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Notes

Retirees With Pension Income and Characteristics of Their Former Job

by Craig Copeland, EBRI

Retirees' receipt of pension income significantly affects their ability to maintain a standard of living similar to that of their preretirement years.[1] The factors associated with workers receiving pension income are determined by various characteristics of both the workers and their employers. This article examines the percentage of retirees receiving pension income and the characteristics of these individuals as well as those of their former employers. The Retirement and Pension Plan Coverage Topical Module of the 1996 Survey of Income and Program Participation (SIPP) is used to determine these characteristics.[2] Although the data are from 1998, they provide the most recent extensive information available on the characteristics of workers and their former employers as well as certain issues surrounding pension income.[3]

Percentage of Retirees Receiving Pension Income

In 1998, 41.6 percent of retirees ages 55 or older had pension income from their own former employer, and 50.4 percent received pension income from either their own or their spouse's former employer (Figure 1). Retirees are defined in this analysis as all individuals age 65 or older regardless of work status and those ages 55–64 who are receiving pension income or who reported they had retired from a job or a business.[4] Among those ages 65 or older, the portion receiving pension income from their own former employer falls to 36.0 percent and the portion receiving it from either their own or their spouse's former employer falls to 44.3 percent.

As can be seen from the age breakdown, the receipt of pension income among retirees ages 55–64 year differs significantly from that of those age 65 or older. Approximately 70 percent of 55–64-year-old retirees had pension income from their own former employer, compared with less than 40 percent of each age grouping of the population age 65 or older (Figure 1). This difference occurs primarily because nonworkers are not included in the 55–64 year old group, whereas those who never worked are included in the 65 or older population. After this drop-off, there is an increase in the percentage of those receiving pension income from their own former employer up to the 70–74 age group and an increase in the percentage of those receiving it from their own or a spouse's former employer up to the age 80-or-older group. The oldest retirees are the least likely to have pension income from any source.

Monthly Pension Income Amounts

For all retirees age 55 or older, the average monthly pension income was $920 and the median (mid-point) was $684 in 1998

Figure 1

PERCENTAGE OF RETIREES[a] WITH PENSION INCOME AND MONTHLY PENSION AMOUNTS BY AGE, 1998

	Number (millions)	Pension Income From: Own former employer	Pension Income From: Own or spouse's former employer	Monthly Pension Income Summary Statistics[b]: Average	25th percentile	Median	75th percentile
Retirees 55 or Older[a]	38.6	41.6%	50.4%	$920	$275	$684	$1,286
Retirees 65 or Older	32.2	36.0	44.3	781	228	549	1,050
55–64 Retirees[a]	6.4	69.6	80.9	1,281	540	1,091	1,850
65–69	9.4	35.3	41.7	879	275	622	1,200
70–74	8.6	38.3	45.5	817	263	600	1,098
75–79	6.9	36.8	47.6	771	230	536	1,041
80 or Older	7.3	33.6	42.9	609	160	387	834

Source: Employee Benefit Research Institute estimates of the 1996 Survey of Income and Program Particpation Retirement and Pension Plan Coverage Topical Module.

[a]Retirees are defined as all those age 65 or older regardless of work status and those 55–64 who receive pension income or reported that they had retired from a job or a business.

[b]This includes only those who received pension income from their own former employer.

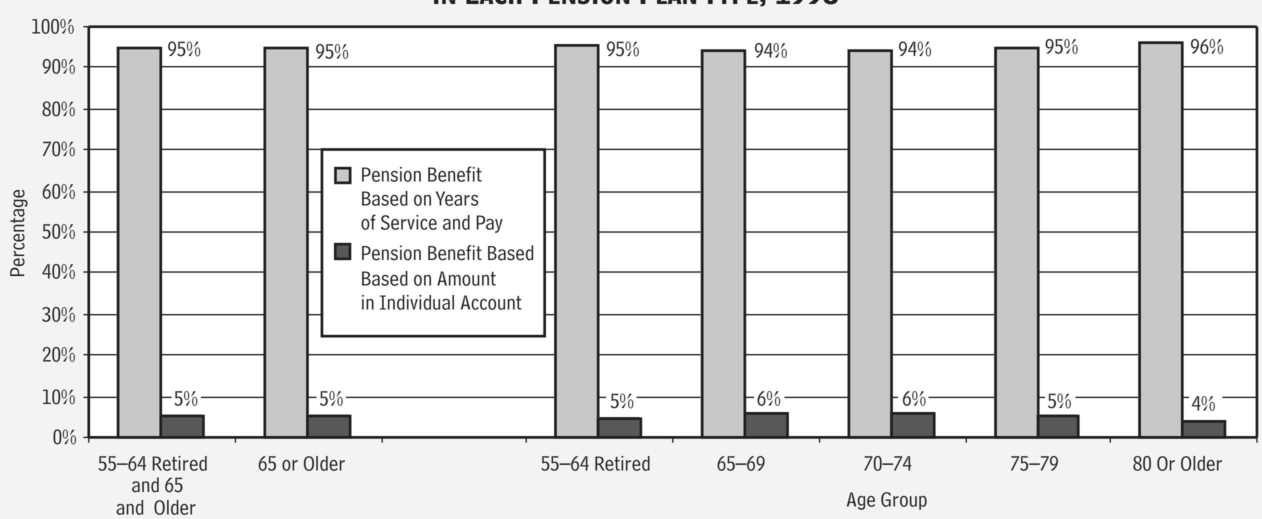
(Figure 1). Again, the group of retirees under age 65 differs from the group age 65 or older: The average monthly pension income falls to $781 for those age 65 or older. The average pension income is relatively similar for those 65 or older up to the oldest age group, where a significant decline occurs—from $771 for the 75–79 age group to $609 for the 80-or-older age group.

