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Notes

Value of Benefits Constant in a Changing World: Findings from the 2001 EBRI/MGA Value of Benefits Survey

by Rachel Christensen, EBRI

Introduction

Despite the downturn in the economy and fears resulting from the Sept. 11, 2001, terrorist attacks on the World Trade Center and the Pentagon, the value placed on various employee benefits and on employee benefits in general, is largely unchanged from 1999, according to the most recent Value of Benefits Survey, conducted in early November 2001 by the Employee Benefit Research Institute (EBRI) and Mathew Greenwald & Associates, Inc. (MGA).[1] In 2001, 60 percent of Americans reported that health insurance was the most important employee benefit, down only slightly from 64 percent in 1999.

At the time of the previous Value of Benefits Survey, conducted in August 1999, the U.S. unemployment rate was at 4.2 percent. The unemployment rate increased to 4.9 percent by August 2001 (before the terrorist attacks), to 5.4 percent by October 2001 (after the attacks), and to 5.7 percent by November 2001, when the 2001 Value of Benefits Survey was conducted. Also during the time between the two surveys, the level of consumer confidence decreased, and the Dow Jones Industrial Average declined by more than a thousand points. Despite these negative economic indicators, however, preferences for employee benefits were clearly consistent across the two surveys, with only very small shifts where any changes did occur.

Ranking of Benefits

Employees continue to rank health insurance as the most important benefit. Sixty percent of workers rated health insurance as number one in 2001, down slightly from 64 percent in 1999. Twenty-three percent of workers ranked retirement savings plans, such as 401(k)s, as the most important benefit in 2001, up from 21 percent in 1999. Six percent ranked traditional defined benefit pension plans as their top benefit, the same percentage as in 1999 (figure 1).[2]

Health insurance and retirement savings plans are the first and second most important employee benefit for the vast majority of workers. In both 1999 and 2001, those who named health insurance as the most important employee benefit most often chose retirement savings plans as the second most important benefit. Of the 60 percent of workers who ranked health insurance as most important in 2001, 61 percent named retirement savings plans as second in importance. In 1999, of the

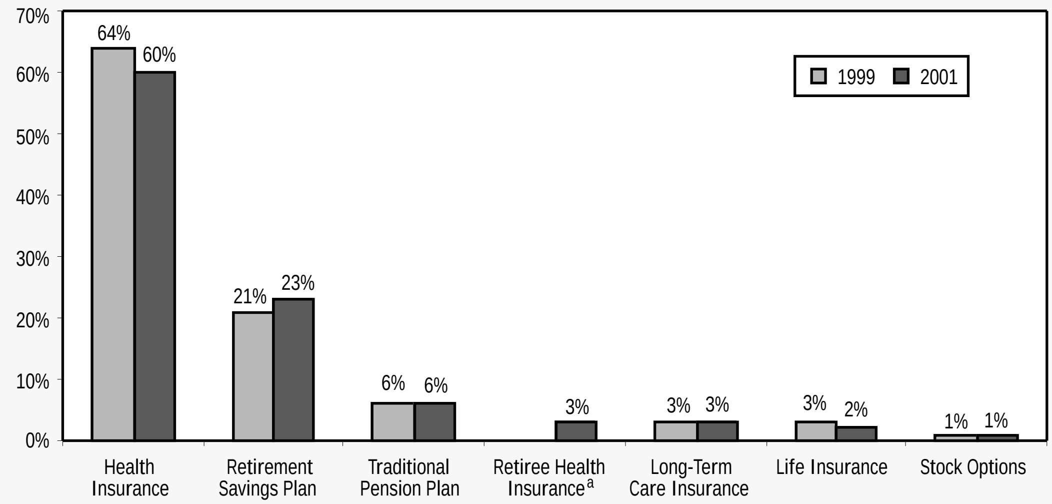

Figure 1
Most Important Employee Benefit, 1999 and 2001

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2001 Value of Benefits Survey.
[a] Retiree health insurance added to survey in 2001, not ascertained in 1999.

64 percent who chose health insurance first, 60 percent rated retirement savings plans as second. Similarly, for those workers who named retirement savings plans as the most important benefit, health insurance was the most common second choice. In 2001, of the 23 percent who chose retirement savings plans as the most important benefit, 49 percent named health insurance as the second most important. In 1999, of the 21 percent who rated retirement savings plans as most important, 59 percent named health insurance as the second most-important benefit.

There is evidence that immediately after the Sept. 11 terrorist attacks, the demand for life insurance increased, presumably due to fears related to the attacks. According to MIB Group, Inc., applications for life insurance in October 2001 were up 26 percent from September. November then showed a 9.9 percent decrease from the October levels, and the December level was down 4.6 percent from November. Still, the December 2001 level was 11 percent higher than the December 2000 level.[3] The Value of Benefits survey results, however, do not show any significant changes in the level of preference for life insurance as an employee benefit.

Workers' Perspective on Benefits

Employee benefits also continue to be very important in job selection. Seventy-seven percent of workers reported that the benefits that a prospective employer offers are very important in their decision to accept or reject a job, nearly unchanged from 79 percent in 1999. Only 5 percent said that benefits are not very or not at all important in their decision to accept or reject the job. However, only one-fourth of workers (25 percent) reported that they have accepted, quit, or changed jobs because of the benefits that were or were not offered.

