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Notes

Phased Retirement: Leaving the Labor Force

by David Rajnes, EBRI

In recent years, the idea of retirement as a one-time, "gold-watch-and-good-bye" event has been retired. The traditional view held that individuals worked full-time at a career job before leaving the labor force permanently at some preordained point in time, typically by age 65. But experience has replaced this concept with a more complex reality, one that recognizes that individuals choose to tailor their work schedules and age of departure from the labor force to suit personal needs. The inherent flexibility in such a definition of retirement reflects the increasing variety of behavior observed in recent years, especially as the post-World War II baby boom generation approaches normal retirement age. It also raises a number of issues with respect to income security, pension plan design, and worker choice.[1]

This article examines the process of exiting the labor force generally referred to in the media and academic literature as "phased retirement," or sometimes as "bridge jobs."[2] Like the increasingly flexible meaning of retirement, there is no universally agreed-upon definition of this term. In general, phased retirement can be thought of as a flexible work option that allows employees to reduce their work hours or move through a succession of jobs on the way to leaving the labor force permanently. Treatment of the subject differs on the basis of whether an employer or employee is the object of analysis, and whether there is a structured, formal phased retirement program in place.[3] Both perspectives are addressed in this article.

What Is Phased Retirement?

Phased retirement refers to the transition from full-time work to full-time retirement. Generally, the term is associated with a gradual change in employment status that allows for reduced hours and/or duties prior to final retirement. Such arrangements can take the form of part-time employment, including working fewer hours each day, fewer days per week, or even working full time for only certain weeks of the year. During this time, employees may be able to receive as a distribution some portion of their pension while also drawing a salary.

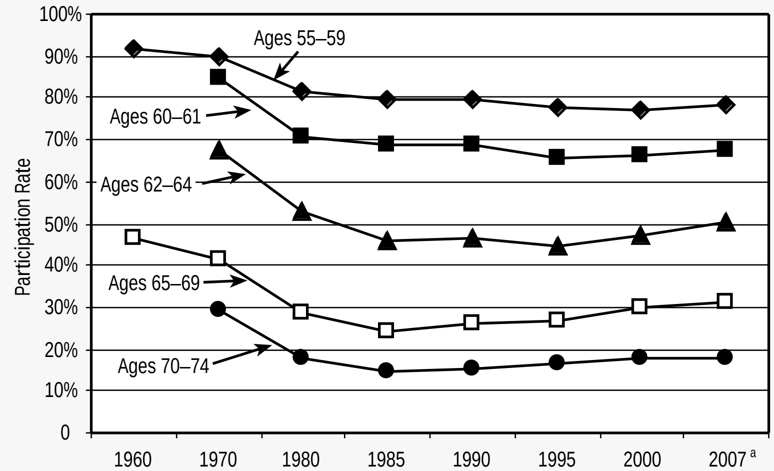
There are at least two types of phased retirement:

- A *formal* or *structured program*—This exists where an employer initiates or permits the creation of a phased retirement arrangement for one or more employees. According to surveys and research literature on the topic, formal phased retirement programs are still in their infancy, especially in the private sector. In fact, most of these programs began as ad hoc arrangements that allowed workers to continue employment but in a reduced-work capacity, and gradually were codified into formal arrangements.

- *Ad hoc* or *informal arrangements*—These tend to involve a continued relationship with the same employer beyond the expected retirement age. A related practice could entail employer retention of retirees as consultants or rehiring retirees on a part-time or part-yearly basis. A slightly different route mentioned in the literature occurs when employees leave a primary employer to work elsewhere through a series of "bridge jobs" until final retirement.

Chart 1

Male Labor Force Participation Rates for Ages 55+, 1950–1998 and Projected 2007



Source: Yearly data and projection from the U.S. Bureau of Labor Statistics.
[a] Projected.

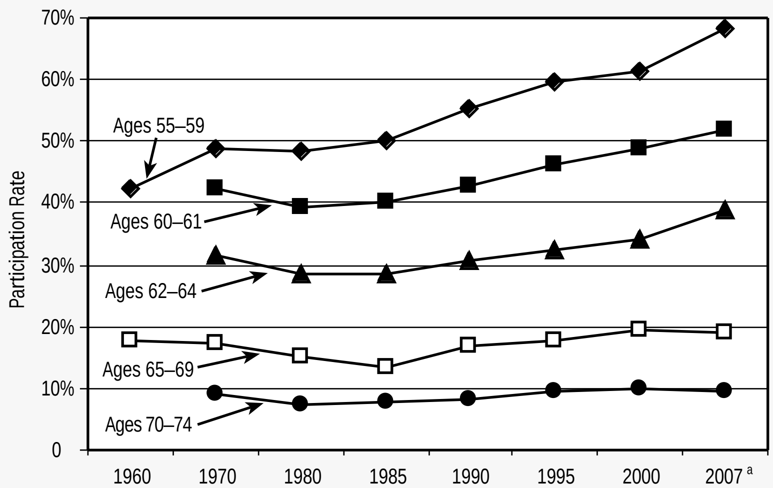
Key Labor Force Trends

Labor force trends lend support to the argument that older Americans are choosing to work longer and use those earnings to augment retirement income (Clark and Quinn, 1999). Declining labor force participation rates characterized older males in the decades following the Second World War, as shown in chart 1, by the fall in every age group (ages 55 and older) from 1960 until 1985.[4] Research suggests that a combination of several factors—mandatory retirement, financial incentives embedded in Social Security and many employer pension rules, and increasing levels of wealth—combined to induce older American males to exit the labor force at earlier and earlier ages during this time (Quinn, 1998).[5] Trends in labor force participation for older females differed from those observed for men, as evident in an overall rise in female rates since 1960 (see chart 2). This outcome for females reflects the influence of two offsetting factors: a general trend toward earlier retirement and the increasing labor force participation of married women (Clark and Quinn, 1999).