Pension Income Defined

Before discussing the characteristics of retirees with pension income, the term *pension income* as used in this article needs to be clearly defined. The relevant questions defining pension income as asked in the survey are: 1) Did you receive any pension income in the reference month of the survey? and 2) Will you receive it for the rest of your life? Therefore, the survey is measuring traditional defined benefit pension plan payments, along with payments received by the few defined contribution plan annuitants. Specifically, according to the survey, 95 percent of those receiving pension income reported that the pension's benefits were determined by years of service and pay (a typical defined benefit plan formula), while the benefits of the remaining 5 percent were determined by the amount in an

Figure 2

PERCENTAGE OF THOSE RECEIVING PENSION INCOME FROM THEIR OWN FORMER EMPLOYER IN EACH PENSION PLAN TYPE, 1998



Source: Employee Benefit Research Institute estimates of the 1996 Survey of Income and Program Participation Retirement and Pension Plan Coverage Topical Module.

individual account (Figure 2). Consequently, since only those who are receiving this income for life are counted as receiving pension income, not everyone who was receiving some type of pension or retirement plan income from an employment-based plan in 1998 was included. The occurrence of pension or retirement plan income that does not continue for life is examined in a later section, but only for those who maintained a retirement account until retirement, not for those who received a lump-sum distribution and may have invested it elsewhere.[5]

Figure 3

Percentage of Americans Age 65 or Older With Pension Income and Pension Amounts, by Retiree Characteristics, 1998

		Pension Income From		
	Number (millions)	Own Own former employer	Own or spouse's former employer	Median Pension Income Amount[a]
Total	32.2	36.0%	44.3%	$549
Gender				
Male	13.6	53.2	56.0	700
Female	18.6	23.5	35.7	346
Race/Ethnicity				
White	27.0	37.8	46.6	560
Black	2.6	33.5	39.5	507
Hispanic	1.6	22.0	25.5	375
Other	0.9	17.5	22.0	416
Educational Level				
Less than high school diploma	11.0	27.9	35.3	399
High school diploma	10.7	35.2	44.3	470
Some college	6.1	39.8	48.9	645
College degree	2.6	47.4	54.9	850
Postgraduate degree	1.8	62.2	67.8	1,200
Marital Status				
Married	17.2	40.7	44.0	600
Widowed	10.9	28.4	46.2	400
Divorced/separated	2.6	35.3	39.0	613
Never married	1.5	39.3	41.9	600

Source: Employee Benefit Research Institute estimates of the 1996 Survey of Income and Program Participation Retirement and Pension Plan Coverage Topical Module.
[a]This includes only those receiving pension income from their own former employer.

Retiree Characteristics

Since the 55–64-year-old retirees, as defined above, did not appear to reflect the entire retiree population, only those age 65 or older are examined in this section, which discusses the factors that affect the presence of pension income among typical retirees. The characteristics that stand out as being correlated with increased likelihood of having pension income from one's own or one's spouse's former employer are being male, being white, and having postgraduate education (Figure 3). The gender gap is particularly striking: 53.2 percent of males have pension income from their own former employer, compared with 23.5 percent of females. Marital status is not consistent across the two sources of pension income, as widows have a significantly lower probability (28.4 percent) of having pension income from their own former employer but have the highest probability (46.2 percent) of having pension income from their own or their spouse's former employer.

The median pension income amount across the various characteristics follows virtually the same pattern as the prevalence of pension income receipt.[6] Males' monthly median pension income among those receiving it from their own former employer was $700, compared with $346 for females. A similar disparity, if not more pronounced, occurred across educational levels: Retirees who received pension income and did not have a high school diploma had a median monthly pension income of $399, compared with those with a postgraduate degree, who had a median monthly pension income of $1,200. Widows' median monthly pension income was significantly less than that of the other marital statuses ($400, compared with at least $600 in the other groups).

Former Employer and Employment Characteristics of the Retirees

This section discusses the prevalence and amount of pension income among retirees who were former workers. Of those age 65 or older who had worked for pay during their lifetime, 54.5 percent received pension income, with a median monthly amount of $549 (Figure 4). Across employer and employment characteristics, the likelihood of receiving pension income increased with employer size and with tenure at the retiree's last job. Furthermore, retirees who were in a union; worked for a public-sector employer; or

Figure 4

Percentage of Americans Age 65 or Older Who Have Worked for Pay, With Pension Income and Median Pension Income Amounts, by the Individual's Former Employer Characteristics, 1998

	Number (millions)	Pension Income From Own or Former Employer	Median Monthly Pension Income Amount
Total	21.3	54.5%	$549
Employer Size			
Less than 10 employees	3.5	17.2	450
10–24 employees	1.1	30.0	391
25–49 employees	1.1	37.5	270
50–99 employees	1.1	51.3	345
100 or more employees	14.5	66.9	590
Union Status			
Union covered	5.9	77.7	590
Nonunion	15.4	45.7	500
Class of Worker			
Private	14.7	50.8	423
Self-employed	1.6	14.3	348
Public	5.0	78.3	904
Tenure of Last Job			
Less than 5 years	1.0	18.2	329
5–9 years	2.4	28.4	287
10–19 years	5.3	48.8	336
20 or more years	12.5	65.1	673
Industry			
Agriculture	0.4	13.7	488
Mining	0.2	55.1	375
Construction	0.9	41.7	600
Manufacturing	5.8	62.0	438
Transportation, communications, and public utilities	1.4	59.4	729
Wholesale trade	0.6	39.4	400
Retail trade	2.4	26.0	254
Finance, insurance, and real estate	1.0	49.6	316
Professional services	2.2	44.8	352
Personal services	1.4	24.5	398
Public	5.0	78.3	904
Earnings Prior to Retirement (1998$)			
Less than $10,000	3.6	31.5	300
$10,000–$19,999	4.6	44.2	340
$20,000–$29,999	3.8	54.3	350
$30,000–$49,999	5.0	67.2	399
$50,000 or more	4.3	70.9	600

Source: Employee Benefit Research Institute estimates of the 1996 Survey of Income and Program Participation Retirement and Pension Plan Coverage Topical Module.

worked in the manufacturing or transportation, communications, and utilities industries were more likely to have pension income.