While benefit preferences did not change significantly between 1999 and 2001, there are some differences in benefit preference by worker characteristic, such as age (figure 2). For example, 60 percent of all workers ranked health insurance as the most important employee benefit, while only 48 percent of workers age 60 or older chose that benefit as the most important. Workers age 60 or older were more likely than other age groups to prefer long-term care insurance and retiree health insurance. This may reflect a simple replacement of one type of health insurance with another, the need for which is more immediate for those in older age groups. When the three health categories are combined, the preference for some type of health insurance coverage is more consistent among the age groups, ranging from 64 percent for the oldest group to 69 percent for the youngest group.

Retirement savings plans, such as 401(k) plans, may be less important to American workers than in the recent past. Highly publicized corporate bankruptcies, such as that of Enron, which severely reduced some workers' 401(k) balances, may have caused the public to be concerned (rightly or wrongly) about the security of the funds in those retirement plans. However, the Enron story broke too late to be reflected in

Figure 2
Percentage of Workers Who Prefer Various Benefits, by Age, 2001

	All Benefits Combined	Health Insurance	Retirement Savings Plan	Pension Plan	Retiree Health Insurance	Long-Term Care Insurance	Life Insurance	Stock Options
	(percentage within each age category)							
All Workers	100%	60%	23%	6%	3%	3%	2%	1%
Age								
Under 30	100	64	23	2	1	4	4	1
30–34	100	64	26	6	1	a	1	2
35–39	100	60	25	8	3	1	1	1
40–44	100	63	24	4	2	1	2	1
45–49	100	63	18	10	5	—	3	1
50–59	100	55	22	8	7	4	1	a
60 or older	100	48	21	4	7	9	3	2

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2001 Value of Benefits Survey.
[a]Less than 0.5 percent.

the data from this survey. Still, in 2001, 36 percent of workers reported that they would choose a retirement savings plan (or more retirement savings benefits) over higher pay, down from 40 percent in 1999.

On the other hand, traditional defined benefit pension plans may be more important to workers. In 2001, more workers said they would like a more generous pension versus higher wages (20 percent) than said so in 1999 (17 percent). However, fewer said that they would pass up a new job offer in order to vest in their pension plan (46 percent in 2001 versus 50 percent in 1999). An even lower percentage said they would pass up a new job to vest in their retirement savings plan, such as a 401(k) (40 percent in 2001).

In 2001, fewer workers reported that they would choose a better 401(k) plan and a smaller traditional pension (23 percent, down 6 percentage points from 29 percent in 1999). And more said they would choose a better pension and a smaller 401(k) (21 percent, up from 18 percent in 1999). A third continued to say they would choose a 401(k)-type plan only (34 percent in 2001), and 13 percent continued to prefer a traditional pension only.

The downturn in the economy may have affected employee preferences for stock options as well. In 2001, only 9 percent of workers preferred stock options or more stock options over higher pay or wages. This is down from 13 percent in 1999 and may reflect decreased confidence in the stock market.

Conclusion

The findings of the 2001 *EBRI/MGA Value of Benefits Survey* show that workers continue to place a great deal of importance on employee benefits. Benefits are an important consideration in employees' decisions to accept or reject job offers. By a wide margin, health insurance remains the most important benefit to today's workers, as it was in 1999. Any changes in worker sentiment toward employee benefits between the 1999 and 2001 surveys were very small and suggest little or no change in employee preferences for employee benefits in light of the slowed economy or feelings of diminished personal safety.

Endnotes

1 The Employee Benefit Research Institute (EBRI) conducted "value of employee benefits" surveys in 1991 and 1996 to determine the relative importance of different benefits to workers and to assess the role played by benefits in job choice and job change. The survey was repeated in 1999 in collaboration with *WorldatWork* and again in 2001 in collaboration with Mathew Greenwald & Associates, Inc.

2 Respondents were asked to rank seven different types of benefits in order of importance. The list of benefits included: health insurance, retirement savings plan (such as a 401(k), 403(b), or profit-sharing plan), pension plan (or defined benefit pension plan), retiree health insurance, long-term care insurance, life insurance, and stock options. Retiree health insurance was added in 2001, taking the place of disability insurance, which was included in the 1999 survey.

3 "Decrease in insurance applications might be holiday-driven," *BenefitNews.com Adviser*, Jan. 16, 2002.

Pension Plan Participation Continued to Rise in 2000—What Next?

by Craig Copeland, EBRI

Introduction

The number of wage and salary workers ages 21–64 participating in a pension plan reached 62.1 million in 2000, up from 50.3 million in 1992 (figure 3). Furthermore, the percentage of these workers participating in a pension plan also increased, from 47.1 percent in 1992 to 52.3 percent in 2000. These estimates are from the 1993–2001 March Current Population Surveys (CPS), which include the results from the latest March CPS.[1] Using these data, this article examines pension plan participation among wage and salary workers ages 21–64 across various worker characteristics and the characteristics of the workers' employers.

