did not have a significant effect on the probability of being invested mostly in stocks. However, white, non-Hispanic family head 401(k)-type plan participants were more likely to be invested mostly in stocks than the nonwhite participants. The participants' percentile of net worth did not show a consistent pattern among plan types. For IRA participants, those in the lowest and highest 25 percent of net worth were the most likely to be invested mostly in stocks. In contrast, those in the

highest 25 percent of net worth among the 401(k)-type participants had the highest probability of being invested mostly in stocks, while the lower three quartiles had similar probabilities of being mostly invested in stocks.

Among family head IRA participants, the same patterns occurred in 1992 as in 2001. However, among family head 401(k)-type participants there were some changes in the likelihood of being invested mostly in stocks between 1992 and 2001. For example, nonwhites were more likely to be invested mostly in stocks in 1992, and that year a clear pattern emerged linking an increasing probability of being mostly invested in stocks with a participant's educational attainment.

Asset Allocation Comparison Among Plan Types—As shown above, the probability of being invested mostly in stocks was similar for IRA and 401(k)-type plan participants. However, among IRA participants there seems to be a significant difference in the likelihood of being invested mostly in stocks that is related to whether not they also own a 401(k)-type plan (Figure 4). Sixty-five percent of those who also owned a 401(k)-type plan were invested mostly in stocks, compared with 49.3 percent of those who did not own one. However, among IRA participants who have received a rollover, there is only a slight difference in the probability of being invested mostly in stocks compared with those who have not had a rollover, although those without a rollover are less likely to have their assets split between stocks and interest-earning assets and more likely to be mostly in interest-earning assets.

A finding similar to that for IRA participants with or without a 401(k)-type plan is found for 401(k)-type participants with or without an IRA. For those with an IRA, 61.1 percent were invested mostly in stocks, while 47.7 percent of those without an IRA were invested mostly in stocks. There was a corresponding increase in the split category among those without an IRA.

Asset Allocation by Defined Benefit Status and Account Balance—Of all family head 401(k)-type plan participants, 52.7 percent were mostly invested in stocks (Figure 5). However, this percentage increased to 60.4 percent among those who also had a defined benefit plan and decreased to 50.8 percent among those without a defined benefit plan. Virtually all the difference was in the percentage of participants investing in a split between stocks and interest-earning assets. If the participant did not have a defined benefit plan but his or her spouse did, the percentage invested mostly in stocks was more similar to the percentage invested by those with a defined benefit plan, at 57.7 percent, than to the percentage invested by those without a defined benefit plan.

For spouses, the opposite result was found for the percentage mostly invested in stocks. Among spouses who were 401(k)-type plan participants and had a defined benefit plan, 55.9 percent were mostly invested in stocks, compared with 62.6 percent of those without a defined benefit plan. Among spouses without a defined benefit plan but whose head of the family had one, the portion mostly invested in stocks increased to 75.6 percent.

Perceived Value of Defined Benefit Plan—For family head 401(k) participants with a defined benefit plan, the percentage who mostly invested in stocks increased with the perceived value of the annual benefit from the defined benefit plan before decreasing for those with the highest perceived value. For those with a perceived account value less than \$5,000 annually, 51.4 percent are mostly invested in stocks. This percentage increases to 63.2 percent for those with a perceived value, from \$15,000 to \$40,000 annually before declining to 57.0 percent for those with a value of \$40,000 or more annually. However, the percentage with a significant (not mostly in interest-earning assets) exposure to equity did not follow the same pattern, as all of the increase in the percentage of those investing mostly in stocks among those with a perceived value of \$5,000 up to \$15,000 annually came at the expense of those mostly investing in interest-earning assets. In contrast, the increased percentage of those investing mostly in stocks among those with a perceived account value of \$15,000 up to \$40,000 annually was due to decreases in the percentage of those having their assets split between stocks and interest-earning assets.

Account Balance of 401(k)-Type Plan—Family head 401(k)-type participants with account balances of \$50,000 or more had a higher probability of investing mostly in stocks than those with a balance less than \$50,000. However, the percentage of those with a balance of \$100,000 or more invested mostly in stocks was lower than that of those with a balance from \$50,000 up to \$100,000. This is because of a higher percentage of participants with the highest balances investing mostly in interest-earning assets. Participants with the lowest balances were even more likely to be invested in interest-earning assets at three times the rate of those with a balance of \$50,000 up to \$100,000.

Conclusion

The percentage of family heads who participated in an employment-based pension or retirement plan remained basically unchanged during a period of significant economic growth in the United States (1992–2001). In addition, a dramatic shift occurred in the types of plans in which these family heads participated, as the percentage with only a defined contribution plan grew by 50 percent. The most significant changes occurred in the smaller firms, with increased participation among family heads in these firms and larger shifts to defined contribution plans, while family heads in larger firms experienced less movement to defined contribution plans and somewhat of a decline in their likelihood of participating in a plan.

Due to this increased defined contribution participation, the manner in which these participants allocate their assets within these plans will have a significant effect upon the funds they ultimately will have available in retirement. From 1992 to 2001, there was increased likelihood that a 401(k)-type plan participant would be mostly invested in stocks. However, even with increased experience with, and use of, these types of plans, there still appears to exist a need for more education of participants, as the percentage of participants mostly invested in stocks was found not to vary with age.