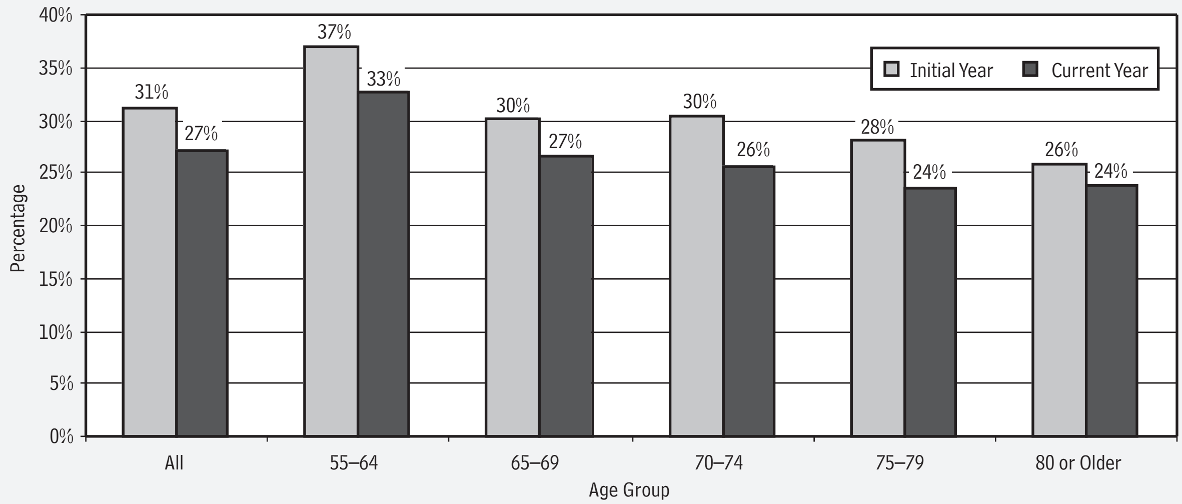
The median monthly pension income amounts did not follow clear patterns, as those who had worked for the smallest and largest employers had higher median pension incomes than those who had worked for medium-size employers. In addition, the longest-tenure employees had the highest pension incomes; however, the pattern for shorter tenure was not a consistent trend. Other groups having higher pension incomes were those who belonged to a union; worked in the transportation, communications, and utilities industries; or worked in a public-sector job.[7]

One further indicator of pension income in retirement is the retirees' earnings prior to retirement. There is a significant increase in the likelihood of receiving pension income as earnings prior to retirement increased (Figure 4). Among those who earned less than $10,000 in 1998 dollars, 31.5 percent received pension income. This percentage increased to 70.9 percent of those who earned $50,000 or more in 1998 dollars.[8]

The percentage of preretirement earnings that the pension income replaces is an important factor in a retiree's ability to maintain his or her standard of living in retirement. This study's estimates of the replacement rate of pension income are derived from the worker's earnings prior to retirement and the initial and current pension amounts. This is not a true replacement rate from the pension plan, because the earnings are those just prior to retirement and are not necessarily from the employer providing the pension. Two "replacement rates" are calculated. The first is the fraction of the retirees' earnings prior to retirement that the initial monthly pension income amount represents. This is considered the "initial" rate, as it compares the amounts at the time of retirement. The second "replacement rate" is calculated using the current pension amount, which could be equal to the initial amount if there has not been a cost-of-living adjustment (COLA) or an ad hoc adjustment to the pension, and the retiree's earnings prior to retirement are inflated by the consumer price

Figure 5

PERCENTAGE OF PRERETIREMENT EARNINGS REPLACED BY PENSION INCOME IN INITIAL YEAR OF RETIREMENT AND THE CURRENT YEAR, BY AGE, 1998



Source: Employee Benefit Research Institute estimates of the 1996 Survey of Income and Program Participation Retirement and Pension Plan Coverage Topical Module.

index to 1998 dollars. This "current" rate shows the replacement of purchasing power from the pension income that it represents in 1998, as pensions without adjustments for inflation buy less as the retiree gets older.

Overall, pension income "replaced" on average 31.1 percent of earnings prior to retirement in the initial year of retirement, while 27.2 percent on average of the inflation-adjusted earnings are replaced in the current year (Figure 5). The initial average rates were fairly consistent across retirees' age groups, and an approximate 4-percentage point average drop in purchasing power occurred because many pension income amounts were not indexed for inflation. The oldest retirees had both the lowest initial and current average "replacement rates."

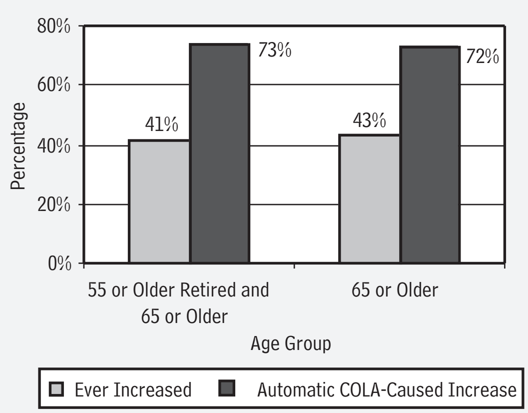
Issues Affecting Pension Income

As previously mentioned, some retirees' pension incomes are adjusted for inflation or on an ad hoc basis. Furthermore, many pension plans have a survivor option stipulating that if the retiree receiving the pension income dies before his or her spouse, the spouse will still receive the pension income. This section discusses these two issues.

Pension Income Increases—Approximately 41 percent of retirees receiving pension income from their own former employer have ever had the amount increased (Figure 6). Of these, about 73 percent received the increase as a result of an automatic COLA, which is typically tied to the consumer price index (CPI). Among all retirees age 65 or older receiving pension income from their own former employer, 31 percent have an automatic COLA (Figure 7). The incidence of a COLA seems to be diminishing, as 34.3 percent of the retirees ages 75–79 who had pension income from their own former employer had a COLA, compared with 27.9 percent of those ages 55–64. A COLA was significantly more likely to have been received by a public-sector employee: 54.9 percent of retirees whose last job was in the public sector and received