Data Source

The CPS is a monthly survey conducted by the U.S. Census Bureau, and is the primary source of data on labor force characteristics of the U.S. civilian noninstitutionalized population. The March CPS has questions on workers' pension plan participation in the previous calendar year. It asks workers whether their employer sponsored a pension plan for any of its employees and, if it did, whether they were included in the plan. The survey's strength is its very rich detail of workers' characteristics and their employers' characteristics, but it does not provide details on the pension plans. Thus, breakdowns for pension plan types (e.g., defined contribution versus defined benefit) and reasons for not participating are not available from this data source.[2]

Worker Characteristics and Pension Participation

Pension plan participation varied—in many cases widely—across all worker characteristics. Pension plan participation increased as workers became older, up to the oldest age group, when the percentage of participants fell (figure 4). Almost 64 percent of wage and salary workers ages 45–54 participated in a pension plan in 2000, compared with 23.3 percent of those ages 21–24. Pension plan participation increased in all age groups from 1994 to 2000, with the largest percentage gains being in the two youngest age groups. Males were more likely to participate in a pension plan than females, but females did close the gap somewhat between 1994 and 2000.

White workers were more likely to participate in pension plans than were workers in other race/ethnicity groups. In 2000, 56.8 percent of white workers participated in a pension plan, compared with 47.5 percent of black workers, 32.0 percent of Hispanic workers, and 45.6 percent of workers falling in the "other"

Figure 3
Percentage of Wage and Salary Workers Ages 21–64 Participating in an Employment-Based Pension Plan, 1992–2000

	1992	1993	1994	1995	1996	1997	1998	1999	2000
					(millions)				
All Workers	106.7	107.1	109.3	110.7	112.2	113.5	115.5	117.2	118.6
Work for an employer:									
sponsoring a plan	63.3	62.4	67.2	67.2	70.1	70.9	74.2	74.7	76.4
participate in a plan	50.3	50.3	53.6	54.3	55.8	56.6	59.7	60.9	62.1
					(percentage)				
All Workers	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Work for an employer:									
sponsoring a plan	59.3	58.2	61.5	60.7	62.5	62.5	64.3	63.7	64.4
participate in a plan	47.1	47.0	49.0	49.0	49.8	49.9	51.7	52.0	52.3

Source: Employee Benefit Research Institute estimates from the 1993–2001 March Current Population Surveys.

Figure 4

Percentage of Wage and Salary Workers Ages 21–64 Participating in an Employment-Based Pension Plan, by Various Categories, 1994–2000

	1994		1995		1996		1997		1998		1999		2000	
	Number of workers (000s)	Percentage participating (%)	Number of workers (000s)	Percentage participating (%)	Number of workers (000s)	Percentage participating (%)	Number of workers (000s)	Percentage participating (%)	Number of workers (000s)	Percentage participating (%)	Number of workers (000s)	Percentage participating (%)	Number of workers (000s)	Percentage participating (%)
Age														
21–24	11,948	18.6%	11,319	19.7%	11,262	18.2%	11,335	20.0%	11,771	21.1%	11,848	21.1%	12,019	23.3%
25–34	32,628	42.8	32,560	42.2	32,081	44.4	31,756	44.0	31,017	44.5	30,690	45.9	30,493	45.9
35–44	31,840	55.1	32,748	55.1	33,295	55.1	33,621	54.3	34,329	56.9	34,601	55.9	34,762	56.3
45–54	22,019	62.6	22,844	61.0	23,997	61.3	24,871	61.5	25,896	64.3	27,203	64.0	28,124	63.7
55–64	10,883	56.0	11,241	56.5	11,525	56.4	11,910	57.5	12,451	58.1	12,843	59.1	13,217	59.0
Gender														
Male	56,650	52.1	57,197	52.0	58,029	52.6	58,478	52.7	59,360	54.7	59,926	54.9	60,783	54.8
Female	52,670	45.7	53,515	45.9	54,131	46.8	55,014	46.9	56,104	48.5	57,260	49.0	57,832	49.7
Race/Ethnicity														
White	82,632	52.2	82,755	52.4	82,937	53.2	82,800	53.7	84,204	55.7	84,664	56.2	84,981	56.8
Black	12,660	45.8	12,663	46.8	12,938	45.8	13,619	46.1	13,710	46.2	14,167	47.3	14,441	47.5
Hispanic	10,301	29.7	10,674	28.6	11,419	31.9	11,922	30.1	12,293	32.4	12,933	32.1	13,502	32.0
Other	3,728	43.4	4,620	42.3	4,865	44.0	5,150	44.6	5,257	47.4	5,422	46.8	5,691	45.6
Education														
No high school diploma	12,061	26.0	12,302	25.6	12,432	26.4	12,384	25.8	12,237	25.6	12,101	26.1	12,136	25.9
High school diploma	36,294	45.9	36,466	45.6	37,411	46.1	37,429	45.8	37,518	47.8	37,236	47.2	37,236	46.9
Some college	32,405	47.3	32,592	48.5	32,641	49.0	32,888	49.2	33,589	50.6	34,693	51.2	35,052	51.5
Bachelor's degree	19,546	60.9	20,152	59.9	20,694	61.9	21,504	62.7	22,261	64.5	22,713	64.1	23,555	65.0
Graduate/professional degree	9,013	72.8	9,200	71.9	8,982	72.5	9,287	71.5	9,859	74.2	10,444	75.3	10,636	75.8
Earnings														
Less than $5,000 per year	13,300	8.6	12,643	9.0	11,974	8.4	10,880	8.0	10,128	9.5	9,768	9.6	8,328	9.8
$5,000–$9,999	13,191	18.0	12,226	18.2	12,076	17.9	11,495	17.1	10,643	18.0	10,298	18.2	9,493	17.5
$10,000–$14,999	14,058	29.6	13,753	29.0	13,401	27.5	13,177	27.5	12,896	27.5	12,124	26.3	11,731	25.1
$15,000–$19,999	13,048	46.0	13,458	43.4	12,923	42.5	12,677	41.0	12,148	40.9	12,613	38.5	12,182	38.1
$20,000–$29,999	21,639	61.5	22,123	59.2	22,728	59.0	22,921	56.1	23,474	56.2	23,368	54.9	23,741	53.3
$30,000–$39,999	14,239	74.1	15,197	72.2	15,890	71.5	16,896	71.4	17,629	70.4	17,516	69.7	18,561	66.1
$40,000–$49,999	8,379	80.0	8,940	78.3	9,425	79.7	9,932	76.5	10,887	76.8	11,586	76.6	11,793	75.5
$50,000 or more	11,465	81.4	12,373	81.1	13,742	81.8	15,516	80.3	17,658	81.4	19,913	81.2	22,785	79.8
Work Status														
Full-time, full-year worker	73,863	60.9	76,324	59.7	77,614	60.9	79,862	60.4	83,075	61.5	84,358	61.8	86,993	61.0
Full-time, part-year worker	18,085	30.4	17,472	31.4	17,793	31.6	16,937	31.0	16,407	33.3	16,849	32.4	16,053	34.2
Part-time, full-year worker	8,016	23.5	8,011	25.0	8,174	23.7	8,506	23.9	8,087	25.7	8,380	26.4	8,367	28.1
Part-time, part-year worker	9,356	13.2	8,906	13.5	8,578	12.3	8,187	13.7	7,894	14.2	7,600	15.1	7,202	16.5

