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Executive Summary:

The Ticking Retirement Time Bomb: What State Governments Can Do

- This article summarizes discussions at two regional meetings held in September 2004 by members of the Reforming States Group about how state governments can most effectively respond to the likelihood that a large number of today's public- and private-sector workers won't be able to afford even a modest standard of living in retirement, particularly if they get hit with major home health or nursing home bills.
- State Medicaid systems are usually the system of last resort for home health and nursing home bills. State officials are increasingly concerned by studies suggesting the number of seniors in poverty will grow and that state expenses for care of the indigent elderly could explode, and that the rapidly growing federal budget deficit will leave states on their own if and when this retirement income crisis occurs.
- Several possible focal points were identified for state action, including:
 - Creating benefit programs for state employees, particularly women with modest earnings, to assure that they don't become members of the vulnerable groups.
 - Coming up with incentives that encourage workers to save an adequate amount for retirement and purchase long-term care insurance that would help individuals to finance their own care if it becomes required.
 - Enacting state policies that encourage private employers to sponsor benefit programs that provide retirement income adequacy.
 - Providing and promoting more financial literacy education for residents of all ages, to prepare them for the greater responsibilities they are taking on as changes are being made in employment-based and government benefits.
 - Promoting policies that encourage the annuitization of retirement savings (as opposed to lump-sum distributions of retirement savings), thereby increasing the likelihood that individuals will not outlive their assets in retirement.
 - Convincing the federal government to take greater responsibility for retirees who ultimately require long-term care financed by the Medicaid program—or, in the alternative, at least allow the states greater flexibility in creating retiree assistance programs.

■ The Ticking Retirement Time Bomb: What State Governments Can Do

by Jim Jaffe, EBRI

Introduction

How can state governments most effectively respond to the likelihood that a large number of today's public- and private-sector workers won't be able to afford even a modest standard of living in retirement, particularly if they get hit with major home health or nursing home bills?

Is it inevitable that the number of seniors in poverty will grow and that state expenses for care of the indigent elderly could explode, as recent studies suggest? And given the rapidly growing federal budget deficit, will the states be on their own if and when this retirement income crisis comes to pass? State Medicaid systems are usually the system of last resort for home health and nursing home bills.

Wrestling with this complex issue at two recent meetings were various state government participants from the Reforming States Group (RSG),¹ aided by health and retirement benefit experts, representatives of the Employee Benefit Research Institute (EBRI), which did the studies that quantify the potential shortfalls, and the Milbank Memorial Fund,² which sponsored the sessions in Boston (Sept. 9–10) and St. Louis (Sept. 29–30).

The EBRI analyses, using the EBRI-ERF Retirement Security Projection Model (RSPM™), were first published in 2003 and show that if current patterns continue, there will be an annual shortfall of at least \$45 billion by 2030 between the amount retired Americans need to cover basic expenses (including long-term care expenses not covered by Medicaid) and what they are likely to have available from retirement plans, individual retirement accounts (IRAs), Social Security, and housing equity.³ A subsequent analysis published in May 2004 showed that the continuing decline of "traditional" defined benefit pension plans will have the largest impact on younger workers and families regarding loss of retirement income.⁴ Earlier state-specific studies quantified the shortfall in retirement income adequacy for Kansas and Massachusetts.⁵

The Boston and St. Louis conversations dealt with two interrelated issues: retirement income adequacy generally, and the cost of health care (particularly long-term care) in retirement. Or, as Kansas Insurance Commissioner Sandy Praeger characterized them, "bleak and bleaker." States were the focus of these discussions because of the number of different roles they play in retirement/old age security:

- They are primarily responsible for Medicaid, which pays for almost half of long-term care expenses and a part of health care expenses for dual eligibles.⁶
- They operate other safety-net programs.
- They are large employers and offer benefits to protect employees and spouses.
- They are educators of the public through state treasurer's offices.
- They are regulators of insurance companies that offer annuities, long-term care insurance, and other products.