Figure 6

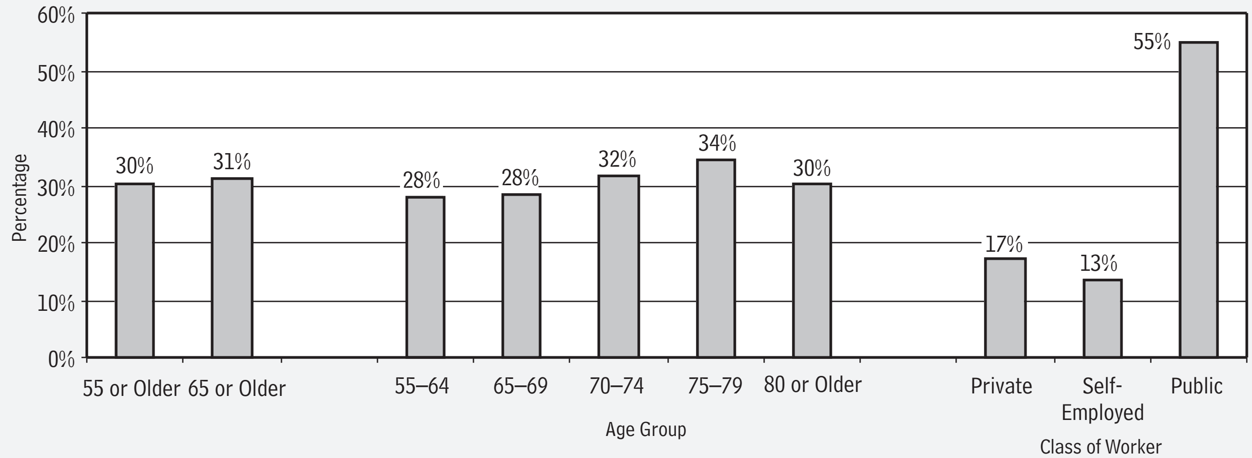
PERCENTAGE OF RETIREES RECEIVING PENSION INCOME FROM THEIR OWN FORMER EMPLOYER WHO HAVE EVER HAD THEIR PENSION INCOME AMOUNT INCREASED, AND THE PERCENTAGE OF THOSE WITH AN INCREASE DUE TO AN AUTOMATIC COST-OF-LIVING ADJUSTMENT (COLA), 1998



Source: Employee Benefit Research Institute estimates of the 1996 Survey of Income and Program Participation Retirement and Pension Plan Coverage Topical Module.

Figure 7

PERCENTAGE OF RETIREES RECEIVING PENSION INCOME FROM THEIR OWN FORMER EMPLOYER WHO HAVE AN AUTOMATIC COST-OF-LIVING ADJUSTMENT (COLA), BY AGE AND CLASS OF WORKER, 1998



Source: Employee Benefit Research Institute estimates of the 1996 Survey of Income and Program Participation Retirement and Pension Plan Coverage Topical Module.

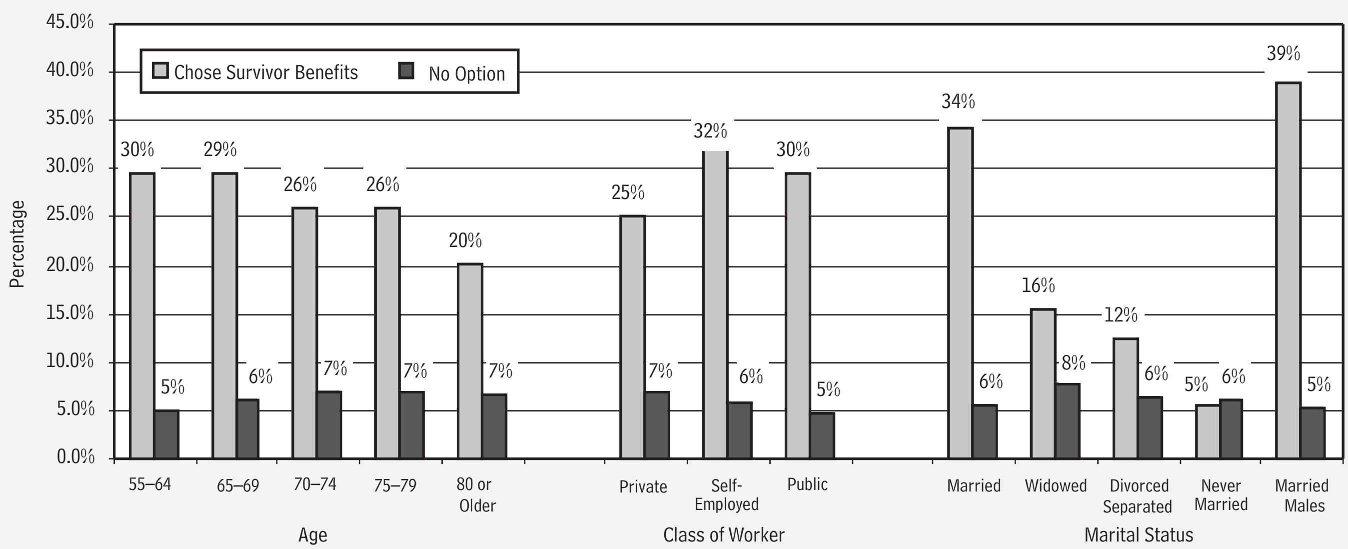
pension income had a COLA, compared with 17.1 percent of those whose last job was in the private sector.[9]

Survivor Option—According to SIPP, overall 26.8 percent of retirees age 55 or older receiving pension income from their own former employer took reduced benefits in order to have survivor benefits. Another 6 percent did not have the option. Thus, more than 67 percent did not take reduced benefits in order to have a survivor option. The likelihood of taking the option is more prevalent among the younger retirees: 30 percent of those ages 55–64 elected the survivor option, compared with 20 percent of those age 80 or older (Figure 8). Furthermore, the class of worker did not appear to have a large impact upon the decision: 30 percent of the former public-sector workers elected the option, while 25 percent of the former private-sector workers did so.

Since those who are not

Figure 8

PERCENTAGE OF RETIREES 55 OR OLDER RECEIVING PENSION INCOME FROM THEIR OWN FORMER EMPLOYER WHO TOOK REDUCED BENEFITS IN ORDER TO HAVE SURVIVOR BENEFITS, BY AGE, CLASS OF WORKER, AND MARITAL STATUS, 1998



Source: Employee Benefit Research Institute estimates of the 1996 Survey of Income and Program Participation Retirement and Pension Plan Coverage Topical Module.