(continued)

Figure 4 (continued)

	1994		1995		1996		1997		1998		1999		2000	
	Number of workers (000s)	Percentage participating (%)	Number of workers (000s)	Percentage participating (%)	Number of workers (000s)	Percentage participating (%)	Number of workers (000s)	Percentage participating (%)	Number of workers (000s)	Percentage participating (%)	Number of workers (000s)	Percentage participating (%)	Number of workers (000s)	Percentage participating (%)
Sector														
Public	19,260	77.6%	18,571	76.7%	18,310	77.2%	18,420	75.5%	18,740	77.2%	19,478	77.2%	19,445	77.4%
Private	90,060	42.9	92,141	43.5	93,849	44.5	95,072	45.0	96,724	46.8	97,708	47.0	99,170	47.4
Employer Size														
Fewer than 10 employees	13,536	11.3	14,017	11.1	13,435	12.8	13,583	13.1	13,606	14.7	13,744	16.3	13,652	17.5
10–24 employees	9,573	20.0	10,305	20.0	10,217	21.8	9,954	22.1	10,080	25.9	10,274	27.3	10,811	26.8
25–99 employees	13,817	33.3	14,257	36.6	14,525	36.5	14,729	37.0	14,867	38.6	15,148	39.4	15,206	40.3
100–499 employees	14,807	47.7	14,869	49.7	15,484	49.6	14,717	49.5	15,869	51.9	15,809	51.7	15,551	53.0
500–999 employees	5,870	56.0	5,982	56.5	5,958	57.5	6,058	58.6	6,083	58.6	5,756	58.1	5,908	57.7
1,000 or more employees	32,457	62.3	32,712	62.5	34,231	62.4	36,032	62.4	36,218	63.8	36,978	63.2	38,042	62.9
Public	19,260	77.6	18,571	76.7	18,310	77.2	18,420	75.5	18,740	77.2	19,478	77.2	19,445	77.4
Industry														
Agriculture, mining, and construction	8,128	27.8	8,630	28.7	8,856	29.1	8,735	30.0	8,888	32.6	9,047	32.5	9,331	33.8
Manufacturing	26,406	59.8	26,455	59.9	27,327	60.5	27,283	60.3	26,924	63.1	27,183	62.7	26,927	61.5
Wholesale and retail trade	33,175	35.5	34,162	36.5	34,689	37.6	35,278	38.3	36,566	40.3	36,680	40.7	37,545	42.0
Personal services	22,352	39.5	22,894	40.4	22,978	41.6	23,776	42.7	24,346	43.7	24,798	44.3	25,368	45.4
Public sector	19,260	77.6	18,571	76.7	18,310	77.2	18,420	75.5	18,740	77.2	19,478	77.2	19,445	77.4

Source: Employee Benefit Research Institute estimates from the 1995–2001 March Current Population Surveys.

category. All race/ethnicity groups experienced an increase in the percentage of workers participating in a pension plan from 1994 to 2000. However, white workers had the highest percentage point gain during this period.

As workers' educational level and earnings increased, the likelihood that they participated in a pension plan also increased. Among workers earning less than $5,000 in 2000, 9.8 percent participated in a pension plan, compared with 79.8 percent of those earning $50,000 or more. Of those workers without a high school diploma, 25.9 percent participated in a pension plan in 2000, while 75.8 percent of workers with a graduate/professional degree participated. The percentage of workers at each educational level who participated in a pension plan increased between 1994 and 2000, except for the percentage of workers without a high school diploma (which remained unchanged).

Full-time, full-year workers were the most likely to have participated in a pension plan in 2000, with 61.0 percent having done so. The worker status category that had the next-highest percentage of pension plan participation was full-time, part-year workers, at 34.2 percent. Participation increased from 1994 to 2000 in all categories except the full-time, full-year worker category, which remained unchanged.