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- Coming up with incentives that encourage workers to save an adequate amount for retirement and purchase long-term care insurance that would help individuals to finance their own nursing home care if it becomes required.
- Enacting state policies that encourage private employers to sponsor benefit programs that provide retirement income adequacy.
- Providing and promoting more financial literacy education for residents of all ages, to prepare them for the greater responsibilities they are taking on as changes are being made in employment-based and government benefits.

- Promoting policies that encourage the annuitization of retirement savings (as opposed to lump-sum distributions of retirement savings), thereby increasing the likelihood that individuals will not outlive their assets in retirement.
- Convincing the federal government to take greater responsibility for retirees who ultimately require long-term care financed by the Medicaid program—or, in the alternative, at least allow the states greater flexibility in creating retiree assistance programs.

The regional conversations of the Reforming States Group were an effort to win greater awareness of the problems involved and begin the task of moving the discussion from the general to the specific. While the specifics of any strategies to deal with these issues aren't obvious, and implementation won't be easy, all participants seemed to agree that the problems are real, the analyses are legitimate, and that acting sooner rather than later would make the required changes less radical or jarring.

The EBRI Analyses

The starting point for the discussion was a series of EBRI reports that project which groups of the population are most likely to face income adequacy problems in retirement. As a rule, those most vulnerable are single low-income women.

The reports suggest that while older, low-income workers lack the capacity to save enough for retirement, for middle-income workers a modest increase in habitual savings could make a significant difference. The Boston meeting was begun by Massachusetts State Sen. Harriette Chandler, who characterized the retirement income adequacy issue as “the silent crisis.” In St. Louis, Betty Sims, a former state senator and now a project manager for the Missouri Department of Health and Senior Services, echoed this concern about the lack of public attention. “It is an issue on a lot of our minds, but not on others’ minds,” she said.

The authors of the EBRI research, Temple University Professor Jack VanDerhei and EBRI Senior Research Associate Craig Copeland, pointed out that many of those who will confront the problem will be “victims of the averages”—those who unexpectedly live longer than average or have medical expenses above average.

VanDerhei pointed out that approximately half of the American population fits into this category. He argued that the long-term and well-documented shift away from “traditional” defined benefit pension plans and toward defined contribution retirement plans (primarily the 401(k) plan) has shifted financial decision-making from the employer to the employee and some workers appear ill-equipped in this regard.

Copeland made similar points at the St. Louis meeting, and noted that roughly half of the American work force does not participate in any retirement plan at all. For them, he said, the problem is both simpler and more severe, since at some point during their working careers they are not part of the retirement savings system at all.

Women and Traditional Pensions At Risk

While it is difficult to predict whether a particular individual will have a problem with adequate retirement income, members of certain groups are particularly at risk. Single (unmarried at the time of retirement) women whose preretirement incomes are below average are especially vulnerable. Women

About the EBRI Research

The EBRI-ERF Retirement Security Projection Model (RSPM™) that precipitated the Reforming States Group discussion was developed by EBRI, in conjunction with the Milbank Memorial Fund, in an effort to quantify the retirement income of America's future retirees and then to estimate how “adequate” those funds will be during retirement.

Basically, the effort has two components. The first estimates projected retirement income, including Social Security, retirement assets in pension plans, individual retirement accounts (IRAs), 401(k)s, and other tax-advantaged retirement accounts, as well as home equity. The second estimates how much retirees will have relative to their basic living expenses in retirement, including any long-term health care expenses that they might incur. The results showed which groups (based on year of birth, gender, economic, and marital status) are most likely to confront financial problems in the future as well as the extent of any deficiency.