Furthermore, the asset allocation within a family head's retirement plan seems to be affected by his or her ownership of other types of retirement plans. Both those who own 401(k)-type plans and those who own IRAs are more likely to be invested mostly in stocks if they also own the other type of plan, although some of the difference related to IRAs is due to the high percentage of participants without a 401(k)-type plan who are older. The ownership of a defined benefit plan also is correlated with an increased probability of a 401(k)-type participant being invested in mostly stocks as well as a spouse's ownership of a defined benefit plan. This provides some evidence that asset allocation is done on a family basis throughout all types of retirement plans, not just within a specific type of plan.

While these results provide important information on behavior within retirement savings plans, they do not include the type of detail provided by the findings from the EBRI/ICI Participant-Directed Retirement Plan Data Collection Project. However, these results help refine predictions of behavior within retirement plans that can be used both for policy decisions and in models such as RSPM to predict retirees' future income. Therefore, more realistic estimates of future retirees' financial status can be assessed, as policymakers face decisions on how to address the economic security issues arising from the upcoming retirement of the baby boom generation.

Endnotes

¹ See Jack VanDerhei and Craig Copeland, "Can America Afford Tomorrow's Retirees: Results from the EBRI-ERF Retirement Security Projection Model," *EBRI Issue Brief*, no. 263 (Employee Benefit Research Institute, November 2003).

² See Craig Copeland, "Employment-Based Retirement and Pension Plan Participation: Declining Levels and Geographic Differences," *EBRI Issue Brief* no. 262 (Employee Benefit Research Institute, October 2003).

³ See Craig Copeland, "Individual Account Retirement Plans: An Analysis of the 2001 Survey of Consumer Finances," *EBRI Issue Brief* no. 259 (Employee Benefit Research Institute, July 2003).

⁴ See Sarah Holden and Jack VanDerhei, “401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2002” *EBRI Issue Brief* no. 261 (Employee Benefit Research Institute, September 2003) for the latest results from this project.

⁵ See Craig Copeland and Jack VanDerhei, “Recent Evidence on Pension Coverage and Sponsorship, by Employer Size and Industry,” *EBRI Notes*, no. 8 (Employee Benefit Research Institute, August 2000): 5–9; and Craig Copeland, “Asset Allocation: IRAs and 401(k)-Type Plans,” *EBRI Notes*, no. 10 (Employee Benefit Research Institute, October 2000): 5–9.

⁶ See Ana M. Aizcorbe, Arthur B. Kennickell, and Kevin B. Moore, “Recent Changes in U.S. Family Finances: Evidence From the 1998 and 2001 Survey of Consumer Finances,” *Federal Reserve Bulletin* (January 2003). www.federalreserve.gov/pubs/bulletin/2003/0103lead.pdf (last reviewed November 2003).

⁷ From Current Population Survey (CPS) data, the percentage of all workers participating in an employment-based retirement plan increased from 43.6 percent in 1998 to 44.4 percent in 2000 before declining to 41.8 percent in 2002. The percentage participating in 2001 was 43.0 percent. These CPS results would be expected to be lower than the results for just family heads in this study, as the CPS results include younger workers and spouses with a lower likelihood of a strong attachment to the work force. See Copeland, October 2003, *op. cit.* for further results from CPS.

⁸ These sponsorship rates and levels of participation cannot be used to calculate “participation rates” (percentage of retirement plan eligible workers who participate in the plan), as the sponsorship rate in this study includes any worker who works for an employer that sponsors a plan regardless of his or her eligibility status. For participation rate trends from SCF, see Copeland, July 2003, *op. cit.*

⁹ The term *401(k)-type plan* is used in this study, since SCF combines Sec. 401(k) plans with Sec. 403(b) plans and Supplement Retirement Annuities into one category. Thus, these are *not* pure 401(k) plan results.

¹⁰ Specifically, the choices of asset allocation for 401(k)-type plan participants were 1) mostly or all stock, stock in company; 2) mostly or all interest-earning, guaranteed, cash, bank account assets; 3) split between stock and interest-earning assets; and 4) other. The choices for IRA participants were: mostly in 1) CDs/bank accounts, money market accounts; 2) stocks, stock mutual funds; 3) bonds/similar assets, Treasury bills, Treasury Notes; and 4) other. For IRA participants, various combinations of 1) to 3) were also offered as choices, which allowed for the creation of a split category that was similar to that for 401(k)-type participants. 2) and 3) were also combined for IRA participants to make a category similar to that of 2) for 401(k)-type participants. The way the choices for IRAs were structured seems to bias the responses toward a choice of one of the particular assets instead of into the split between assets category. Thus, caution should be used in comparing the results for these two groups.

¹¹ This article does not examine the percentage of families or family heads that own IRAs or 401(k)-type plans. It only examines the asset allocation of those that do own such accounts. Copeland, July 2003, *op. cit.*, found from the 2001 SCF that 26.1 percent of family heads owned an IRA and 27.7 percent of all families had a member participating in a 401(k)-type plan. Furthermore, 35.0 percent of those family heads who owned an IRA had a rollover IRA, but between 36.0 percent and 57.6 percent of the IRA assets were attributable to rollover IRAs.