But after 1985, an across-the-board shift in the data is evident for both sexes, with *increasing* rates of participation projected to 2007 (charts 1 and 2). For older males, there has been little decline in participation rates since the mid-1980s. In fact, rates for males age 55 and older actually stabilized and then increased slightly after 1995 (chart 1). Meanwhile, participation rates in the labor market rose for older females—dramatically so for those younger than age 65 (chart 2).

At least two competing hypotheses seek to explain the slowdown or reversal in labor force participation trends for both sexes since 1985 (Burtless and Quinn, 2000). One explanation interprets the change as a result of temporary cyclical factors—a strong economy and low unemployment—responsible for a pause in an otherwise downward historical participation trend. During this time, strong aggregate demand has created additional options for older employees with the desire to continue working. An opposing hypothesis argues that more permanent forces brought about changes in participation rates, including rule changes in Social Security that have made work late in

Chart 2
Female Labor Force Participation Rates for Ages 55+, 1950–1998 and Projected 2007



Source: Yearly data and projection from the U.S. Bureau of Labor Statistics.
[a]Projected.

life more attractive[6] and an increase in the relative importance of defined contribution (DC) retirement plans compared with traditional defined benefit (DB) pension plans. The trend away from traditional DB plans, which are characterized by long-term attachments to a single employer, toward relatively age-neutral DC plans and individual retirement accounts (IRAs) as sources of retirement income, means that fewer workers will be faced with a penalty for delaying retirement. The significance of this point for future labor force participation seems evident from a recent study of retirement patterns among employees with both pension and 401(k) plans, suggesting that people with DC plans work an average of two years longer than those with DB plans (Friedberg and Webb, 2000).

Post-1985 shifts in labor force participation rates may reflect a slowing down or even reversal in the long-term trend toward earlier and earlier retirement ages (Herz, 1995; Quinn, 1999a). In table 1, the mean ages of both men and women initially awarded Social Security benefits for the period 1950–1999 are seen to decline until 1985. Thereafter, the male age remained unchanged at age 63.7 years, while the mean age for females reversed direction and has even risen slightly.

Motivation for Phased Retirement

The average age of the American population is expected to increase in coming decades, which has raised interest in phased retirement for a variety of reasons. For example, some studies indicate that baby boomers may not be able to retire because of inadequate savings, forcing many people to keep working because they need the money.[7] Since the baby boom generation grew up during a period of tremendous economic prosperity, their expectations for financial security may be much higher than for those of earlier generations. However, it seems clear that many baby boomers have not saved enough to fulfill these expectations in retirement (Committee for Economic Development, 1999).

Aside from financial necessity, individuals may want to voluntarily extend their employment

Table 1
Mean Age of Persons Initially Awarded Social Security Retirement Benefits, by Sex, 1950–1999

Year	Men	Women
	Age (years)	
1950	68.7	68.0
1955	68.4	67.8
1960	66.8	65.2
1965	65.8	66.2
1970	64.4	63.9
1975	64.0	63.7
1980	63.9	63.5
1985	63.7	63.4
1990	63.7	63.5
1995	63.7	63.5
1999	63.7	63.6

Source: Social Security Administration, *Social Security Statistical Abstract, 2000,* as reported in Wiatrowski (2001).

beyond normal retirement age. Evidence of a new social attitude toward continued work late in life can be found in surveys such as the Retirement Confidence Survey (RCS). Repeated results from the RCS show that more than 60 percent of workers expect to work in retirement;[8] that for most of those planning to continue work, financial need is not the primary motivator; and that about one-quarter of those who consider themselves retired still work for pay after retiring. A separate study has suggested that one-third to one-half of American workers will work on some sort of "bridge job" en route to total retirement (Rappaport, 2001).

Given the reported shortages in skilled labor that are expected to persist and perhaps worsen in coming years, employers are expected to become more receptive to phased retirement arrangements. Employers stand to benefit from retaining the valued skills and institutional knowledge of long-term employees, particularly in the information/technology industries. In the process, they can achieve hiring, training, and turnover cost savings by minimizing new hires (Hershey and DeStefano, 2001). At the same time, retaining experienced employees has a potential for boosting productivity in terms of job continuity (Graig and Paganelli, 2000). Thus, a phased retirement arrangement can help human resource professionals to both plan and meet an employer's labor force requirements.[9]

Recent Surveys

While a number of developments have influenced recent labor force withdrawal patterns, and indirectly, retirement ages in the United States, few employers have considered the use of phased retirement. Highlights from several surveys illustrate current attitudes toward the subject:

William M. Mercer (2000) and Watson Wyatt Worldwide (1999)—The overall message reported by firms responding to the surveys is that formal phased retirement programs have yet to catch on among private-sector employers. The vast majority of companies surveyed offered no such formal program (77 percent in Mercer and 84 percent in Watson Wyatt). In most cases, firms were not interested in considering them or viewed them as unsuitable. However, 53 percent of firms did report a preference for individual (informal) phased retirement arrangements.