Further details on the EBRI research results can be found at www.ebri.org

tend to live longer than men, which means that they're more likely to live alone and not share a home with a family member who can provide basic assistance when it is required. They tend to have fewer years in the paid labor force and lower earnings, which means that they accumulate fewer pension credits or retirement assets in their own names. And widows and divorced women formerly married to state employees have a special set of problems: Depending on the state, they often do not get the same protections afforded employees in plans covered by federal pension law (ERISA). Women's added longevity, when coupled with their typically lower income and time out of the work force due to family care, leaves them with greater financial needs in retirement but fewer assets.

This sad reality was outlined in Boston by Cindy Hounsell, executive director of the Women's Institute for a Secure Retirement of Washington, DC. Two in 3 working women earn less than \$30,000 annually, Hounsell noted, and women are more likely than men to have part-time jobs that don't provide benefits; even those with benefits tend to accrue less because of absences from the work force caused by family responsibilities. And married women who are financially unsophisticated may face serious problems when their husbands die after electing pension payouts that don't include survivor benefits. Women married to public-sector employees may face greater problems because of different requirements applicable to this group.

Moderating the Boston panel, Anna Rappaport of Mercer Human Resource Consulting reminded those seeking government policies to help solve the problem that government actions have been partially responsible for creating it, by imposing growing burdens with complex, onerous, and frequently changing regulations imposed on private-sector sponsors of "traditional" defined benefit pension plans. There was general agreement among participants that a resurgence of such pension plans—which no one believed would quickly occur—could solve much of the problem, since these types of plans tend to be financed by the employer and often pay an annuity for the life of the retiree.

She also expressed concern that with the move away from traditional defined benefit pension plans, retirees increasingly are being offered retirement benefits in a lump sum and taking their benefits in that way, something that sharply reduces the likelihood they will have adequate income throughout retire-

About the State-Federal Relationship

The conversations summarized in this report touched on a complex relationship between the state and federal governments involving Medicare (the federal health care insurance program for the elderly and disabled) and Medicaid (the federal-state health care program for the poor). Sometimes the links are direct, as when Washington makes adjustments in the Medicaid program, which the federal and state governments jointly fund. In nursing home care, for example, state Medicaid systems are usually the system of last resort for these bills. According to the Centers for Medicare & Medicaid Services (CMS), Medicaid was the source of funding for 49.2% of all nursing home expenditures in 2002, whereas Medicare accounted for only 12.5% of nursing home care.

But often things are less clear; for instance, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which created the Medicare drug benefit that will become available in 2006, offers a murkier picture. On the one hand, it would have the federal government pay for *many* prescription drugs needed by indigent patients, while on the other it doesn't pay for *all* drugs in use and permanently "claws back" current state prescription payments to dual eligibles.

As a result, there's an ongoing debate about whether states are winners or losers in the Medicare prescription drug law, key provisions of which do not kick in until 2006. Since states are legally obligated to provide certain services under Medicaid, have been facing severe budget pressures in recent years, and will see continued state payments for a prescription drug program over which they have no control, the prospect of being asked to take responsibility for major unbudgeted and unfunded retiree health costs in the future is the source of growing concern to many state officials.

The Medicare drug bill also creates new tax-sheltered health savings accounts that could reduce the federal tax bill of participants. Since many state income tax systems are automatically linked to the federal system, anything that cuts federal revenues reduces state revenues as well.

ment. In St. Louis, Larry Zimpleman, president of the Principal Financial Group, made a similar point, concluding “we could do a lot to present a much more positive climate” for defined benefit pension plans. He suggested:

- Providing funding stability for pension plan sponsors by enacting a permanent interest rate benchmark. The current temporary blended corporate bond rate expires in 2007.
- Raising permissible funding limits, thereby allowing sponsors to get ahead of the curve during good economic times. Current law penalizes pension plan sponsors that continue contributing to their plan once specified funding ratios are exceeded.
- Allowing greater flexibility by relaxing rules on required distributions.
- Adopting rules that allow the prudent creation of cash-balance pension plans, which include an amalgam of features from defined benefit and defined contribution plans.