Figure 9

PERCENTAGE OF AMERICANS 65 OR OLDER WHO HAVE WORKED FOR PAY WHO RECEIVE OTHER TYPES OF PENSION INCOME,[a] AND ALL TYPES OF PENSION INCOME, AND SUMMARY STATISTICS OF MONTHLY OTHER PENSION INCOME BY AMOUNTS, AGE, GENDER, AND CLASS OF WORKER, 1998

	Number	Other Types of Pension Income[a]	Pension Income From Own Former Employer	All Pension Income Types	Monthly Other Pension Income Amounts: Average	25th percentile	Median	75th percentile
	(millions)	(percentage)						
Total	21.3	5.3%	54.5%	57.5%	$1,308	$250	$500	$900
Age								
65–69	6.0	5.1	54.8	58.2	1,674	400	600	1,500
70–74	5.9	7.4	56.3	60.3	1,467	250	500	1,000
75–79	4.6	5.9	54.9	58.1	798	180	372	660
80 or older	4.7	2.3	51.7	52.8	1,118	100	412	713
Gender								
Male	11.4	6.2	63.3	66.4	1,619	250	500	1,000
Female	9.9	4.2	44.4	47.2	667	250	450	900
Class of Worker								
Private	14.7	5.6	50.8	54.2	1,192	202	500	1,353
Self-employed	1.6	6.9	14.3	19.8	2,585	412	600	1,000
Public	5.0	3.9	78.3	79.5	980	250	444	808

Source: Employee Benefit Research Institute estimates of the 1996 Survey of Income and Program Participation Retirement and Pension Plan Coverage Topical Module.

[a]Other types of pension income include withdrawals from 401(k)-type plans, individual retirement accounts, and Keoghs.

married would not have a reason to elect the option, a closer examination of this statistic is necessary. Even when focusing on married retirees, the percentage electing the survivor option was 34 percent (Figure 8). Taking it one step further to account for possible pension income of both spouses by focusing only on married males, the percentage increased to 39 percent electing the survivor option. Consequently, a majority of retirees with pension income from their own former employer did not elect the survivor option, even among only those who had the most use for it—married retirees.

Other Pension Income

Other types of income that are sometimes included under the pension income rubric besides the traditional defined benefit annuity payments are withdrawals from defined contribution plans (such as 401(k) plans), any withdrawals from individual retirement accounts (IRAs) that include rollovers from employment-based plans, and any one-time lump-sum payments from an employment-based retirement plan. To measure the extent of these other types of pension income, the sources of income for the reference month of this topical module are examined.[10] The sources of income include a variable for withdrawals from 401(k)-type plans, IRAs, and Keogh plans. Consequently, the percentage of those age 65 or older who had worked for pay having this type of income in a month can be determined from the survey.

Approximately 5 percent of Americans age 65 or older who had worked for pay had monthly other pension income or income from withdrawals from 401(k)-type plans, IRAs, or Keoghs (Figure 9). This increased the percentage of these Americans receiving pension income from 54.5 percent to 57.5 percent for any type of pension income.[11] The 70–74 age group had the largest percentage of those receiving other pension income, as individuals who reach age 70 1/2 must begin to take withdrawals from most IRAs and 401(k)-type plans, as required by Internal Revenue Service (IRS) rules. This percentage decreases significantly as the age increases because older former workers were less likely to have had such a plan or were more likely to have spent the plan's assets by the time they reached that age.

Males were more likely to have had these other types of pension income, increasing the gender gap in any type of pension income beyond the gap that existed for traditional pension income. Furthermore, retirees whose last job was in the private sector were more likely to have had other types of pension income. This would be expected, as defined contribution plans are more prevalent among current private-sector workers. The median monthly other pension income of $500 was similar to the median monthly traditional pension income of $549 for those age 65 or older (Figures 1 and 9). The median monthly other pension income fell with age and was higher for males and those who worked in the private sector. These median amounts appear to indicate that the typical person who has maintained an account until retirement is taking a monthly withdrawal, not withdrawing the entire amount at one time. However, the significantly higher average amount relative to the median that is found for most of these categories suggests that some retirees are withdrawing the entire amount at one time. Consequently, the percentage of retirees who receive other pension income on an annual basis is most likely to be higher than the percentage who are reported to receive it on a monthly basis, as in this study. Furthermore, any retiree who has already cashed out a retirement plan would not be counted in this study, so this is not an exhaustive count of all retirees who have some income in retirement from an employment-based pension or retirement plan.

Conclusion

The percentage of Americans age 65 or older who had pension income in annuity form was 44.5 percent regardless of the source (own or spouse's former employer) of the pension. When the population is narrowed to those who had worked for pay, 54.5 percent had traditional pension income. If other types of pension income such as 401(k)-type plans are included, the percentage having pension income increases to 57.5 percent. This number is similar to but higher than the approximately 50 percent of the current wage and salary workers who are participating in an employment-based retirement plan.[12] Consequently, more workers are picking up pension coverage over their working careers than is reflected in a point-in-time estimate.[13] Furthermore, the prevalence of defined contribution income among current workers has not yet (or at least as of 1998) affected the percentage of retirees age 65 or older having a traditional pension, as this percentage across the various age groups has held steady. The "replacement rates" calculated in this study also show no erosion in the level of benefits provided through the traditional pensions.

However, just as current workers' participation in retirement plans is correlated with their characteristics as well as those of their employers, certain retirees are less likely to have any pension income in retirement. In particular, retirees who were nonwhite, less educated, worked for smaller firms, had shorter tenure at their last job, worked for a private-sector employer, were not a union member, or had lower earnings prior to retirement were less likely to have pension income. One striking difference is that male retirees were more than twice as likely to have pension income as female retirees. Furthermore, the low percentage of married pension income earners who elected the survivor benefit could likely leave many females without a pension income in their old age.