¹² Holden and VanDerhei, *op. cit.* found that the percentage of 401(k) participants invested in equity funds decreased with age. Again, due to the general nature of the asset allocation categories in SCF, these results in this study are hard to compare with the results found in Holden and VanDerhei.

Figure 1
Percentage of Working Family Heads Whose Employers Sponsor a Retirement Plan, and the Heads' Participation by Employer Size and Industry, 1992, 1995, 1998, and 2001

| | 1992 | | 1995 | | 1998 | | 2001 | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Employer Sponsors | Head Participates | Employer Sponsors | Head Participates | Employer Sponsors | Head Participates | Employer Sponsors | Head Participates |
| | (percentage) | | | | | | | |
| All | 61.3% | 48.3% | 60.7% | 47.9% | 61.1% | 48.3% | 61.9% | 48.7% |
| Employer Size | | | | | | | | |
| Fewer than 10 employees | 11.9 | 9.0 | 10.7 | 7.9 | 13.5 | 11.1 | 13.7 | 10.7 |
| 10–19 | 42.2 | 29.9 | 28.0 | 22.3 | 35.5 | 25.9 | 38.5 | 30.2 |
| 20–99 | 51.2 | 37.6 | 54.7 | 41.0 | 57.8 | 41.2 | 55.3 | 42.7 |
| 100–499 | 73.3 | 54.6 | 75.3 | 57.2 | 75.5 | 61.1 | 79.8 | 59.9 |
| 500 or more | 88.8 | 73.2 | 87.3 | 70.6 | 86.3 | 69.5 | 86.9 | 70.2 |
| Industry | | | | | | | | |
| Agriculture, forestry, and fisheries | 12.5 | 11.2 | 12.8 | 8.1 | 11.1 | 10.3 | 17.9 | 12.3 |
| Mining and construction | 40.7 | 36.7 | 37.6 | 30.2 | 39.7 | 31.6 | 40.7 | 30.7 |
| Manufacturing | 72.5 | 58.0 | 75.7 | 63.0 | 72.6 | 58.6 | 79.8 | 66.4 |
| Wholesale and retail trade | 48.7 | 33.0 | 52.4 | 33.4 | 49.8 | 33.5 | 53.4 | 33.8 |
| Finance, insurance, real estate, and business and repair services | 48.1 | 37.5 | 48.9 | 39.6 | 55.7 | 42.4 | 52.1 | 40.0 |
| Transportation, communications, public utilities, and professional services | 67.7 | 53.2 | 65.1 | 51.2 | 66.5 | 53.6 | 65.7 | 53.0 |
| Public Administration | 88.9 | 75.2 | 85.0 | 74.0 | 86.3 | 75.7 | 93.3 | 86.3 |

Source: Employee Benefit Research Institute estimates of the 1992, 1995, 1998, and 2001 Survey of Consumer Finances.

Note: *Employer Sponsors* refers to the percentage of workers employed by an employer that offers a retirement plan to any of its employees, but not necessarily the working head being studied.