“The future may seem cloudy, but it doesn’t have to be bleak,” Zimpleman said of pension plans.

The decline of defined benefit pension plans was also decried by Richard Holbrook, president of the Eastern Bank of Lynn, MA, who noted that the shift to 401(k)-type plans means that a growing number of workers are confronted with both investment and payout decisions that many are unqualified to make.

The need for education that would result in better decisions was a recurring theme during the discussions in both Boston and St. Louis. However, newer research demonstrates that there are many employees who are not interested in education or making choices.⁷ Therefore, there also was enthusiasm for creating default strategies (automatically enrolling new workers in the employer’s retirement plan unless they opt out; providing for annual increases in the amount saved, and investing the money in a balanced life cycle mutual fund unless another option was selected) that would increase the odds for good outcomes before education changed behavior or when there was no interest in education.

Bob Kuttner, editor of *American Prospect* magazine, saw the problem as more basic and political, raising the question of whether it was possible to reverse a trend that has reduced social responsibility and pooling risk under expert management, rather than asking individual workers to shoulder these responsibilities.

Kuttner said he was no enemy of education, but did not think it could be viewed as a total solution to the problem of uninformed investments and money-management by workers.

The Role of State Governments

A related theme was expressed by Michael Travaglini, executive director of the Massachusetts Pension Reserve Investment Management Board, who wondered why suggested solutions inevitably required changes in personal behavior. Governments—especially state governments—could be a major driver of positive change, he suggested.

Criticism of how the debate is typically focused came also from Ian Bowles, president of MassINC, a Boston think tank, who suggested to a receptive audience that the states take control of the issue rather than asking for changes from Washington.

In St. Louis, there was a related plea for the federal government to allow greater flexibility so the states could experiment, especially in the long-term care area.

Several participants agreed that the new responsibilities being given to workers in assuring their own future comfort in old age required greater education, but Kuttner pointed out that apparent increasing levels of on-the-job stress make it difficult for workers to adequately perform these new duties.

There was more optimism on this issue at the St. Louis regional discussion, where two small employers from North Dakota reported success when their retirement plan provider held annual one-on-one meetings with workers to discuss investment options and goals.

But Holbrook, the Massachusetts bank president, pointed out that lower-paid workers lack both investment expertise and the discretionary income to invest for retirement. There was some conversation about whether plans should be structured with defaults that encouraged savings and retirement plan participation by low-income workers.

There appeared to be a lot of enthusiasm for defined benefit plans expressed by participants at the meeting that isn’t broadly shared by other elements of American society. For instance, some speakers

noted that the trend is toward more individual choice, and away from “paternalistic” retirement plan decisions by employers. Choice is viewed by some people as automatically good, but it is becoming increasingly clear that many employees are poorly equipped for retirement plan choice, and a significant number are not interested in getting educated and making choices.

Also, the regulatory and administrative costs of providing a defined benefit pension plan can be significant for employers, and the employer costs associated with these plans can be reduced by shifting them to employees when changing to defined contribution plans, such as a 401(k) plan. Younger workers generally are believed to prefer such plans both because of their portability (from job to job) and the flexibility they offer in spending the money they save in the plan. However, when states and employers converting to new designs have offered employees a choice, the majority usually retains the traditional plan, contradicting the traditional belief that employees always prefer defined contribution plans. And the Retirement Plan Preferences Survey, by the Society of Actuaries and the American Academy of Actuaries, shows that employees tend to prefer to stay with the defined benefit plan.⁸

But some analysts believe that defined benefit pension plans are inherently more efficient as a way to accrue retirement assets and that the resulting annuity payouts “socialize” risks for retirees. That isn’t always clear to younger workers, however, and there is little public discussion of the issue.

While supportive of defined benefit pension plans, John Turner of the AARP suggested two other reasons that partly explain their decline. One was the popularity of individualism in America (as compared with Western Europe, for instance), despite evidence “that people often make bad decisions concerning the management of their 401(k) plans.”