Programs are more likely to be found in the educational and public sectors, and where the average age of the work force is older than 45 years. When programs exist, they can be quite varied. The most common arrangements reported by the Mercer study were reduced hours or schedules (47 percent), special assignments (45 percent), temporary work (42 percent), and consulting (42 percent). Watson Wyatt found that participating firms resorted in particular to part-time/temporary work (70 percent) and reductions in workweek or workday schedules (60 percent). It is apparent that participating companies use multiple arrangements, often restricting employee eligibility to such programs, and providing them with fewer benefits.

AARP—A more qualitative picture emerges from a study of phased retirement conducted by AARP (1999) (formerly the American Association of Retired Persons). The study cited the relatively greater incidence of formal phased retirement programs in higher education organizations and a general lack of them among private-sector employers. Retiree rehire programs were considered as a separate activity apart from formal phased retirement programs The range of program features in operation led the authors to conclude that there is no uniform model adopted by employers for either retiree rehire or phased retirement programs. Factors shown to ease implementation or ensure success of formal programs included: a supportive senior staff; a compelling business need; and a relatively small size of the organization. Barriers to implementation appeared to stem from: a negative corporate view of reduced work schedules; fears about potential legal claims on the basis of age or testing for nondiscrimination under the Employee Retirement Income Security Act (ERISA); and redesign challenges in retirement plans (chiefly DB pension plans) in order to accommodate pension withdrawal.

American Association of University Professors—A study conducted by the American Association of University Professors (2000)[10] focuses on phased retirement arrangements in the higher education sector, where phased retirement programs are reportedly most common. Among responding institutions, slightly more than one-quarter of respondents had phased retirement programs for tenured faculty, with institutions operating DC plans twice as likely as those with DB plans to have them. Of those with a phased retirement program, nearly two-thirds provided a formal application process with specific eligibility criteria. Most participating institutions in the survey have established requirements such as age and length of service. Given the limit on maximum age and requirement that participating faculty in most phased retirement programs must relinquish their tenure and agree to retire within a specific number of years, it is apparent that educational institutions use these programs as a tool for scheduling personnel departures. Unlike private-sector employers, educational institutions do not necessarily reduce benefits. Instead, they may enhance them by maintaining employer contributions for health insurance and/or providing other financial benefits during the phase-out period.

Factors in Phased Retirement

Phased retirement is not a widespread phenomenon in the private sector, but public-sector examples flourish because legal and regulatory barriers are less of a problem for state and local government employers. For example, the use of Deferred Retirement Option Plans (DROPs) has become fairly common among public-sector employers, which tend to rely on DB pension plans far more commonly than DC retirement plans, especially compared with private-sector employers. A DROP is a provision included in a DB plan that allows long-term employees to eventually leave their job with both a traditional annuity and a lump-sum amount (as in a DC plan). An employee electing to participate in a DROP continues to work for the public-sector employer but ceases to accumulate further DB credits toward retirement—the future DB annuity is thus frozen at enrollment—in exchange for DC credits placed by the employer into a personal retirement account, which grow with interest at a stipulated rate. DROP account balances are then managed as part of the DB plan total portfolio. When the employee departs, both the DROP contributions (plus interest) and the annuity are received as a retirement benefit.[11]

Because of regulatory barriers, private-sector employers have been slow to implement formal arrangements providing for phased retirement. Specifically, Internal Revenue Code (IRC) provisions allow for the distribution of benefits (known as “in-service distribution”) from defined benefit (DB) plans, and some defined contribution (DC) plans, only upon termination of employment or attainment of normal retirement age under the plan. Otherwise, an early partial retiree may not be able to receive retirement benefits to make up for the loss of salary income. A cash balance plan (a DB plan with DC features) does not pose that problem.

How private-sector firms might implement a phased retirement option for their workers has been discussed extensively in the recent literature on phased retirement. The following strategies have been mentioned for firms considering a phased option program:[12]

- *For employers with DB plans*—Lowering the retirement age can allow employees to receive pension income sooner and therefore makes a reduced workweek (including a paycheck) possible. Eliminating subsidies that encourage early retirement from the organization sends a message about when the employer expects employees to consider retiring. It may be possible to offer two retirement plans instead of one, to enable an employee who works to age 65 to earn the same pension by structuring one plan with a lower retirement age, so he/she collects part of the pension earlier, but still remains eligible for the remainder of the pension at a later date (for example, age 65). If possible within the corporate structure, additional steps might include using a DROP arrangement (as described above), and exploring options for transferring assets from a DB plan to a DC plan, which might increase plan flexibility so as to permit a phased retirement arrangement.