Employer Characteristics and Pension Participation

Where wage and salary workers are employed affects their probability of participating in a pension plan.

Approximately 77 percent of public-sector wage and salary workers ages 21–64 participated in a pension plan in 2000, compared with 47.4 percent of those in the private sector (Figure 4). Furthermore, the likelihood of a worker participating in a pension plan increases with the size of the employer (measured by the number of employees). In 2000, 17.5 percent of those working for an employer with fewer than 10 employees participated in a pension plan, while among those working for employers with 1,000 or more employees, 62.9 percent participated. The industry of the worker also affects his or her chance of participating in a pension plan. In the manufacturing industry, 61.5 percent of workers participated in a pension plan in 2000, whereas 33.8 percent of workers participated in the agriculture, mining, and construction industry.

The private sector accounted for virtually all of the growth in the percentage of workers participating in a pension plan between 1994 and 2000, as the percentage of workers employed in the public sector remained virtually unchanged. Furthermore, the growth was concentrated in employers with fewer than 1,000 employees. Workers in all private-sector industries had a higher percentage of pension plan participation between 1994 and 2000, but the manufacturing sector had a growth rate significantly below that of other industries.[3]

Conclusion

The percentage of wage and salary workers ages 21–64 who participated in a pension plan continued to increase in 2000, reaching 52.3 percent. However, the likelihood of a worker participating in a pension plan was significantly affected by the worker's characteristics and/or the characteristics of his or her employer. In particular, a worker who was white, male, high-earning, highly educated, ages 45–54, and working for a public-sector employer was the most likely type of worker to participate in a pension plan. Yet, workers without these characteristics also experienced an increased likelihood of participating in a pension plan from 1994 to 2000. The economy was strong during this time, and much of the growth in pension plan participation occurred in areas where pension plan participation has traditionally not been the highest (e.g., among small employers and part-year and private-sector workers). The recent slowing of the economy may portend the end of this growth, likely making it more difficult for employers to sponsor plans and for these types of workers to participate in a plan when it is offered.

Endnotes

[1] Each year's March Current Population Survey (CPS) refers to pension participation in the previous year. Thus, the 2001 survey has estimates for 2000.

[2] The February Current Population Survey (CPS) breaks out the reasons for not participating in a pension plan (e.g., not eligible, chose not to participate). Analysis of the 2001 February CPS shows that between 90.7 percent and 93.2 percent (based upon inclusion of the "other" category responses) of eligible wage and salary workers ages 21–64 participated in a pension plan. This includes both defined benefit and defined contribution plans, which explains the rather high participation rate. One other difference between the March and February CPSs (aside from the richness of the data on workers in the March CPS) is that the March CPS results refer to the previous calendar year, while the February CPS findings reflect pension participation only in February of the year of the survey. An annual estimate of pension participation would likely be lower than a monthly estimate, because more individuals without a strong attachment to work force are included as being in the work force in a yearly estimate than are included in a monthly estimate. This appears to be the case, as 54.8 percent of wage and salary workers ages 21–64 are found to participate in a pension plan in February 2001. See Craig Copeland, "Pension Participation: February 2001," *EBRI Notes*, no. 12 (Employee Benefit Research Institute, December 2001): 1–5.

[3] This excludes public-sector workers, whose percentage remained unchanged.

Washington Update

by Steve Blakely, EBRI

Treasury Report Criticizes Company Stock Caps in 401(k) Plans

The U.S. Treasury Department Feb. 28 issued a report criticizing congressional proposals to place a 20 percent cap on the amount of company stock that workers could invest within their 401(k) plans.

In formulating its conclusions, the Treasury Department reviewed surveys of 401(k) participants conducted by the Employee Benefit Research Institute—specifically the recent *EBRI Special Report,* "Company Stock in 401(k) Plans: Results of a Survey of ISCEBS Members"—and a report by the Investment Company Institute, as well as information provided by the Department of Labor. Treasury also held discussions with a number of benefit administrators of plans that hold employer stock.

The Treasury report argued that such caps would improperly limit workers' freedom to invest and could drive down a company's share price. It also said caps might discourage companies from contributing stock to match employee contributions to their 401(k) plans. As many as 8 million of the nation's 42 million 401(k) participants would be forced to alter their investment allocations if workers were forced to limit their company stockholdings to 20 percent, the report said.

Sens. Barbara Boxer (D-CA) and Jon Corzine (D-NJ) have proposed the 20 percent cap as legislation in Congress, saying it is necessary to protect workers against over-concentrating their retirement investments in one stock.

Flood of Enron Bills Building in Congress

The collapse of Enron has generated a flood of retirement legislation in Congress, and the pressure is building for some sort of legislative action.

While it remains unclear whether something will ultimately be enacted into law during this election year, it is likely that Senate Democrats will try to pass new legislation this month (March) to impose new restrictions on retirement plan sponsors. Sen. Edward Kennedy (D-MA), chairman of the Senate Health, Education, Labor, and Pensions Committee, is expected to hold a markup March 13 of a pension bill he is currently drafting, and the full Senate may act on it soon thereafter.

Congressional Republicans have introduced the Bush administration's retirement plan proposals, which would impose relatively few new restrictions on plan sponsors. But key GOP leaders—notably Rep. Bill Thomas (R-CA), chairman of the tax-writing House Ways and Means Committee, and Sen. Charles Grassley (R-IA), ranking Republican on the Senate Finance Committee—are going their own way and appear likely to support broader restrictions than the White House is calling for.