Unfortunately, this emphasis on individualism challenges the basic assumption of insurance that socializes risk by including large numbers of people who won’t experience the event that triggers a big payout. This is true of both health insurance and annuity payments in retirement. The importance of sharing risk was made by Dolores Mitchell, executive director of the Massachusetts Group Insurance Commission, which buys health insurance for many public employees in that state. Insurance works only when it includes the young and healthy, she explained.

The other reason cited by Turner was the increasing life expectancy of Americans, which by itself increases retirement costs by 1 percent annually, he estimated. Over a multi-decade career, this results in significantly higher individual retirement costs.

For employers, retirement plans are a way to help attract, retain, and manage their work forces. Steve Ricci, a Massachusetts pension consultant, suggested that traditional pension plans are structurally attractive to only older, long-tenured workers. “Creating retirement programs to keep the 29-year-olds happy” is not a productive step for employers, Ricci said.

But Holbrook argued that a combination of education for employees and administrative reforms to limit risk for employers could provide a basis for reviving defined benefit plans. And several speakers in St. Louis suggested that a “holistic,” integrated approach could create a more attractive climate for smaller employers to consider offering a pension plan.

AARP’s Turner said that simplifying rules and relationships would be a positive change. But even if these changes were made there would still be a tilt toward 401(k)-type plans because they do not require any employer contributions when business is bad, said state Rep. George Keiser, chairman of the Industry Business and Labor Committee of the North Dakota House of Representatives, and owner of a printing firm.

Delayed and Gradual (or Phased) Retirement

One of the recurring themes in both regional sessions in Boston and St. Louis was the need to encourage at least some older workers to remain in the work force longer—a strategy that not only reduces the retirement income shortfall by postponing retirement, but also responds to the anticipated future labor shortage as the post-World War II baby boom generation comes of retirement age. Many workers prefer to phase out of the work force in steps rather than retiring all at once.⁹

Missouri’s Sims noted the current trend where the number of years worked is declining, while the number of years spent in retirement is growing. Several participants suggested this trend could be changed by raising the “normal” retirement age—which is currently being gradually increased for

Social Security, and which some officials, such as Federal Reserve Chairman Alan Greenspan, think could be moved even higher.

While supporting reforms to make plans more attractive to employers, Travaglini, head of the Massachusetts Pension Reserve Investment Management Board, suggested the focus should be on the large minority of workers who have no retirement plan at all. But beyond agreement about the need for simplification that would make such plans more attractive to smaller employers, there were few specific suggestions for how this could be accomplished. There was agreement that employment-based plans were the best and most efficient way to induce the “uncovered” to start saving for retirement.

Several speakers noted that the defined benefit pension environment for government workers and retirees has not changed with the private-sector climate for various reasons. Defined benefit plans remain the norm for this group, and government workers are more likely to be provided with retiree health insurance than are private-sector workers. In Wisconsin, for example, retirees can cash out unused sick leave to finance their Medigap premiums.

Part of the reason for the continued popularity of governmental pension plans is that they are not regulated by ERISA (the major federal law governing pensions), which allows states much greater leeway in funding and operating their plans than private employers have. Private-sector plans are subject to federal rules that many sponsors say are onerous and which change often, and which have served to strongly discourage them from continuing to offer a defined benefit plan.

But, noted Sheila Peterson of the North Dakota Office of Management and Budget, state plans also have flaws and fail to recognize a changing environment that should encourage workers to stay on the job longer. Her state now bars retirees from working more than 20 hours a week for the state, and many states continue to offer plans that actually encourage early retirement.

Ken Hutchinson, the University of Missouri’s vice president for human resources, pointed to some successes in educating employees about the growing menu of choices available to them. Hutchinson encouraged employer educational programs that realistically reconcile financial planning objectives with retirement income adequacy.