**Figure 2
Retirement Plan Type of Family Head Participants, by Employer Size and Industry, 1992, 1995, 1998, and 2001**

| | 1992 | | | | 1995 | | | | 1998 | | | | 2001 | | | |
|--|-------------------------|-------------------------|---|------------------------|-------------------------|-------------------------|---|------------------------|-------------------------|-------------------------|---|------------------------|-------------------------|-------------------------|---|------------------------|
| | DB ^a Only | DC ^b Only | Both DB ^a DC ^b | Any DC ^b | DB ^a Only | DC ^b Only | Both DB ^a DC ^b | Any DC ^b | DB ^a Only | DC ^b Only | Both DB ^a DC ^b | Any DC ^b | DB ^a Only | DC ^b Only | Both DB ^a DC ^b | Any DC ^b |
| | (percentage) | | | | | | | | | | | | | | | |
| All | 42.3% | 40.8% | 17.0% | 57.8% | 27.2% | 56.2% | 16.1% | 72.3% | 21.3% | 60.7% | 17.9% | 78.6% | 21.3% | 61.5% | 17.1% | 78.7% |
| Employer Size | | | | | | | | | | | | | | | | |
| Fewer than 10 employees | 34.2 | 56.4 | 9.4 | 65.8 | 45.7 | 49.6 | 4.7 | 54.3 | 18.5 | 76.1 | 5.4 | 81.5 | 16.5 | 77.1 | 6.4 | 83.5 |
| 10–19 | 63.0 | 30.1 | 7.0 | 37.1 | 31.2 | 64.7 | 4.1 | 68.8 | 8.6 | 81.4 | 10.0 | 91.4 | 12.8 | 80.5 | 6.7 | 87.2 |
| 20–99 | 38.0 | 54.6 | 7.4 | 62.0 | 26.8 | 64.3 | 8.8 | 73.1 | 25.7 | 65.4 | 8.8 | 74.2 | 15.3 | 76.3 | 8.4 | 84.7 |
| 100–499 | 44.4 | 44.0 | 11.6 | 55.6 | 23.2 | 63.6 | 13.2 | 76.8 | 23.0 | 58.9 | 18.1 | 77.0 | 22.0 | 64.6 | 13.4 | 78.0 |
| 500 or more | 41.6 | 36.8 | 21.6 | 58.4 | 28.1 | 52.2 | 19.7 | 71.9 | 20.9 | 57.9 | 21.2 | 79.1 | 23.5 | 54.3 | 22.2 | 76.5 |
| Industry | | | | | | | | | | | | | | | | |
| Agriculture, forestry, and fisheries | 29.8 | 70.2 | 0.0 | 70.2 | 43.8 | 56.2 | 0.0 | 56.2 | 14.1 | 85.9 | 0.0 | 85.9 | 0.0 | 83.7 | 16.3 | 100.0 |
| Mining and construction | 42.6 | 43.9 | 13.5 | 57.4 | 31.5 | 60.6 | 7.9 | 68.5 | 21.2 | 64.3 | 14.5 | 78.8 | 23.9 | 55.6 | 20.5 | 76.1 |
| Manufacturing | 34.5 | 43.5 | 22.0 | 65.5 | 22.3 | 60.9 | 16.8 | 77.7 | 14.6 | 63.2 | 22.3 | 85.5 | 18.4 | 64.4 | 17.2 | 81.6 |
| Wholesale and retail trade | 26.5 | 61.2 | 12.3 | 73.5 | 18.7 | 69.8 | 11.5 | 81.3 | 15.8 | 79.3 | 4.9 | 84.2 | 12.5 | 74.1 | 13.4 | 87.5 |
| Finance, insurance, real estate, and business and repair services | 28.0 | 48.5 | 23.5 | 72.0 | 18.1 | 58.0 | 23.9 | 81.9 | 9.2 | 71.4 | 19.4 | 90.8 | 9.6 | 72.2 | 18.2 | 90.4 |
| Transportation, communications, public utilities, and personal and professional services | 50.3 | 35.6 | 14.1 | 49.7 | 30.1 | 55.4 | 14.5 | 69.9 | 24.7 | 57.5 | 17.9 | 75.4 | 26.0 | 60.1 | 13.9 | 74.0 |
| Public Administration | 60.2 | 23.4 | 16.4 | 39.8 | 48.9 | 29.4 | 21.7 | 51.1 | 47.2 | 30.8 | 22.0 | 52.8 | 39.0 | 30.0 | 31.1 | 61.0 |

Source: Employee Benefit Research Institute estimates of the 1992, 1995, 1998, and 2001 Survey of Consumer Finances.

^a Defined benefit

^b Defined contribution

Figure 3
Percentage of Individual Retirement Accounts (IRAs) and 401(k)-Type Plan^a Family Head Participants
in Various Asset Allocation Categories, by Family Head Characteristics, 1992 and 2001