To help keep track of all the retirement-related bills, the Joint Committee on Taxation (JCT) Feb. 11 released a summary of bills introduced up to that point, along with a primer addressing common questions and answers regarding employment-based retirement plans as well as their investment in company stock. The report, *Background Information Relating to the Investment of Retirement Plan Assets in Company Stock* (JCX-1-02), also includes statistics on the demographics of employment-based retirement plans. The JCT report is available on the Web at www.house.gov/jct/x-1-02.pdf

Just a few of the more notable proposals in Congress (so far) related to 401(k) plans, company stock, and retirement policy:

- President Bush's retirement security proposal has been introduced in the Senate by Sens. Kay Bailey Hutchison (R-TX) and Trent Lott (R-MS), as S. 1921. In the House, it was introduced by Reps. John Boehner (R-OH) and Rep. Sam Johnson (R-TX) as the "Pension Security Act," which also features a proposed list of 401(k) operating changes, including Boehner's long-time effort aimed at making investment advice more available to participants.
- Sen. Edward Kennedy (D-MA), chairman of the Senate Health, Education, Labor, and Pensions Committee, has proposed a bill that would allow employers to either make matching contributions to 401(k) plans in company

stock or allow employees to invest their own contributions in company stock, but not both.

- Separately, Sen. Joseph Lieberman, chairman of the Senate Government Affairs Committee, has called for a review of tax incentives that have encouraged companies to shift from guaranteed defined benefit plans to retirement plans that place investment risk with employees, saying that Congress should work to increase the use of defined benefit plans. Lieberman also would require publicly listed companies to retain an independent fiduciary to participate in the administration of 401(k) plans that include a significant amount of company stock.
- House Minority Leader Richard Gephardt (D-MO) Feb. 14 unveiled details of forthcoming legislation to consolidate the structure of individual retirement accounts (IRAs), Roth IRAs, simplified employee pension plans and savings incentive match plan for employees (SIMPLE) IRAs, into a tax-favored Universal Retirement Savings Account.
- The most prominent bill that would limit company stock in 401(k) accounts—to 20 percent—is S. 1838, introduced earlier this year by Sens. Barbara Boxer (D-CA) and Jon Corzine (D-NJ). Rep. Bill Pascrell, Jr. (D-NJ) has introduced a companion bill in the House.

Keeping on Track

Supreme Court Limits Reach of ADA—The U.S. Supreme Court recently narrowed the perceived scope of the Americans With Disabilities Act (ADA) by making it more difficult for individuals to qualify as disabled under the law. The court held unanimously that for an individual to be "disabled" under the ADA because he or she is substantially limited in the major life activity of performing manual tasks, the individual must be unable to perform tasks that are of central importance to most people's daily lives, not just be unable to perform a limited class of manual tasks associated with a specific job (*Toyota Motor Manufacturing, Kentucky, Inc. v. Williams*).

New DOL Toll-Free Number for Participant/Employer Assistance—U.S. Department of Labor (DOL) Secretary Elaine Chao this week announced the activation of a new toll-free number (1-866-275-7922) to help both participants and employers with questions regarding their retirement and health benefit plans. The DOL press release is available at www.benefitslink.com/cgi-bin/show_a_pressrelease.cgi?database_id=26170

White House Targets DOL, EEOC Rules for Review—The White House Office of Management and Budget's Office of Information and Regulatory Affairs (OIRA) recently issued a report to Congress on the costs and benefits of federal regulations. In its report, OIRA targeted a handful of DOL regulations and one regulation by the Equal Employment Opportunity Commission (EEOC) for priority review. These include overtime compensation, wage and hour record keeping and notification requirements, the Office of Federal Contract Compliance Programs' equal opportunity survey, and the EEOC's Uniform Guidelines for Employee Selection Procedures.

President Bush Renews Call For Social Security IAs

Speaking at the 2002 National Summit on Retirement Savings, President Bush renewed his call for partial privatization of Social Security through the creation of individual accounts (IAs) that would allow workers to invest part of their Social Security contributions in the stock market.

In a preview of the coming mid-term congressional election campaign, Democrats wasted no time criticizing the president's privatization plan, characterizing it as irresponsible and a threat to guaranteed benefits under Social Security. Sen. Tom Daschle (D-SD), Senate Majority Leader, called the president's proposal a "retirement insecurity plan."

Bush also repeated his proposal that top corporate executives be prohibited from stock trading in their executive compensation plans during so-called "blackout" periods when a company's 401(k) plan is changing administrators, saying "What's fair on the top floor should be fair on the shop floor."

The Bush administration's retirement plan also would allow workers to sell company stock they receive as a company match in a

401(k) plan and diversify into other investments three years after receiving the stock. It also would require that workers be given 30 days' notice before a blackout period begins.

House May Act on Social Security Reform

House Majority Leader Dick Armey (R-TX) has vowed soon to have the full House of Representatives vote on a series of Social Security reform bills that would allow workers to invest part of their Social Security contributions in the stock market. Armey's bills also would, for the first time, guarantee all current Social Security recipients that their benefits would not be cut, despite the program's pending insolvency, and would call for increases in benefits to women.