Long-Term Care Insurance

Several participants suggested that strong state support for long-term care insurance as a work place benefit could push the product to the “tipping point,” where it would be seen as a common and popular benefit. It’s far from that point now for a variety of reasons, including low interest by workers and employers, complex policies, and the high cost of premiums.

Others suggested that one of the standard Medigap policies, which are defined by federal regulation, be expanded to include long-term care.

Sandra Timmermann, director of MetLife’s Mature Market Institute, reported that about 80 percent of 900,000 policies initiated in 2000 were sold in the individual market. Employer reluctance to offer this benefit may reflect the low take-up rate (typically below 3 percent) experienced by firms that do introduce the benefit, she said.

So, for the foreseeable future, only a modest minority of those who will require long-term care in their old age will have insurance to help pay for it. No one disputed the prediction by Guenther Ruch, senior vice president of WPS Health Insurance of Madison, WI, that long-term care insurance will not take off until it is pushed by financial planners—a conclusion that seemed to obliquely suggest that those who were most likely to find long-term care unaffordable were least likely to purchase insurance. He suggested that another reason long-term care insurance has not taken off is the asset divestiture opportunities currently built into the Medicaid system and that Medicaid, by many, is seen as a true entitlement program rather than as a safety net for the poor.

Added evidence was shared in Boston by Michael Taylor of the consulting firm of Towers Perrin, who reported that employers are reluctant to offer long-term care insurance because of modest employee interest. Various types of tax-sheltered accounts to meet health and retirement needs were very popular, he said.

Several speakers said there was tentative interest among employers in the newly authorized health savings accounts and curiosity about whether the accounts will induce workers to save more for retiree

health and long-term care expenses. There's little evidence yet, although an EBRI analysis suggests the impact will be marginal at best.¹⁰

EBRI President and CEO Dallas Salisbury provided a good news-bad news context to the discussions, noting that while the savings shortfall for many Americans was both large and real, the problem partly resulted from the fact that Americans were living much longer and more active lives than they were just a few decades ago.

And, he noted, many employers are dealing with immediate stresses in ways that may make future problems worse, by shifting money away from retirement programs to pay today's rapidly rising health insurance premiums. Also, he said, workers who are asked to pay more for their health care have less discretionary income remaining that they can put into retirement savings plans, should they be so inclined.

Turner noted that employers looking to expand benefits have found that adding health coverage (which has declined in recent years) is a higher priority for workers than retirement savings. Various surveys, including EBRI's Value of Benefits Survey, have documented a clear employee preference for health benefits over retirement benefits.¹¹

The shift away from defined benefit pension plans coupled with longer life spans presents a major financial planning challenge, Salisbury concluded. Either individuals must save more, or more people will be poor or near-poor, and states will have to pay more for services and a social safety net—unless some way can be found to reduce the anticipated expenses of dealing with the lurking problem of inadequate retirement income.

Indeed, state officials are working on that. They have two basic approaches to containing the cost of extended institutional care—using less costly nonresidential programs to meet the need and encouraging workers to buy long-term care insurance so that fewer of those requiring such care will depend on publicly financed indigent care programs.

In the St. Louis regional meeting, there was widespread enthusiasm for convincing Congress to allow more states to participate in the Partnership Program (currently limited to just four states), which allows seniors with long-term care coverage to avoid normal “spend-down” rules that effectively force them into destitution when they request assistance from state Medicaid programs.

There was also some enthusiasm for tax incentives to make long-term care insurance more attractive.

Rhode Island Lt. Gov. Charles Fogarty said states could moderate the anticipated expenses for long-term care by encouraging non-institutional alternatives. In his state, he noted, the percentage of spending on community-based long-term care had risen significantly to 13 percent over the past seven years, although nearly 90 percent remains directed toward institutional care.

Many states are taking a similar approach. For instance, the segment of Minnesota seniors in nursing homes has declined from 8.4 percent to 5.5 percent in the past 20 years (the 2001 national average was 4.2 percent). During this period, the state reduced its nursing home beds by more than 7,300.