| Category | 1992 | | | | | | | | 2001 | | | | | | | |
|------------------------|-------------------|-------------------------|-------|-------|--------------------------------|-------------------------|-------|-------|-------------------|-------------------------|-------|-------|--------------------------------|-------------------------|-------|--|
| | IRAs ^b | | | | 401(k)-Type Plans ^a | | | | IRAs ^b | | | | 401(k)-Type Plans ^a | | | |
| | Mostly stock | Mostly interest earning | Split | Other | Mostly stock | Mostly interest earning | Split | Other | Mostly stock | Mostly interest earning | Split | Other | Mostly stock | Mostly interest earning | Split | |
| Total | 32.0% | 42.5% | 24.4% | 1.1% | 21.1% | 18.0% | 41.5% | 19.4% | 53.5% | 31.4% | 13.5% | 1.6% | 52.7% | 9.9% | 37.4% | |
| Family Income | | | | | | | | | | | | | | | | |
| Less than 10,000 | 5.5 | 56.1 | 38.3 | 0.1 | b | b | b | b | 31.1 | 62.8 | 5.2 | 1.0 | b | b | b | |
| \$10,000 to \$25,000 | 14.5 | 44.5 | 40.7 | 0.3 | 3.7 | 9.1 | 33.8 | 53.5 | 36.0 | 47.7 | 11.0 | 5.3 | 38.1 | 19.0 | 43.0 | |
| \$25,000 to \$50,000 | 31.7 | 38.5 | 28.6 | 1.2 | 20.8 | 11.1 | 38.6 | 29.4 | 44.8 | 37.2 | 16.2 | 1.8 | 48.1 | 12.1 | 39.8 | |
| \$50,000 to \$100,000 | 31.1 | 43.8 | 23.5 | 1.5 | 22.3 | 21.3 | 40.8 | 15.7 | 56.9 | 29.1 | 12.3 | 1.7 | 53.2 | 7.3 | 39.5 | |
| \$100,000 or more | 43.4 | 42.7 | 12.9 | 1.0 | 22.9 | 22.7 | 48.3 | 6.2 | 62.9 | 22.8 | 14.2 | 0.1 | 62.7 | 9.3 | 28.0 | |
| Age of Head | | | | | | | | | | | | | | | | |
| Younger than 35 | 39.8 | 31.1 | 29.1 | 0.0 | 19.5 | 17.2 | 39.7 | 23.5 | 70.7 | 19.5 | 8.0 | 1.8 | 55.6 | 8.7 | 35.7 | |
| 35–44 | 37.5 | 42.3 | 19.4 | 0.8 | 21.1 | 16.6 | 43.2 | 19.1 | 64.6 | 23.1 | 12.0 | 0.4 | 50.6 | 10.3 | 39.2 | |
| 45–54 | 29.5 | 41.1 | 27.3 | 2.0 | 18.9 | 21.2 | 40.9 | 19.0 | 55.0 | 29.7 | 14.8 | 0.6 | 53.3 | 11.0 | 35.7 | |
| 55–64 | 33.5 | 43.4 | 21.9 | 1.2 | 27.6 | 15.2 | 44.1 | 13.1 | 48.4 | 30.1 | 16.5 | 5.0 | 54.1 | 8.9 | 37.0 | |
| 65–74 | 18.9 | 52.4 | 27.3 | 1.3 | 30.4 | 44.4 | 23.8 | 1.4 | 41.4 | 46.8 | 10.9 | 0.9 | c | c | c | |
| 75 or older | 30.0 | 41.4 | 28.5 | 0.0 | c | c | c | c | 25.9 | 52.6 | 20.5 | 1.1 | c | c | c | |
| Education of Head | | | | | | | | | | | | | | | | |
| No high school diploma | 12.1 | 47.6 | 37.4 | 2.8 | 14.7 | 32.2 | 28.1 | 25.0 | 23.8 | 60.6 | 13.6 | 2.0 | 63.8 | 14.2 | 22.0 | |
| High school diploma | 19.8 | 47.2 | 32.4 | 0.6 | 16.8 | 12.6 | 33.4 | 37.2 | 46.1 | 39.0 | 12.4 | 2.5 | 49.4 | 12.9 | 37.7 | |
| Some college | 34.5 | 42.6 | 21.3 | 1.6 | 20.1 | 21.5 | 44.4 | 14.0 | 49.3 | 33.2 | 15.7 | 1.8 | 49.2 | 6.8 | 44.0 | |
| College degree | 38.5 | 39.9 | 20.6 | 1.1 | 23.3 | 18.5 | 44.3 | 13.9 | 60.1 | 25.6 | 13.3 | 1.1 | 54.9 | 9.1 | 36.1 | |
| Race | | | | | | | | | | | | | | | | |
| White nonHispanic | 32.1 | 42.8 | 24.0 | 1.1 | 20.8 | 19.0 | 41.7 | 18.5 | 53.7 | 31.0 | 13.8 | 1.5 | 54.1 | 8.6 | 37.4 | |
| Nonwhite | 30.6 | 40.2 | 27.4 | 1.7 | 23.9 | 10.0 | 39.6 | 26.5 | 52.6 | 34.3 | 11.1 | 2.0 | 48.1 | 14.6 | 37.3 | |
| Net Worth Percentile | | | | | | | | | | | | | | | | |
| Bottom 25% | 32.1 | 27.7 | 40.2 | 0.0 | 8.7 | 13.3 | 28.9 | 49.1 | 61.6 | 28.1 | 4.3 | 6.0 | 49.0 | 13.4 | 37.6 | |
| 25%–49.9% | 30.7 | 37.5 | 31.6 | 0.2 | 22.9 | 11.2 | 39.6 | 26.2 | 48.3 | 37.0 | 12.8 | 1.9 | 44.8 | 12.1 | 43.1 | |
| 50%–74.9% | 30.7 | 36.2 | 31.8 | 1.4 | 25.3 | 19.9 | 35.2 | 19.6 | 46.9 | 37.5 | 13.5 | 2.2 | 49.7 | 9.3 | 41.0 | |
| 75%–89.9% | 29.5 | 47.1 | 21.8 | 1.5 | 14.5 | 21.1 | 53.4 | 11.0 | 55.5 | 30.9 | 13.5 | 0.1 | 68.7 | 6.1 | 25.3 | |
| Top 10% | 36.6 | 47.6 | 14.9 | 1.0 | 27.3 | 21.7 | 46.9 | 4.2 | 60.2 | 22.8 | 15.3 | 1.7 | 61.6 | 8.2 | 30.2 | |

Source: Employee Benefit Research Institute estimates from the 1992 and 2001 Survey of Consumer Finances.

^a SCF combines Sec. 401(k) plans with Sec. 403(b) and Supplemental Retirement Annuities into one category.

^b Individual retirement accounts.

^c Fewer than 10 observations.

Note: No one responded with "other" for 401(k)-type plans in 2001.