- *For employers with DC plans*—Loan features in a DC plan may enable employees to facilitate their own informal arrangements. Employers can remove restrictions for in-service distributions after age $59^1/_2$ to serve as income during the time of reduced workload. A pension-purchase option might allow retirees in an amended DB plan to transfer all or a portion of a DC account balance to the DB plan, thus allowing retirees returning to work to use the annuitized value of the account balance in order to supplement their income under the reduced work schedule.

Regarding eligibility for phased retirement programs, it must be determined whether phased retirement is to be made available to all workers or restricted (according to job level, position, or years of service). However, this may create concerns about legal claims.[13]

Federal legislation may also boost the phased retirement movement. Sen. Charles Grassley (R-IA) and Rep. Earl Pomeroy (D-ND) introduced legislation in the last Congress (S. 2853/H.R. 4837) to amend the IRC rules governing qualified pension plans. Their proposals would permit in-service pension distributions to begin at the earliest of age $59^1/_2$, 30 years of creditable service, or the plan's normal retirement age. They are expected to re-introduce their plan in the current Congress.

Conclusion

Private-sector employers have yet to establish phased retirement programs as a personnel tool. While formal programs in the private sector are rare, informal arrangements are the norm. Where they occur most frequently (in institutions of higher learning), employers use them more as a tool to monitor or promote employee exit (specifically, with tenured professors) as opposed to retaining employee services.

Thus far, the news media have given favorable coverage to phased retirement programs, since both employers and employees can benefit from these types of arrangements. However, employees need to be aware of the potential loss of future pension income (and loss of health and other long-term benefits) when entering these arrangements prior to the plan's normal retirement age. Under current law, employees who continue to work after retirement on a part-time or temporary basis may not have the rights and privileges of full-time employees (Wong and Clark, 2000).[14] This appears to be less of an issue with formal programs in much of academia. Whether certain features of the academic approach to phased retirement are able to be adapted for use by private-sector employers remains uncertain.

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Endnotes

[1] Avery and Zabel (2001) provide an historical perspective describing the experience in Europe beginning in the early 1970s. They point out how phased retirement there initially gained support in countries faced with mounting unemployment, as a strategy to achieve voluntary work force reductions, but that a reverse argument was made on behalf of phased retirement later in the 1990s with the aging of European populations, as countries sought ways to address expected labor shortages.

[2] *Joseph Quinn documents these trends in "Retirement Patterns and Bridge Jobs in the 1990s,"* EBRI Issue Brief *no. 206 (February 1999).*

[3] *Anna Rappaport (2000) states that a formal program should specify the following: a method of redefining job duties and/or schedule; criteria for program participation; eligibility requirements that may include time limits for eligibility; approval processes; and adjustments in pay and benefit plan.*

[4] *Data categories were not available for all groups shown prior to 1970. Therefore, some data are missing for 1960.*

[5] *Wiatrowski (2001) provides a detailed description of these developments.*

[6] *These changes were designed to ensure long-term sustainability and included a gradual rise in the retirement age and a more age-neutral (actuarially fair) benefit formula.*

[7] *This can result not only from low levels of savings but the accumulation of high levels of personal debt (Hershey and DeStefano, 2001). Given today's highly mobile work force, a contributing factor may be the leakage of savings occurring when job changers choose to "cash out" their retirement plans, rather than rolling over the assets into another tax-favored savings vehicle. For a discussion of the tradeoffs involved, see Scott and Shoven (1996). A 2001 study by Putnam Investments,* Retirement Savings in an Unsettled Economy, *outlined the short-term consequences for the 30 percent of job changers taking the cash option, including federal taxes and penalties.*

[8] *This percentage was recorded for the Retirement Confidence Survey in both 1998 and 2001 (Salisbury et al., 2001; Yakoboski et al., 1998). Graig and Paganelli (2000) cite an AARP/Roper Starch survey that reported 80 percent of baby boomers say they will remain in the work force beyond age 65.*

[9] *This sometimes includes a timetable for phasing out personnel, as used for tenured faculty in academia.*

[10] *"Survey of Changes in Faculty Retirement Policies," by the American Association of University Professors (2000) discussed by Ehrenberg (2000). www.aaup.org/retirepg.htm*

[11] *The employee has no control over the management of assets in the DROP account until the funds are withdrawn from the account following the termination of employment. Because DROP provisions specify a stated rate of return, short-term market volatility is not an issue (Perdue 2000).*

[12] *These strategies draw on recommendations made in the following three articles: Graig & Paganelli (2000); Rappaport (2000); and LaBombarde (2001).*

[13] *See discussion on barriers to implementation, under the AARP survey highlights.*

[14] *See also Schultz (2000).*

Washington Update

by Teresa Turyn, EBRI

Budget Deadline, Post-Attack Pressures Face Congress

Congress faces an Oct. 1 deadline to enact a budget for the new fiscal year, but the Sept. 11 terrorist attacks on New York and Washington have changed the political and fiscal geography in the nation's capital. While President Bush and lawmakers remain under pressure to finalize all of the 13 appropriation bills by the end of this month, it remains unclear how policy disputes on such domestic issues as patients' rights, energy, and other items will now play out in the new political environment.