While the changes in employment-based pensions that have occurred for current workers had not appeared for retirees as of 1998, these changes will come. A larger share of retirees will have to manage their retirement assets throughout retirement in order to have sufficient income during their retirement, instead of having a steady check coming in every month.[14] While some retirees must do some budgeting under the current system, as was shown by the lower current "replacement rate" relative to the initial rate due to the lack of inflation adjustments, this will undoubtedly become more important in the future. Although most current retirees who receive pension income have it for life, there are still many current retirees without pension income. Consequently, the current pension system (which relies more heavily on defined contribution plans than in the past) faces both the continuing challenge of providing more workers with a retirement plan and also the new challenge of ensuring that retirees have pension income throughout their retirement.

Endnotes

[1] See Craig Copeland, "Retirement Plan Participation and Features, and the Standard of Living of Americans Age 55 or Older," *EBRI Issue Brief* no. 248 (Employee Benefit Research Institute, August 2002), showing that individuals 55 or older who reported they had the same or better standard living relative to when they

were ages 50–54 had a significantly higher probability of having pension income than those who reported a standard of living that was somewhat or much worse.

[2] The 1996 Survey of Income and Program Participation was conducted by the U.S. Census Bureau and followed the same households for a four-year period. The interviews of the households are conducted in four-month intervals about the economic situation and demographic characteristics of the households. Furthermore, specialized topics are asked during each of these intervals. The Retirement and Pension Plan Coverage Topical Module was from the seventh topical module and was fielded from March–June of 1998. For further information about this survey, see www.sipp.census.gov/sipp (last reviewed January 2003).

[3] The March Current Population Survey (CPS) provides more up-to-date information on the characteristics of those receiving pension income but not on the characteristics of the former employers of those receiving it. Thus, both the individual characteristics and former employer characteristics are presented to provide full detail from this survey. See Ken McDonnell, "Retirement Annuity and Employment-Based Pension Income," *EBRI Notes*, no. 1 (Employee Benefit Research Institute, January 2003): 1–6.

[4] The question for determining retirement was simply: "Have you ever retired from a job or a business?" Consequently, why one retired—such as by disability, by being laid off, or by choice—cannot be determined.

[5] See Copeland (August 2002), op. cit., for an examination of lump-sum distribution uses.

[6] The level of the pension income is only for those with the income from their own former employer.

[7] The higher public-sector pension amount can be attributed to some public-sector workers not participating in Social Security. Thus, their entire retirement income would be from the pension, not from a pension and Social Security, as is the case for private-sector workers. Secondly, as will be shown later, those who had worked for a public-sector company were more likely to have had a COLA to their pension during retirement than those who had worked for a private-sector employer.

[8] The survey asked for the retirees' earnings just prior to retirement and the year in which they retired. All earnings amounts were increased by the consumer price index (CPI) for each subsequent year to reach 1998 dollars. An important note is that the income is not necessarily for the job from which the pension was received. However, it should be a good indicator of past earnings in general.

[9] The retirees' last jobs may not be the jobs from which they are receiving the pension income. However, in most cases, they are the same.

[10] The reference month of the topical module ranges from May to June 1998, since one-fourth of the household respondents are interviewed each month.

[11] The increase in the percentage for any type of pension income relative to the traditional pension income percentage does not equal 5 percentage points, because some of these retirees have income from both other pension income and traditional pension income.

[12] See Craig Copeland, "Pension Plan Participation Continued to Rise in 2000—What Next?" *EBRI Notes*, no. 3 (Employee Benefit Research Institute, March 2002): 4–7.

[13] The number of those becoming covered over their lifetime is even larger than the difference between the number currently participating and the number who are receiving benefits in retirement, as some workers will have cashed out their benefits before retirement.

[14] See Jack VanDerhei and Craig Copeland, "The Changing Face of Private Retirement Plans," *EBRI Issue Brief*, no. 232 (Employee Benefit Research Institute, April 2001).

Washington Update

by Jim Jaffe, EBRI

108th Congress Convenes, Begins Work

The 108th Congress convened Jan. 7 with Republicans holding a narrow majority in the Senate. Immediately after electing their new leadership, lawmakers renewed the enhanced unemployment benefits program (it will continue through May), extended the government's temporary budget through the end of January, and worked on various housekeeping chores. President Bush's State of the Union address Jan. 27 set the stage for the administration's priorities—with Iraq at the top of the list.

The Senate completed work on this year's budget and quickly moved to conference with the House. The spending is for Fiscal Year 2003, which started last October (the government has been operating under a series of short-term spending bills since then.) Congressional leaders hope to complete this process by the end of the month, thus clearing the decks for consideration of next year's budget. The president's spending proposal for next year is due to be released in early February.

Bush Proposes $674 Billion Economic Plan

As part of an effort to stimulate the economy, President Bush proposed an economic program comprised largely of tax cuts, costing an estimated $674 billion over the next decade. The centerpiece of the proposal would eliminate taxes stockholders pay on dividends received if the corporation had already paid federal income taxes on the profits involved. If the firm elected to reinvest profits rather than pay dividends, stockholders would be allowed to adjust their cost basis, thereby lowering the taxes due on the appreciated stock when it is sold.

The dividend policy generated considerable controversy both because of its distributional impact—critics point out that most of the benefit would go to high-income taxpayers—and its complexity. The Bush administration responded by arguing that a rising stock market propelled by the change would improve economic conditions generally.

Other sections of the president's proposal would accelerate some of the multiyear tax cuts enacted in 2001 (EGTRRA), but the schedule of increased limits for tax-deferred retirement accounts would remain unchanged. Even with Republicans controlling Congress, enactment of the proposal is several months away even if lawmakers enact most of what the president wants. With rapidly growing deficits, war possible in the Middle East, and the 2004 presidential campaign already under way, tax politics this year will be unpredictable.

Retirement Reform Legislation Re-Introduced

Rep. John Boehner (R-OH), chairman of the House Education and Workforce Committee, says he will again introduce legislation that would assure workers in 401(k) plans of flexibility to sell company stock contributed by their employers after three years. It generally tracks legislation passed by the House last year. Among other provisions, Boehner said his bill would:

- Give employers the option of allowing workers to sell their company stock three years after receiving it in a 401(k) plan or allowing workers to sell the stock within three years of service with the company.
- Prohibit companies from forcing workers to invest retirement savings in employer stock.
- Expand worker access to investment advice to help them manage their retirement accounts. The bill would require financial advisers to disclose potential conflicts of interest.
- Provide tax incentives to help employees pay for the cost of retirement planning services.
- Require companies to give workers quarterly benefit statements that include information about their accounts, including the value of their assets, their rights to diversify, and the importance of maintaining a diversified portfolio.