Figure 4
Percentage of IRA^a and 401(k)-Type Plan^b Family Head
Participants in Various Asset Allocation Categories, by Plan Types, 2001

| Asset Class | Retirement Plan Type and Other Factor | | | | | | | |
|-------------------------|---------------------------------------|---|--|---------------------------------------|--|-----------------------------------|--|---|
| | IRAs ^a | IRAs ^a with 401(k)- Type Plan ^b | IRAs ^a without 401(k)- Type Plan ^b | IRAs ^a with Rollover | IRAs ^a without Rollover | 401(k)- Type Plan ^b | 401(k)- Type Plan ^b with IRA ^a | 401(k)- Type Plan ^b without IRA ^a |
| | (percentage) | | | | | | | |
| Mostly Stock | 53.5% | 65.0% | 49.3% | 54.9% | 52.8% | 52.7% | 61.1% | 47.7% |
| Mostly Interest-Earning | 31.4 | 20.8 | 35.3 | 27.6 | 33.6 | 9.9 | 7.5 | 11.4 |
| Split | 13.5 | 13.5 | 13.5 | 16.8 | 11.7 | 37.4 | 31.4 | 41.0 |
| Other | 1.6 | 0.7 | 1.9 | 0.8 | 2.0 | | | |
| Mostly Stock or Mixed | 67.1 | 78.5 | 62.8 | 71.6 | 64.5 | 90.1 | 92.5 | 88.6 |

Source: Employee Benefit Research Institute estimates from the 2001 Survey of Consumer Finances.

^a Individual retirement account.

^b SCF combines Sec. 401(k) plans with Sec. 403(b) and Supplemental Retirement Annuities into one category.

**Figure 5
Percentage of 401(k)-Type Plan^a Participants in Various Asset
Allocation Categories, by Defined Benefit Plan Status and
Account Balance, 2001**

| Category | Mostly Stock | Mostly Interest Earning | Split Between Stock and Interest Earning (percentage) |
|---|-----------------|-------------------------------|--|
| Family Head | 52.7% | 9.9% | 37.4% |
| With defined benefit | 60.4 | 10.1 | 29.5 |
| Without define benefit | 50.8 | 9.9 | 39.3 |
| Without defined benefit plan but spouse with one | 57.7 | 5.3 | 36.9 |
| Spouse ^b | 61.4 | 9.5 | 28.8 |
| With Defined Benefit | 55.9 | 9.8 | 34.4 |
| Without Define Benefit | 62.6 | 9.4 | 27.6 |
| Without defined benefit plan but head with one | 75.6 | 2.4 | 22.0 |
| Family Head/Perceived Value of Defined Benefit Plan | | | |
| Less than \$5,000 annually | 51.4 | 10.1 | 38.5 |
| \$5,000 to \$15,000 annually | 58.0 | 3.5 | 38.5 |
| \$15,000 to \$40,000 annually | 63.2 | 11.8 | 25.0 |
| \$40,000 or more annually | 57.0 | 12.1 | 31.0 |
| Head/Account Balance | | | |
| Less than \$5,000 | 44.3 | 13.1 | 42.6 |
| \$5,000 to \$20,000 | 54.1 | 11.3 | 34.6 |
| \$20,000 to \$50,000 | 53.6 | 7.7 | 38.7 |
| \$50,000 to \$100,000 | 63.1 | 4.2 | 32.7 |
| \$100,000 or more | 58.7 | 8.0 | 33.3 |
| Source: Employee Benefit Research Institute estimates from the 2001 Survey of Consumer Finances. | | | |
| ^a SCF combines Sec. 401(k) plans with Sec. 403(b) and Supplemental Retirement Annuities into one category. | | | |
| ^b For spouses, less than 1.0 percent was allocated to real estate. | | | |

■ Washington Update

by Jim Jaffe, EBRI

Congress Returns to Old, New Pension Issues

Lawmakers return to Washington Jan. 20 to begin the second session of the 108th Congress. The top congressional priority this month is approving final spending bills for fiscal year 2004 because the temporary measures approved late last year expire in January. The federal budget legislation was supposed to have been enacted by last Sept. 30, but continuing disagreements have forced lawmakers to pass a string of temporary spending bills.

President Bush will deliver his State of the Union address in late January, and release his FY 2005 budget proposals in early February. That will start the annual flood of budget hearings in both chambers of Congress.

Congress will be out of session in August, so both political parties can hold their presidential conventions (Democrats in Boston, Republicans in New York). The target adjournment date is Oct. 1, so incumbents will have a full month of campaigning before Election Day on Nov. 2.

Pension Benchmark Issue Still Hanging Fire

Another piece of unfinished business will be setting a new interest rate benchmark for some pension plans. The current standard is the rate paid on the 30-year Treasury bond, an instrument that hasn't been issued for years and is becoming increasingly rare. In 2002 and 2003, a temporary standard was in place that made compliance easier for the impacted plans.

There's widespread support for using a corporate bond rate for a few years, which would lower required asset levels further. But a related question, whether to provide extra pension funding relief for ailing industries—particularly airlines—is much more contentious.

Hovering in the background is the question of what the policy ought to be to assure that conversion of existing defined benefit plans into cash balance plans does not violate age discrimination laws. Congress has forcefully—and apparently successfully—told the administration to defer actions in this area until legislators can provide guidance.

But that guidance is nowhere in sight, and the failure of Congress to deal with either this issue or the interest rate standard suggests that pension questions generally are not a high legislative priority. Whether elections later this year will impact on those priorities remains to be seen.