News reports about possible House action on Social Security suggest that the votes are primarily designed to neutralize Democrats' arguments that the Bush administration and congressional Republicans have put Social Security at risk because of last year's tax cuts. But even if the Republican-controlled House were to actually pass one or more Social Security privatization bills, it is virtually impossible that the Democrat-controlled Senate would go along and enact the legislation. If nothing else, voting on Social Security will preview the political TV, radio, and newspaper ads that the public will be hearing as the midterm congressional campaigns heat up later this year.

Bush Proposes $300 Billion for Health Care

President Bush Feb. 11 outlined a $300 billion, 10-year health care plan that he said would overhaul Medicare, provide a prescription drug discount plan for the elderly, and double funding for the National Institutes of Health. He also repeated his call on Congress to enact a patients' bill of rights and to prohibit health insurers from refusing to cover patients with genetic diseases.

Sen. Edward Kennedy (D-MA), chairman of the Senate Health, Education, Labor, and Pensions Committee, who is working with the White House to resolve differences on a patients' rights bill, quickly dismissed the president's prescription drug plan as "just another broken promise" to the elderly. Health issues are almost certain to be the focus of intense midterm election battles this year.

EBRI in Focus

Second National SAVER Summit Held

The second National Summit on Retirement Savings was held in Washington, DC, Feb. 27–March 1, and brought in about 250 delegates from around the country. This was the second of three national summits as called for under the Savings Are Vital to Everyone's Retirement (SAVER) Act; the first was held in 1998, while the next (and last) will be in 2005. EBRI CEO Dallas Salisbury and ASEC President Don Blandin were among the delegates, with many others from EBRI members and ASEC partners.

The Summit was co-hosted by U.S. Secretary of Labor Elaine Chao and congressional leaders, and brought together some of America's leading experts on saving and retirement planning to develop new strategies and action plans to encourage Americans to save more for their financial future. This year's Summit theme was "Saving for a Lifetime: Advancing Generational Prosperity." President Bush attended the Summit Feb. 28 to renew his call for partial privatization of Social Security through the creation of individual investment accounts. More information on the Summit is available on the Internet at www.asec.org/saversummit/2002summit/

Choose to Save® also sponsored several events for Summit delegates, friends of Choose to Save®, and news reporters, including:

- Release of the 2002 Retirement Confidence Survey (see next item) at a Feb. 27 press conference.
- A "welcome" luncheon for delegates that same day, which included a presentation on the importance of savings education by Comptroller General David Walker of the U.S. General Accounting Office and a review of RCS results.
- A "farewell" Choose to Save® luncheon for delegates on March 1 at which a five-minute video was shown reviewing the success of Choose to Save® along with the first showing of the newest Choose to Save® public service announcement (PSA).

The newest 60-second PSA for Choose to Save® focuses on young people and the value of compound interest. President Bush highlighted the need to educate young people on the concept of compound interest in his speech to the Summit.

2002 RCS Released at Start of SAVER Summit

Just ahead of the SAVER Summit, the 2002 Retirement Confidence Survey (RCS) was released on Feb. 27 at a morning press conference for reporters and a luncheon for Summit delegates and policy-makers. Tracking the Summit's theme of "Advancing Generational Prosperity," the RCS focuses on how a person's age and personality type can affect saving and preparing for retirement.

The 12th annual RCS, co-sponsored by EBRI, the American Savings Education Council (ASEC), and Mathew Greenwald & Associates, is a national survey that gauges the views and attitudes of working and retired Americans on various financial issues related to retirement planning. The survey was underwritten by a large group of EBRI members on a subscription basis, and EBRI Sustaining Member Principle Financial sponsored a satellite video tour that provided television news coverage on the RCS around the nation. Between 6:30 and 9:00 a.m., live and to-tape interviews were conducted with 14 stations from Baltimore to Sacramento, and specially produced interview footage was provided to numerous others as well. The findings received extensive national news coverage, including a segment on the *Today Show* on the day of the RCS release, in the *Washington Post*, and an article distributed nationally by the Associated Press, among many other news outlets.

This year's RCS finds that in addition to individuals' age and specific stage in life, their attitudes and behavior toward money and financial planning can also have an enormous impact on how much they actually save for their future. Factoring in all these elements is essential in helping to create targeted savings messages and educational campaigns that speak to individuals of different generations and backgrounds—one of the major points of focus of the SAVER Summit.

Compared with last year's survey, respondents to the 2002 RCS appeared to be more confident in their saving for retirement. However, the RCS also found that most Americans do not appear to be doing a good job in planning and preparing for retirement, and that most Americans have saved only modest amounts for retirement. For the complete RCS results, visit EBRI Online at www.ebri.org/rcs

EBRI Busy With Capitol Hill Testimony and Briefings

EBRI staff were kept busy during February providing background briefings on 401(k) plans to congressional staff and news reporters. In addition, EBRI testified before various committees on Capitol Hill about retirement-related issues:

- Senate Finance Committee (Feb. 27, 2002) and House Ways and Means Committee (Feb. 26, 2002), "Retirement Security and Defined Contribution Pension Plans: The Role of Company Stock in 401(k) Plans." Testimony was provided by Jack VanDerhei, Temple University and research

director of the EBRI Fellows Program.
- House Education and Workforce Subcommittee on Employer-Employee Relations (Feb. 13, 2002), "The Role of Company Stock in 401(k) Plans." VanDerhei also provided the testimony at this hearing.
- Senate Health, Education, Labor, and Pensions Committee (Feb. 7, 2002), "Protecting the Pensions of Working Americans: Lessons From the Enron Debacle." Testimony was provided by EBRI President and CEO Dallas Salisbury.
- Senate Banking Committee (Feb. 6, 2002), "Financial Literacy." Testimony was provided by ASEC President Don Blandin.