At the time of this writing, the target adjournment for the year is now less than one month away (Oct. 5). It is a virtually forgone conclusion that Congress again will have to resort to a series of stopgap funding bills to keep the federal government operating past Oct. 1, when the new fiscal year begins, and to cover emergency expenses related to the Sept. 11 attacks.

Contributing to the political pressure is the rhetorical battle over using the Social Security revenue surplus for anything other than paying down the national debt; many economists consider it inevitable that *both* surplus Medicare and Social Security revenue will have to be used to fund other government programs. The Congressional Budget Office Aug. 27 released a report saying the weakening economy and lower budget surplus will force the government to spend $9 billion from the Social Security revenue surplus this year and billions more over the next three years; President Bush has said the dwindling surplus will create a "fiscal straightjacket for Congress" that will restrain federal spending.

Patients' Rights Bills Head to Conference Committee

With Congress back in session, a House-Senate conference committee will begin work on reconciling the Senate patients' bill of rights passed June 29 (S. 1052) with the version passed by the House Aug. 2 (H.R. 2563). While the House and Senate bills share many similar provisions (such as provider access and appeals), the crucial difference between them is the extent of new legal liability created for managed care plans. The Senate bill, written by Sens. John McCain (R-AZ), John Edwards (D-NC), and Edward Kennedy (D-MA), would allow managed care plans to be sued in state courts, as are doctors. The House bill would allow suits in state courts, but only under a restrictive set of federal rules that would make it far more difficult for patients to prevail against their health plans.

News reports indicate that a key player in the patients' rights issue, Rep. Charles Norwood (R-GA), may be having second thoughts about his support for the more limited House provisions that he accepted in June; his support played a key role in House passage of the bill. Norwood now seems to be supporting greater leeway for state law to prevail in managed care legal cases, and fewer federal restrictions. However, President Bush continues to oppose any patients' rights bill that would allow patients to sue in state court. Patients' rights legislation foundered on this issue in the last Congress, and at this point it remains unclear how a compromise will be reached on it in the current Congress.

Social Security Panel Holds Public Hearings

The President's Commission to Strengthen Social Security held a public hearing Sept. 6 in San Diego, CA, that produced a variety of opinions regarding the health of the nation's Social Security system and what, if anything, should be done about it. A similar public hearing is scheduled for Sept. 21 in Cincinnati, OH. For more information on the public hearings, visit the panel's Web site at www.commtostrengthensocsec.gov/meetings/hearings.html

Senator to Seek Access to Canadian Drugs

Sen. Byron Dorgan (D-ND) Sept. 5 said he would push to provide U.S. citizens with access to lower-priced prescription drugs from abroad and will focus his effort on obtaining access to prescription medicines from Canada. Dorgan, who chairs the Senate Commerce Subcommittee on Consumer Affairs, made his comments at a panel hearing where he asked the Department of Health and Human Services (HHS) to defend its decision earlier this year to block implementation of a new law, the Medicine Equity and Drug Safety Act (MEDS Act), co-sponsored by Dorgan and Sen. James Jeffords (I-VT), among others, which would have allowed such access. This hearing came as a result of a July 9 announcement by HHS Secretary Tommy Thompson that he will not implement a current law allowing U.S. consumers to purchase FDA-approved drugs reimported from other countries at lower cost. Testimony from the Sept. 5 hearing may be viewed at commerce.senate.gov/hearings/hearings.htm

Judge Blocks Implementation of Bush's Medicare RX Discount Card Program

A federal judge from the U.S. District Court of the District of Columbia Sept. 6 granted the nation's drug store trade association's request to halt implementation of President Bush's private-sector initiative to provide Medicare beneficiaries with prescription drug discount cards. The court concluded that the administration may have lacked authority to create the program without congressional approval. HHS officials said they were reviewing

Keeping on Track

DOL to Unveil Toll-Free Call Center, Redesigned Web Page—The DOL Sept. 4 launched a new national toll-free call center (1-866-4-USA-DOL) to direct employers and employees to the appropriate DOL agencies that can best respond to their inquiries regarding employee benefits and employer compliance issues. In addition, the agency recently redesigned its Web site to improve access to department information and services, with particular emphasis on employer compliance issues. The new Web page may be viewed at www.dol.gov/dol/audience/aud-employers.htm

PWBA Enforcement Manual Available on Web Site—The Pension and Welfare Benefits Administration (PWBA) enforcement manual is now available on the DOL Web site. This manual provides guidance to internal PWBA employees regarding the enforcement responsibilities of the agency, including civil and criminal investigations of employee benefit plans. The manual is helpful because it identifies some of the issues the agency considers while performing these investigations. The enforcement manual may be viewed at www.dol.gov/dol/pwba/public/programs/oemanual/tabcon.htm#toc

IRS Provides Guidance on Effective Date of Certain EGTRRA Provisions—The Internal Revenue Service (IRS) Sept. 4 issued Notice 2001-56, providing guidance on effective dates for three changes under the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA): (i) the increase in the compensation limit under Internal Revenue Code (IRC) Sec. 401(a)(17) from $170,000 to $200,000; (ii) changes to the top-heavy plan rules under IRC Sec. 416; and (iii) the reduced suspension period for safe harbor hardship distributions. Notice 2001-56 may be viewed at www.irs.gov/bus_info/ep/notice2001_56.pdf