Many state officials saw strong public support for maintaining the Medicaid program—as evidenced by the fact that it was generally protected from budget cuts resulting in recent years, despite widespread revenue shortfalls. “Most states have accepted the reality that the basic programs aren't optional,” said Kansas budget director Duane Goosen.

On the other side of the coin, continued rapid growth in a program that already takes more than 1 in 5 state dollars is not politically or fiscally palatable over the long term, as it would gradually crowd out other state spending if left unchecked.

In summing up the discussions, Dan Fox, president of the Milbank Memorial Fund, made the somber observation that “Many millions of Americans are facing a potentially catastrophic situation.”

For individual Americans and for policymakers, Fox said, the ultimate question is: “What percent of your current income are you prepared to pay in taxes and or/to defer in order to reduce the risk of untreated pain and suffering—for other people if you're rich and for yourself and almost everyone you know if you are not?”

Endnotes

- ¹ The Reforming States group is a voluntary association of leaders in the legislative and executive branches of government from all 50 states. It is governed by a Steering Committee that has 32 members at present; the greater RSG has just over 400 members.
- ² On the Internet at www.milbank.org/
- ³ 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).
- ⁴ _____. "ERISA At 30: The Decline of Private-Sector Defined Benefit Promises and Annuity Payments? What Will It Mean?" *EBRI Issue Brief* no. 269 (Employee Benefit Research Institute, May 2004).
- ⁵ On the Internet at www.ebri.org/pdfs/kansas.pdf (Kansas Future Retirement Income Assessment Project) and www.ebri.org/pdfs/massrpt.pdf (Massachusetts Future Retirement Income Assessment Project). An earlier study of Oregon was conducted, but the methodology is not comparable to the later state studies; for example, it did not quantify the state's shortfall.
- ⁶ See Centers for Medicare & Medicaid Services, "National Health Accounts, Historical and Current Years, Type of Service and Source of Funds," on the Internet at www.cms.hhs.gov/statistics/nhe/
- ⁷ Olivia S. Mitchell and Stephen P. Utkus, eds., "Pension Design and Structure: New Lessons from Behavioral Finance." Oxford University Press (July 2004).
- ⁸ Mercer Human Resource Consulting, "Exploding the Myth That Employees Always Prefer DC Plans." *A Mercer Perspective on Retirement* (May 2004). Available online at www.mercerhr.com/summary.jhtml/dynamic/idContent/1138485 (last reviewed October 2004).
- ⁹ See Joseph Quinn, "Retirement Patterns and Bridge Jobs in the 1990s," *EBRI Issue Brief* no. 206 (Employee Benefit Research Institute, February 1999); and David Rajnes, "Phased Retirement: Leaving the Labor Force," *EBRI Notes*, vol. 22, no. 9 (Employee Benefit Research Institute, September 2001).
- ¹⁰ Paul Fronstin and Dallas Salisbury, "Health Care Expenses and the Use of Health Savings Accounts in Retirement," *EBRI Issue Brief* no. 271 (Employee Benefit Research Institute, July 2004).
- ¹¹ Rachel Christensen, "Value of Benefits Constant in a Changing World: Findings from the 2001 EBRI/MGA Value of Benefits Survey," *EBRI Notes*, Vol. 23, no. 3 (Employee Benefit Research Institute, March 2002), pp. 1–4.

■ New Publications and Internet Sites

Compensation

Mercer Human Resource Consulting. *2004/2005 US Compensation Planning Survey*. \$225, pdf; \$245, hard copy. Order online at www.imercer.com/cps or call (800) 333-3070.

Employee Benefits

Society for Human Resource Management. *SHRM 2004 Benefits Survey Report*. \$99.95; SHRM members, \$79.95. Society for Human Resource Management, 1800 Duke St., Alexandria, VA 22314-3499, (800) 444-5006.