On the Democratic side, Senate Minority Leader Tom Daschle (D-SD) also has re-introduced retirement legislation left over from last year. His bill, S. 9, generally tracks proposals approved by the Health, Education, Labor, and Pensions Committee last year that failed to make further progress. Given Republican control of the Senate, and divisions among Senate Democrats on the issue, this legislation is unlikely to pass.

Senate Blocks US Airways Pension Waiver

The Senate Jan. 22 voted to table (block) an amendment that would have allowed US Airways 30 years to bring its pension fund up to the mandatory adequacy level rather than within seven years as current law requires. The Senate vote appears to increase chances that the airline will temrinate its defined benefit pension plan, although it is likely that there will be additional legislative efforts made on behalf of the airline and its workforce.

PBGC Opposes US Airways Pension Waiver

Steven Kandarian, executive director of the Pension Benefit Guaranty Corporation (PBGC), testified on Capitol Hill Jan. 14 in opposition to a plan that would allow US Airways to finance its $3.1 billion pension liability over a 30-year period, as a way to avoid PBGC takeover and termination of the bankrupt airline's pension plan. Pennsylvania's two Republican senators, Rick Santorum and Arlen Specter, formally proposed the waiver of existing pension funding requirements.

Kandarian noted that easing the current funding rules would go against a long history of tighter funding requirements imposed by Congress; would be likely to be quickly applied to other troubled industries; would greatly increase PBGC's current financial problems caused by an ever-growing number of large bankruptcies; and would risk the retirement security of 44 million Americans whose pensions are protected by the agency. Kandarian testified before the Senate Appropriations Subcommittee on Labor, Health and Human Services, and Education. His full statement is available online at www.pbgc.gov/news/speeches/testimony_011403.htm

Medicare Reimbursement to Drop Again

The Centers for Medicare & Medicaid Services says that Medicare reimbursement rates to physicians will drop by 4.4 percent on March 1 unless Congress decides otherwise. Fees paid to doctors dropped last year as well, and thousands threaten to quit the program unless there's an upward adjustment. House Ways and Means Chairman Bill Thomas (R-CA) has written legislation that would avoid the proposed March cut.

IRS Scraps 401(k) Limit On Number of Loans

The Internal Revenue Service issued rules that allow workers to tap their 401(k) or other tax-deferred savings plans for an unlimited number of loans. Old rules capped the number of outstanding loans at two. The government limits total 401(k) borrowing to no more than $50,000 or half the account balance, whichever is less, before the loan is considered a distribution and thereby taxed.

The New Way To Spell PWBA: "EBSA"

President Bush has proposed a budget increase and a new name for the Pension and Welfare Benefits Administration (PWBA). If Congress approves, it will be called the Employee Benefits Security Administration (EBSA), still within the U.S. Department of Labor. It would also get 10 percent budget increase for next fiscal year, so as to "provide additional enforcement to safeguard workers' retirement savings and other benefits in the wake of corporate fraud cases." The White House press release is available online at www.whitehouse.gov/news/releases/2003/01/20030111-1.html

EBRI in Focus

SEHBS Released

Results of the 2002 Small Employer Health Benefits Survey (SEHBS) were released in the January *EBRI Issue Brief*, examining a number of issues related to small employers and their decision to offer health benefits to workers. Since the vast majority of large employers offer health benefits, but many small employers do not, understanding the health coverage decisions of small-business owners is of critical importance in efforts to expand health insurance coverage in the current health insurance system and reduce the growing number of uninsured Americans.

Reflecting rapidly rising health care costs, the SEHBS found that nearly 1 in 5 small employers (19 percent) offering health insurance modified these benefits during 2001, and changes often led to higher employee costs. Nearly two-thirds (65 percent) increased workers' co-payments or deductibles, 30 percent raised the percentage of premiums the employee pays, and 29 percent cut back on the package of benefits offered. More than a third (35 percent) switched insurers. But more than a quarter of the group (26 percent) increased the scope of their health benefits. Co-authors of the survey are Paul Fronstin of EBRI (fronstin@ebri.org) and Ruth Helman of Mathew Greenwald & Associates.

EBRI Presentations

Among the recent or upcoming presentations of EBRI research:

- EBRI President CEO Dallas Salisbury gave a legislative update on the newly convened 108th Congress at the BlueCross BlueShield National Labor Management Healthcare Strategies Conference held in Miami Beach, FL, in February.

- Paul Fronstin, director of EBRI's Health Research Program, participated in a panel on health reimbursement accounts at the American Association of Health Plans' 2003 National Policy Forum in Washington, DC in February.

- EBRI will be participating in the Fourth Annual U.S. Employers Summit and Expo on Healthcare Costs March 26–28 in Arlington, VA, with Salisbury delivering a keynote presentation March 27. Fronstin will moderate a panel on employer experiences and ideas regarding health benefits, and Ray Werntz of the Consumer Health Education Council, will lead a discussion on consumer driven health benefits. To register for this conference, call (516) 594-3000 or visit www.ibfconferences.com on the Internet. Mention EBRI when you register and get 25 percent off the registration fee.

- Paul Fronstin and Ray Werntz will be co-chairing the Second Annual Employer Summit on Managing Healthcare Costs and Quality May 19–20 in Washington, DC. More information can be found at www.cbinet.com Contact Fronstin for $300 discount coupons off the registration fee (while supplies last).

New Publications & Internet Resources

[*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

Leimberg, Stephan R., and John J. McFadden. The Tools & Techniques of Employee Benefit and Retirement Planning. $49.95. The National Underwriter Company, Orders Department MP, P.O. Box 14448, Cincinnati, OH 45250-0448, (800) 543-0874, fax: (800) 874-1916.

Rambo, Deborah Price, et al. Benefits Facts, 2002-2003. $50. The National Underwriter Company, Orders Department MP, P.O. Box 14448, Cincinnati, OH 45250-0448, (800) 543-0874, fax: (800) 874-1916.