IRS Provides Sample Plan Amendments for EGTRRA—The IRS Sept. 4 issued Notice 2001-57, providing sample amendments for certain mandatory and optional changes under the EGTRRA. Employers may adopt the sample amendments or may use them as the basis for drafting individualized amendments. The sample amendments follow guidance issued in June (Notice 2001-42). The IRS is not yet ready to review these amendments as part of the determination letter process; however, for employers adopting these “good faith” EGTRRA amendments, the EGTRRA remedial amendment period will remain open at least until the end of the 2005 plan year. Notice 2001-57 may be viewed at www.irs.gov/bus_info/ep/notice2001_57.pdf

American Bar Association Publishes Agency Q&As—The American Bar Association (ABA) has posted on its Web site various government agency officials’ responses to questions posed by the ABA’s Joint Committee on Employee Benefits during meetings held earlier this year. The responses reflect the government participants’ unofficial views and address a number of current issues, including among other things, COBRA notice guidelines, the DOL’s claims and appeals regulations, the Financial Services Modernization Act, cafeteria plans, design-based safe harbor plans under IRC Sec. 401(a)(4), required minimum distributions under IRC Sec. 401(a)(9), the remedial amendment period and determination letter issues, the minimum coverage requirements under IRC Sec. 410(b), Sec. 415 limitation of contributions and benefits, IRC Sec. 417 Qualified Joint Survivor Annuity (QJSA) requirements, and a number of issues raised under the Employee Plans Compliance Resolution System (EPCRS). The Q&As may be viewed at www.abanet.org/jceb/agency.html their legal options and had not decided whether they would appeal the injunction. HHS officials announced in September that 28 entities have notified the federal government that they would like to participate in the program (*National Association of Chain Drug Stores v. Thompson*).

Court Says Employers Must Publicize FMLA Calculation Method

The Ninth U.S. Circuit Court of Appeals has ruled that an employer's failure to publicize the method it uses to calculate an employee's leave under the Family Medical Leave Act (FMLA) will result in the application of the most favorable method for the employee. The court noted that, although the Department of Labor's DOL's FMLA regulations provide employers with the flexibility to select one of four separate methods for calculating employees' eligibility for FMLA leave, employers' selection must be "an open one, not a secret kept from employees" (*Bachelder v. America West Airlines*, 9th Cir., No. 99-17458, 8/8/01)).

EBRI in Focus

1999–2000 401(k) Account Totals Released

August brought the release of preliminary results from the EBRI/ICI 401(k) database on what happened to account balances for participants who were in their plans for all of 1999 and 2000. These data provide a more meaningful analysis than just a simple measure of 1999 versus 2000 assets; the later measure showed the average 401(k) account balance declined 12 percent in 2000, compared with just 0.1 percent for the more meaningful measure. There was substantial variation by age, as shown by the table that follows. The EBRI/ICI data release was featured prominently in coverage on CNN and in newspapers across the nation. Complete end-of-year results for 2000 from the EBRI/ICI Participant-Directed Retirement Plan Data Collection Project (as the project is formally known) will be published this fall. For details, visit www.ebri.org

2002 SAVER Summit Planned

EBRI and ASEC continued working in August with the U.S. Department of Labor on the planned 2002 SAVER Summit. Results of the Delphi survey conducted by EBRI in 1998 following the first summit (see www.saversummit.org) and the report of the 2000 *Choose to Save* Forum (seewww.choosetosave.org) are being used to develop an agenda for 2002. For information on how to become a 2002 Summit delegate and to track developments, visit www.saversummit.dol.gov

SSA Commission Meets

The President's Commission to Strengthen Social Security held several meetings during the month of August as it seeks to reach consensus by late fall. EBRI was asked by the Commission to complete a review of public opinion on the program. That report, *Public and Employer Opinion on Social Security and Social Security Reform*, was delivered to the Commission on Aug. 17, 2001, and can be reviewed at www.ebri.org/SSProject/EBRISSOPN.pdf

Average Account Balances Among 401(k) Participants Present in Both 1999 and 2000, by Age Group

	Average Account Balance		
Age	1999	2000	Change (in percentage)
Total	$58,850	$58,774	–0.1%
20s	8,219	10,431	26.9
30s	31,518	33,125	5.1
40s	62,059	62,694	1.0
50s	98,139	95,836	–2.3
60s	122,240	115,206	–5.8

Source: Tabulations from the EBRI/ICI Participant-Directed Retirement Plan Data Collection Project.

EBRI has been working with reporters from across the nation as they seek to better understand the issues related to program reform in general, and individual accounts in particular. EBRI first published analysis of the individual account proposal in 1982, and published extensive work in the late 1990s after sponsoring development of the SSA-SIM model. The breadth of EBRI material on Social Security can be found at www.ebri.org/SSproject/index.htm

This month's *EBRI Issue Brief/Special Report* explores administrative issues involved in implementing individual accounts as part of Social Security. The report concludes that it might be possible to implement a cost-efficient program that resembles a "Model-T" 401(k), but the Internet-based and fully automated 401(k) "Porsche" is not likely to be possible within Social Security for decades, due in large part to the slow rate of automated payroll technology adoption by millions of small employers.