White House Again Promotes Individual Accounts

As part of its plan for the fiscal year that begins next Oct. 1, the White House again plans to campaign for new, more generous vehicles that will encourage individuals to save for retirement and other needs on a tax-exempt or tax-deferred basis. Early reports say the proposals will echo those for Lifetime Savings Accounts or Retirement Savings Accounts that were made last year.

Congress was unenthusiastic then, preferring to focus instead on expanding existing options via vehicles like the latest Portman-Cardin bill, which is still pending. Critics of the proposals say these types of plans skew toward the wealthy (who are already saving) and could ultimately burden the government (which already faces big deficits) with a larger revenue shortfall in the future. But such responses were in the minority last year. Most legislators simply ignored the White House initiatives. Whether they'll be more enthusiastic this year is an open question.

■ EBRI in Focus

EBRI Founders Ferguson and Paul Remembered

2003 marked the loss of two of the Founders of EBRI:

- William A. Ferguson, former CEO of Tillinghast, Nelson and Warren, an EBRI founding firm, passed away on April 29 in his hometown of Atlanta. Bill was the first Treasurer of

EBRI, and served on the EBRI Board until his firm was acquired by Towers Perrin. As Treasurer, Bill put policies in place that still pay dividends today. Bill was also very active in actuarial organizations.

- Robert David Paul, former Chairman and President of the Segal Company, an EBRI founding firm, passed away Nov. 27 in his hometown of New York City. Bob served EBRI as Chair of the Research Committee, Vice Chairman and then Chairman of the Board. After his retirement, Bob continued to be an active participant in EBRI policy forums, provided regular comments on our studies, and was an inspiration to the full EBRI team with his notes and his encouragement. Bob was a thought-leader in both employment based programs and social insurance.

Bill and Bob will be missed, by those of us at EBRI, and by their extended families. Donations in Bob's memory can be made to the MFA Program in Creative Writing at the University of Michigan, Department of English Language and Literature.

EBRI Education on the Road

EBRI CEO Dallas Salisbury traveled the nation in January to carry forward the EBRI mission of education on financial security issues:

- Jan. 8 at the Orange County Employee Benefits Council in Irvine, CA, providing an annual update on benefits issues and policies. The same day, he also provided an EBRI Member Update on latest legislation involving cash balance plans and benefits issues in Washington, at the Pacific Life Insurance Company in Newport Beach, CA.
- Jan. 9–10, he and EBRI Senior Research Associate Paul Fronstin addressed the FPL group in Juno Beach, FL, on “The Challenge Facing Chief Human Resource Officers.”
- Jan. 13, he participated in the General Accounting Office “Comptroller’s Forum on Health Care Reform,” in Washington.
- Jan. 15, he provided an update on benefits issues at the Employee Benefits Association Annual Event in St. Louis.
- Jan. 21–23 he spoke at the opening session of the National Association of Social Insurance (NASI) Policy Conference in Washington, on “The Changing Mix of Social Insurance, Employee Benefits and Personal Responsibility.”
- Jan. 29, he participated in the U.S. Department of Labor’s ERISA Roundtable meeting.
- On Jan. 30, he spoke at the Harvard Social Security Group meeting at the New America Foundation in Washington.

■ New Publications & Internet Sites

[Note: To order publications from the U.S. Government Printing Office (GPO), call (202) 512-1800; to order congressional publications published by GPO, call (202) 512-1808. To order U.S. General Accounting Office (GAO) publications, call (202) 512-6000; to order from the Congressional Budget Office (CBO), call (202) 226-2809.]

Employee Benefits

Bitzer, Frank J., and Nicholas W. Ferrigno, Jr. *ERISA Facts, 2003 Edition*. \$32.95. The National Underwriter Company, Orders Department MP, P.O. Box 14448, Cincinnati, OH 45250-0448, (800) 543-0874, fax: (800) 874-1916.

DeScherer, Dorinda D., and Terence M. Myers. *Employee Benefits Answer Book*. Eighth edition. \$199. Aspen Publishers, 7201 McKinney Circle, P.O. Box 990, Frederick, MD 21705-9727, (800) 638-8437, www.aspenpublishers.com.

Hay Group. *2003 Hay Benefits Report: Volume I: Prevalence of Benefits Practices and Executive Summary*. Survey participant, \$1,095; nonparticipant, \$2,190. Hay Group, 100 Penn Square East, Philadelphia, PA 19107-3388, Attn: Joyce Chrostowski, (215) 861-2784, fax: (215) 861-2106.

Panszczyk, Linda, David Stephanides, and Tulay Turan. *U.S. Master Employee Benefits Guide, 2003*. \$60.75. CCH Incorporated, Book Order Dept., 4025 W. Peterson Ave., Chicago, IL 60646-6085, (800) 248-3248, www.cch.com.

RSM McGladrey, Inc. *Mandated Benefits: 2003 Compliance Guide*. \$225. Panel Publishers, 7201 McKinney Circle, P.O. Box 990, Frederick, MD 21705-9782, (800) 638-8437.

Wegesin, Janice M. *5500 Preparer's Manual: 2002 Plan Years*. \$215. Panel Publishers, 7201 McKinney Circle, P.O. Box 990, Frederick, MD 21705-9782, (800) 638-8437.