Health Care

Cutler, David M., and Alan M. Garber. *Frontiers in Health Policy Research, Volume 7*. \$30. MIT Press, c/o Trilateral, 100 Maple Ridge Dr., Cumberland, RI 02864, (800) 405-1619 or (401) 658-4226, fax: (401) 531-2801.

Mellon Human Resources and Investor Solutions. *National Health Care Trend Survey*. \$100; Mellon clients, free. Mellon Human Resources & Investor Solutions, Attn: Benefits Survey Department, 500 Plaza Dr., Secaucus, NJ 07096-1533, (201) 553-6400.

Watson Wyatt Worldwide and National Business Group on Health. *New Reality New Choices: Ninth Annual National Business Group on Health/Watson Wyatt Survey Report*. \$45. Watson Wyatt Worldwide, 1717 H St., NW, Suite 800, Washington, DC 20006, (202) 715-7000.

Pension Plans/Retirement

Burman, Leonard E., et al. *Distributional Effects of Defined Contribution Plans and Individual Retirement Arrangements*. \$5. The Urban Institute Press, P.O. Box 7273, Dept. C., Washington, DC 20044, Toll-free: (877) 847-7377, fax: (202) 467-5775, pubs@ui.urban.org.

U.S. Congressional Budget Office. *Tax-Deferred Retirement Savings in Long-Term Revenue Projections*. Free. CBO Publications Office, Ford House Office Building, Second and D Streets, SW, Washington, DC 20515, (202) 226-2809, www.cbo.gov.

Women's Institute for a Secure Retirement and Heinz Family Philanthropies. *A Simple Guide to What Everyone Needs to Know about Money & Retirement*. \$3. Women's Institute for a Secure Retirement, 1920 N St., NW, Suite 300, Washington, DC 20036, (202) 393-1990, www.wiser.heinz.org.

WorldatWork, Employee Benefit Research Institute, and Society for Human Resource Management. *Employer-Sponsored Investment Advice: Survey Report*. Available as a downloadable pdf only. \$59.95; WorldatWork members, \$39.95. Order online at www.worldatwork.org.

Tax Policy

Poterba, James M. *Tax Policy and the Economy, Volume 18*. \$25. MIT Press, c/o Trilateral, 100 Maple Ridge Dr., Cumberland, RI 02864, (800) 405-1619 or (401) 658-4226, fax: (800) 406-9145 or (401) 531-2801.

Sites With Retirement Calculators

AARP: Financial Planning—Retirement Income
www.aarp.org/financial-planningretire/

Choose to Save: Financial Tools
www.choosetosave.org/tools/index.htm

CNN/Money: Retirement
money.cnn.com/retirement/

Morningstar: Personal Finance and Investing
www.morningstar.com/Cover/PersonalFinance.html?topnav=finance

National Retirement Planning Coalition: Retirement Countdown
www.retirementcountdown.com/calculators/retirement.aspx

Smartmoney.com: Retirement
www.smartmoney.com/retirement/

Social Security Online—Benefit Calculators
www.ssa.gov/OACT/ANYPIA/compute.html

T. Rowe Price: Retirement Income Calculator
www3.troweprice.com/ric/RIC/

Web Documents

The Distribution of Financial Wealth Among Boomers
research.aarp.org/econ/dd99_distribution.pdf

IRS Guidance on HSAs and State-Mandated Benefits Laws
www.segalco.com/publications/bulletins/july04moreHSAg.pdf

The Outlook for Social Security
<ftp://ftp.cbo.gov/55xx/doc5530/06-14-SocialSecurity.pdf>

Trends in U.S. Health Insurance Coverage, 2001-2003
www.hschange.org/CONTENT/694/694.pdf

Understanding Retirement Plan Fees and Expenses
www.dol.gov/ebsa/pdf/undrstndgrtrmnt.pdf

Statement of Ownership

United States Postal Service Statement of Ownership, Management, and Circulation.

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