Choose to Save® *Continues National Expansion*

August brought distribution of the Spring 2001 installment of "The Savings Game," a half-hour WJLA/ABC-7 News Special to cable stations around the nation, along with a number of *Choose to Save*® public service announcements. Stations have requested the tape for showing in more than 27 TV markets across the nation, and the requests are still flowing in. For details, see www.choosetosave.org

August also saw completion of production on the newest of "The Savings Game" half-hour WJLA/ABC-7 News Specials, which aired in the Washington metro television market on Sept. 5. This special will be distributed nationally later this year. Tapes of both specials are available for purchase from EBRI by e-mailing to info@ebri.org

ASEC Presents at Air Force Conference

ASEC President Don Blandin made a presentation on the benefits of partnerships and networking at the Air Force Financial Manager's Conference on Aug. 16 in Washington, DC. The session focused on ways to promote financial education within the armed forces, and the *Choose to Save*® campaign was highlighted as an example of a successful partnership with the media. More than 90 Air Force benefits professionals from around the world attended the conference.

CFP Board of Standards an ASEC Charter Partner

The Certified Financial Planner Board of Standards has become the latest ASEC Charter Partner institution and has a seat on ASEC's Policy Board. This follows a meeting between ASEC President Don Blandin and the leadership of the CFP Board, including Board Chair Patricia Houlihan, CFP, and newly appointed CEO Louis Gardy.

Society of Actuaries Symposium

EBRI is co-sponsoring a symposium on *Retirement Implications of Demographic and Family Change,* hosted by the Society of Actuaries Nov. 29–30 at the Walt Disney World Swan Resort, Lake Buena Vista, FL. The meeting will focus on the impending retirement of the post-World War II baby boom generation, and how changes in the way people work, increases in the number of divorced and single people, increases in longevity after retirement, and other factors create new strains upon public and private retirement systems and the work force. While some issues have been addressed in part by the social insurance system, many problems and potential problems related to these demographic changes remain unresolved.

Cost to members of cooperating organizations is $775 and $825 for nonmembers. To register, visit the Society of Actuaries online at www.soa.org and click on "Meetings/Seminars." Or, call (847) 706-3500 and ask for the Continuing Education department for more information. Room reservations can be made by phoning the Walt Disney World Swan at (407) 934-3000.

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.*]

Annuities

National Association for Variable Annuities. The Media Guide on Annuities. $14.95. National Association for Variable Annuities, 11710 Plaza America Dr., Suite 100, Reston, VA 20190, Attn: Public Relations Dept. (703) 707-8830 ext. 15.

Watson Wyatt Partners. Reinventing Annuities. Free. M.J. Wadsworth, Watson Wyatt Partners, Watson House, London Rd., Reigate, Surrey RH2 9PQ, United Kingdom, 01737-241144, fax: 01737-241496, e-mail: mike.wadsworth@ eu.watsonwyatt.com.

Employee Benefits

Hewitt Associates. Salaried Employee Benefits Provided by Major U.S. Employers: 2000–2001. $300. Hewitt Associates LLC, Attn: Publications Desk, 100 Half Day Rd., Lincolnshire, IL 60069, (847) 295-5000.

International Foundation of Employee Benefit Plans. Employee Benefit Issues: The Multiemployer Perspective. IFEBP members, $38; nonmembers, $45 + S&H. International Foundation of Employee Benefit Plans, Publications Department, P.O. Box 69, Brookfield, WI 53008-0069, (888) 33-IFEBP, fax: (414) 786-8670, e-mail: books@ifebp.org.

Mont, Daniel, et al. Workers' Compensation: Benefits, Coverage, and Costs, 1999 New Estimates and 1996–1998 Revisions. $15. National Academy of Social Insurance, 1776 Massachusetts Ave., NW, Suite 615, Washington, DC 20036-1904, (202) 452-8097, fax: (202) 452-8111.

Financial Planning

Goodman, Jordan E. Everyone's Money Book. $30. Dearborn Trade Pubishing, 155 N. Wacker Dr., Chicago, IL 60606, (312) 836-4400.

Health Care

California HealthCare Foundation. Health e-People: The Online Consumer Experience: Five-Year Forecast. Free. California HealthCare Foundation, 476 9th St., Oakland, CA 94607-4048, (510) 238-1040.

Gold, Marsha, et al. Medicare Beneficiaries and Health Plan Choice, 2000. $13.50. Jackie Allen, Mathematica Policy Research, P.O. 2393, Princeton, NJ 08543-2393.

Logical Health Care Solutions Corporation. Glossary of an Evolving Health Care Marketplace. $12.95. Logical Health Care Solutions Corporation, 21010 Southbank St., PMB #655, Sterling, VA 20165, (703) 444-7906, fax: (703) 444-8805, e-mail: glossary@logicalhealth.com.

U.S. Congress. House Committee on Ways and Means. (1) The Administration's Prescription Drug Proposal. (2) Seniors' Access to Prescription Drug Benefits. Order from GPO.