Health Care

Dowd, Bryan, and Robert Town. Does X Really Cause Y? Free online. AcademyHealth, 1801 K St., NW, Suite 701-L, Washington, DC 20006, (202) 292-6700, www.hcfo.net.

Healthcare Distribution Management Association. 2002 Industry Profile and Healthcare Factbook [w/CD-ROM]. HDMA members, $250; nonmembers, $650. HDMA, 1821 Michael Faraday Dr., Suite 400, Reston, VA 20190-5348, (703) 787-0000, ext. 214, fax: (703) 787-6930.

Hewitt Associates LLC. Consumer Attitudes Toward Health Care Innovations: What Every Employer Should Know. Free. Hewitt Associates LLC, Attn: Publications Desk, 100 Half Day Rd., Lincolnshire, IL 60069, (847) 295-5000, was.hewitt.com/hewitt.

The Segal Company. 2003 Segal Health Plan Cost Trend Survey. Free. The Segal Company, One Park Ave., New York, NY 10016, Attn: Kara Jackson, fax: (212) 251-5490, www.segalco.com.

Human Resources

Gelman, Lisa, and David Dell. HR Outsourcing Trends. Conference Board members, $35; nonmembers, $140. The Conference Board, 845 Third Ave., New York, NY 10022, (212) 339-0345.

The Labor & Employment Law Practice Group of Dinsmore & Shohl, LLP. The HR Survival Guide to Labor & Employment Law. $65. The National Underwriter Company, Orders Department MP, P.O. Box 14448, Cincinnati, OH 45250-0448, (800) 543-0874, fax: (800) 874-1916.

Pension Plans/Retirement

Mercer Human Resource Consulting LLC. 2002 Global Defined Contribution Survey: Success Strategies for DC Retirement Plans Around the World. $400. Mercer Human Resource Consulting LLC, Mercer House, Thames Side, Windsor SL4 1QN, 01753 8480104, fax: 01753 854990, e-mail: janna.maxey@mercer.com.

National Education Association. Characteristics of 100 Large Public Pension Plans: With Special Emphasis on Plans Covering Education Employees. $12.95. NEA Professional Library, Distribution Center, P.O. Box 2035, Annapolis Junction, MD 20701-2035, (800) 229-4200.

The Vanguard Group. How America Saves: A Report on Vanguard Defined Contribution Plans. Available free online at: institutional.vanguard.com/Institutional/retirement_research.html.

Retirement Income

National Retirement Planning Coalition. NRPC: 2002 Survey of Prospective Retirees. Free. Walt & Company, 2700 Augustine Dr., Suite 200, Santa Clara, CA 95054, Attn: Jane Bolhorst, (408) 496-0900, fax: (408) 496-2978.

Organisation for Economic Co-operation and Development. Ageing and Income: Financial Resources and Retirement in

9 OECD Countries. $33. OECD Distribution Center, P.O. Box 194, Downington, PA 19335-0194, (800) 456-6323 or (610) 524-3237, fax: (610) 524-5417.

Sondergeld, Eric T., and Matthew Drinkwater. Retirement Risks: How They Are Viewed and Managed. LIMRA members, free; nonmembers, $5,000. LIMRA International, P.O. Box 208, Hartford, CT 06141, (800) 235-4672, customer.service@limra.com.

Internet Documents

2003 Annual Reporting & Disclosure Calendar for Benefit Plans
www.segalco.com/publications/r&dcalendar/2003.html

AIG SunAmerica Re-Visioning Retirement Survey
www.re-visioningretirement.com/

America's Health: UnitedHealth Foundation State Health Rankings, 2002 Edition
www.unitedhealthfoundation.org/shr/book.pdf

Annual Report of the National CAHPS Benchmarking Database [NCBD] 2000
ncbd.cahps.org/pdf/NCBD2000AnRpt.pdf

Appendix: EBRI/ICI 401(k) Accumulation Projection Model
www.ici.org/pdf/per08-03_appendix.pdf

Business Insurance Datebook
www.businessinsurance.com/cgi-bin/calendar.pl?date=2002-12-20

The Current State of Retiree Health Benefits: Findings from the Kaiser/Hewitt 2002 Retiree Health Survey
www.kff.org/content/2002/20021205a/

The Little Engine That Hasn't: The Poor Performance of Employer Tax Credits for Child Care
www.nwlc.org/pdf/TheLittleEngine2002.pdf

MSAs Are Not FSAs Are Not HRAs
www.cahi.org/Issues&Answers/MSA-FSA-HRA.pdf

Minority Women and Retirement Income
www.wiser.heinz.org/wiseryfpminrpt.pdf

Pensions and Retirement Plan Enactments in 2002 State Legislatures
www.ncsl.org/programs/fiscal/pensun02.htm

Reducing Costs in the Health Care System: Learning From What Has Been Done
www.ahrq.gov/research/costsria/

Reinventing Pension Actuarial Science
www.soa.org/sections/reinventing_pension.pdf

TransAmerica Small Business Retirement Survey
www.ta-retirement.com/resources/SmBusSurveyReport.pdf

What Consumers Say About the Quality of Their Health Plans and Medical Care: NCBD 2002 Chartbook
ncbd.cahps.org/pdf/NCBD2002Chartbook.pdf

Employee Relocation Sites

American Citizens Abroad
www.aca.ch/

Art of Moving
www.artofmoving.com/

Atlas World Group
www.atlasworldgroup.com/

Travel and Living Abroad
www.state.gov/travel/

Cendant Mobility Services Corporation
www.cendantmobility.com/

Economist Intelligence Unit (EIU) Worldwide Cost of Living
eiu.enumerate.com/asp/wcol_WCOLHome.asp

Employee Relocation Council
www.erc.org/

Expat Exchange
www.expatexchange.com/

Expat Forum
www.expatforum.com/

Insiders' Guide
www.insiders.com/

Monstermoving.com
www.virtualrelocation.com/

Prudential Financial Relocation Services
www.prudential.com/

Realtor.com
www.homefair.com/

Runzheimer International
www.runzheimer.com/

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