Compensation

Mercer Human Resource Consulting. *2004 Global Compensation Planning Report*. Survey participant, \$450; nonparticipant, \$600. Mercer Human Resource Consulting, Global Information Services, 462 South Fourth St., Suite 1100, Louisville, KY 40202, (800) 333-3070, fax: (502) 561-7858, e-mail: surveys@mercerc.com, www.imercer.com.

Demographics

Bloom, David E., David Canning, and Jaypee Sevilla. *The Demographic Dividend: A New Perspective on the Economic Consequences of Population Change*. Free. RAND, P.O. Box 2138, Santa Monica, CA 90407-2138, (877) 584-8642, fax: (310) 451-6915.

Health Care

Henry J. Kaiser Family Foundation, and Health Research and Education Trust. *Employer Health Benefits: 2003 Annual Survey*. \$75 + \$12.95 S&H. Kaiser Family Foundation, www.kff.org or call (800) 656-4533. For multiple copies, call (800) 242-2626.

Marsh USA Inc. *Mid-Sized Employer Health Plans 2002: A Series of Regional Reports based on the Mercer National Survey of Employer-Sponsored Health Plans*. For further information, contact Sharon.K.Sikkema@Marsh.com

Milliman USA. *2003 HMO Intercompany Rate Survey*. \$2,500; Milliman clients receive discount. Kirk D. Kusick, Milliman USA, 15800 Bluemound Rd., Ste. 400, Brookfield, WI 53005-6069, (262) 796-3457.

U.S. General Accounting Office. *Private Health Insurance: Federal and State Requirements Affecting Coverage Offered by Small Businesses*. Order from GAO.

Mutual Funds

Investment Company Institute. *Mutual Fund Fact Book*. 43rd Edition. \$30. Investment Company Institute, 1401 H St., NW, Suite 1200, Washington, DC 20005-2148, (202) 326-5872, Attn: Sally Coleman.

Pension Plans/Retirement

Hewitt Associates. *Trends & Experience in 401(k) Plans*. 2003 edition. \$350. Hewitt Associates LLC, Attn: Publications Desk, 100 Half Day Rd., Lincolnshire, IL 60069, (847) 295-5000, infodesk@hewitt.com, www.hewitt.com.

Profit Sharing/401(k) Council of America and Hewitt Associates. *46th Annual Survey of Profit Sharing and 401(k) Plans: Reflecting 2002 Plan Year Experience*. PSCA members, \$95;

nonmembers, \$295. Profit Sharing/401(k) Council of America, 10 S. Riverside Plaza, Suite 1610, Chicago, IL 60606-3802, (312) 441-8550.

U.S. General Accounting Office. *Pension Benefit Guaranty Corporation: Single-Employer Pension Insurance Program Faces Significant Long-Term Risks*. Order from GAO.

U.S. Senate Committee on Finance. *Funding Challenge: Keeping Defined Benefit Pension Plans Afloat*. Order from GPO.

Wells Fargo Retirement Plan Services, Inc. *401(k) Answer Book*. 2004 edition. \$199. Aspen Publishers, 7201 McKinney Circle, P.O. Box 990, Frederick, MD 21705-9727, (800) 638-8437, www.aspenpublishers.com.

Work and Family

Cass, Susan C. *Labor-Management Partnerships for Working Families*. Free. MIT Workplace Center, MIT Sloan School of Management, One Broadway, 8th Floor, Cambridge, MA 02142, (617) 253-7996, e-mail: workplacecenter@mit.edu.

Workers' Compensation

Alliance of American Insurers. *Survey of Workers' Compensation Laws*. AAI members, \$26; nonmembers, \$30. Alliance of American Insurers, (630) 724-2100, e-mail: pubsales@allianceai.org.

Eccleston, Stacey M., and Xiaoping Zhao. *The Anatomy of Workers' Compensation Medical Costs and Utilization: Trends and Interstate Comparisons, 1996–2000*. WCRI members, \$95; nonmembers, \$295. Workers Compensation Research Institute, 955 Massachusetts Ave., Cambridge, MA 02139, (617) 661-9274, fax: (617) 661-9284.

Internet Documents

Aggregate Implications of Defined Benefit and Defined Contribution Systems
www.bc.edu/centers/crr/papers/wp_2003-16.pdf

The Growing Share of Uninsured Workers Employed by Large Firms
www.cmwf.org/programs/insurance/glied_largefirms_672.pdf

Innovation at Work: A Guide to Best Practices in Employee Benefits
www.principal.com/theprincipal10best/bestpractices.htm

Maximum Benefits and Contributions Limits for 2000-2004
benefitsattorney.com/415.html

Medical Cost Reference Guide
bcbshhealthissues.com/cost/costguide.vtml

Older Workers' Pension Plan and IRA Coverage
research.aarp.org/econ/dd91_retire.html

the Principal® 10 Best Companies for Employee Financial Security
www.principal.com/theprincipal10best/

Social Security Individual Accounts: Design Questions
www.actuary.org/pdf/socialsecurity/ssia_1003.pdf

Transamerica Small Business Retirement Survey
www.ta-retirement.com/resources/2003SurveyResults.pdf

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