Pension Plans/Retirement

Cerulli Associates, Inc. Market Update: The 401(k) Industry. $10,000. Cerulli Associates, Inc., 575 Boylston St., Boston, MA 02116, or contact Kathleen Nardi: e-mail: knardi@cerulli.com, phone: (617) 437-0084, fax: (617) 437-1268.

Davis, E. Philip, and Benn Steil. Institutional Investors. $47.95. The MIT Press, Five Cambridge Center, Attn: Order Dept., Cambridge, MA 02142, (617) 253-2889.

Hewitt Associates. Self Directed Brokerage Accounts and Fund Windows in 401(k) Plans. $350. Hewitt Associates LLC, Attn: Publications Desk, 100 Half Day Rd., Lincolnshire, IL 60069, (847) 295-5000.

Holzmann, Robert, and Joseph Stiglitz. New Ideas about Old Age Security: Toward Sustainable Pension Systems in the 21st Century. $35. World Bank, Public Information Center, Room GC1300, 1818 H St., NW, Washington, DC 20433, (202) 458-5454, fax: (202) 522-1500.

Salisbury, Dallas, and Marc Robinson. IRA and 401(k) Investing. $6.95. DK Publishing, Inc., 95 Madison Ave., New York, NY 10016, (212) 213-4800, fax: (212) 213 5240.

Salisbury, Dallas, and Marc Robinson. Managing Money in Retirement. $6.95. DK Publishing, Inc., 95 Madison Ave., New York, NY 10016, (212) 213-4800, fax: (212) 213 5240.

The Segal Company. 2000 Survey of the Funded Position of Multiemployer Plans. Free. The Segal Company, One Park Ave., New York, NY 10016, Attn: Kara Jackson, fax: (212) 251-5490, www.segalco.com.

U.S. Congress. Senate Special Committee on Aging and Senate Committee on Small Business. Joint Hearing on Pension Tension: Does the Pension Benefit Guaranty Corporation Deliver for Retirees. Order from GPO.

Social Security

Shaviro, Daniel. Making Sense of Social Security Reform. $25. University of Chicago Press, Order Dept., 11030 S. Langley Ave., Chicago, IL, 60628, (800) 621-2736, fax: (800) 621-8476.

U.S. Congress. House Committee on Ways and Means. Social Security Government Pension Offset. Order from GPO.

Stock Plans

Lipman, Frederick D. The Complete Guide to Employee Stock Options: Everything the Executive and Employee Need to Know about Equity Compensation Plans. $39.95. Prima Publishing, 3000 Lava Ridge Ct., Roseville, CA 95661, (916) 787-7000, fax: (916) 787-7001, e-mail: sales@primapub.com.

GAO Reports

U.S. General Accounting Office. (1) Information Related to the Scope and Complexity of the Federal Tax System. (2) Medical Privacy Regulation: Questions Remain about Implementing the New Consent Requirement. (3) National Saving: Answers to Key Questions. (4) Private Health Insurance: Federal Role in Enforcing New Standards Continues to Evolve. (5) Retiree Health Benefits: Employer-Sponsored Benefits May Be Vulnerable to Further Erosion. (6) Retirement Savings: Opportunities to Improve DOL's SAVER Act Campaign. (7) SEC's Report Provides Useful Information on Mutual Fund Fees and Recommends Improved Fee Disclosure. Order from GAO.

Documents Available on the Internet

Assumptions Used To Project Social Security's Financial Condition www.actuary.org/pdf/socialsecurity/assumptions_0501.pdf

Automatic Enrollment: Benefits and Costs of Adoption institutional.vanguard.com/pdf/automatic_enrollment.pdf

Draft Report of the President's Commission to Strengthen Social Security www.commtostrengthensocsec.gov/reports/

Employer Costs for Employee Compensation www.bls.gov/news.release/ecec.toc.htm

Fiscal Policy and Social Security Policy During the 1990s www.ksg.harvard.edu/jeffreyliebman/papers.htm

Health Insurance Component Analytical Tool (MEPSnet/IC) www.meps.ahrq.gov/mepsnet/IC/MEPSnetIC.asp

Improving Americans' Health Care Coverage Through Defined Contributions www.heritage.org/library/backgrounder/bg1453es.html

List of Expiring Federal Tax Provisions: 2001-2010 www.house.gov/jct/x-56-01.pdf

Mutual Fund Fact Book www.ici.org/aboutfunds/factbook01_toc.html

Prescription Drug Expenditures in 2000

www.nihcm.org/
spending2001.pdf
Social Security: Why Action Should Be Taken Soon
www.ssab.gov/
actionshouldbetaken.pdf

Executive Compensation Sites

BusinessWeek online
www.businessweek.com/
Compensation Express
www.edgar-online.com/
compexpress/
Council on Executive Compensation
http://www.conference-board.org/search/
dcouncil.cfm?councilsid=198
Executive PayWatch
www.aflcio.org/paywatch/
Forbes 400 Richest in America
www.forbes.com/tool/toolbox/
rich400/
Foundation for Enterprise Development
www.fed.org/
Executive Compensation [Drake Beam Morin]
ww.dbm.com/jobguide/
execpay.html
United for a Fair Economy
www.ufenet.org/

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Notes

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