All testimony is available at EBRI Online at www.ebri.org

CEO Speeches

During February, EBRI President and CEO Dallas Salisbury made two major addresses to benefits-related groups:
- Feb. 19 before the International Union of Bricklayers & Allied Craftworkers in Bal Harbour, FL, on "Prospects for Economic Security Reform."
- Feb. 25–26 before Milliman USA, Inc., conferences in Seattle, WA. He presented the keynote address: "Economic Security Issues Update – Are We Ready for Retirement?"

CHEC Opens New Phase of Research Project

The EBRI-ERF Consumer Health Education Council (CHEC) has began the second phase of its Robert Wood Johnson Foundation-supported research project to learn more about the attitudes and practices of employers affecting health care coverage made available through the workplace. Because more than 85 percent of the 40 million uninsured Americans live in households headed by workers, CHEC is working actively with employers to help them understand the implications of the uninsured in the context of their business concerns. This research project consists of three phases: the first was a Web-based survey endorsed by 13 organizations that produced more than a thousand responses; the second phase, now under way, involves meetings with employers in four cities—Chicago, Phoenix, Atlanta, and New York—to probe the findings of the survey more deeply; and the third will be a search of academic and trade literature. The project is scheduled for completion this summer.

EBRI & CHEC Join "Sync" Project

On Feb. 1, EBRI and CHEC staff met in Washington, DC, with several large employers and employer organizations that comprise the Policy Goal Work Group of the "Synchronizing National Health Care Purchasers" project. The goal of the "Sync" project is to establish some strategic common ground underneath employers on health care policy and resources important to employers. The purpose of EBRI and CHEC participation in the February meeting was to discuss the influence of America's uninsured on other employer priorities and to encourage employers to play a more active role in programs to expand coverage. EBRI and CHEC will continue to use their research and knowledge resources to inform the deliberations of this group.

New Publications & Internet Sites

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

Employee Benefits

Bryan, Pendleton, Swats & McAllister, LLC. 2001 Benefits Survey Analysis. $100. Bryan, Pendleton, Swats & McAllister, LLC, 5301 Virginia Way, Suite 400, Brentwood, TN 37027, Liz Emerick, (615) 665-5313 or elizabeth.e.emerick@bpsm.com.

William M. Mercer. Spotlight on Benefits: A 2001 Study of Benefit Plans. $450. William M. Mercer, Corporate Publications, 462 S. Fourth Ave., Suite 1500, Louisville, KY 40202, (800) 333-3070.

Health Care

Communicating for Agriculture & the Self-Employed. Comprehensive Health Insurance for High-Risk Individuals: A State-by-State Analysis: Includes Operating Statistics, Model Bill, Current Premiums, Funding Mechanisms, State Contacts. $29.95. Communicating for Agriculture, 112 E. Lincoln Ave., Fergus Falls, MN 56537, (218) 739-3241, (800) 432-3276 ext. 3500, fax: (218) 739-3832.

Gluck, Michael E., and Kristina W. Hanson. Medicare Chart Book. Free. Kaiser Family Foundation, www.kff.org or call (800) 656-4533. For multiple copies, call (800) 242-2626.

Health Insurance Association of America and LifePlans, Inc. Who Buys Long-Term Care Insurance in 2000? A Decade of Study of Buyers and Nonbuyers. $55. Health Insurance Association of America, 555 13th St., NW, Suite 600 East, Washington, DC 20004-1109, (800) 828-0111, www.hiaa.org.

National Committee for Quality Assurance. The State of Managed Care Quality: 2001. $50. National Committee for Quality Assurance, 2000 L St., NW, Suite 500, Washington, D.C. 20036, 202-955-3500.

SMG Marketing Group. Preferred Provider Organizations (PPOs): Industry Characteristics, Trends, Market Projections, & Comparative Analysis. $275. SMG Marketing Group Inc., 875 N. Michigan Ave., Suite 3100, Chicago, IL 60611, (312) 255-4227 or (800) 678-3026.

Tanabe, Ramona P., and Susan M. Murray. Managed Care and Medical Cost Containment in Workers' Compensation: A National Inventory, 2001–2002. $125. Workers Compensation Research Institute, 955 Massachusetts Ave., Cambridge, MA 02139, (617) 661-9274, fax: (617) 661-9284.

University of Wisconsin - Madison, Sonderegger Research Center and Kaiser Family Foundation. Prescription Drug Trends: A Chartbook Update. Free. Kaiser Family Foundation, www.kff.org or call (800) 656-4533. For multiple copies, call (800) 242-2626.

Wye River Group on Healthcare. An Employer's Guide to Patient-Directed Healthcare Benefits. Free. Wye River Group on Healthcare, P.O. Box 1682, Austin, TX 78767, (512) 472-2005, fax: (512) 263-5776, e-mail: jcomola@texas.net.

Pension Plans/Retirement

Fultz, Elaine, and Markus Ruck. Pension Reform in Central and Eastern Europe: An Update on the Restructuring of National Pension Schemes in Selected Countries. Free. ILO-CEET, 14 Mozsar u., H-1066 Budapest, Hungary, (+36-1) 301-4900, fax: (+36-1) 353-3683, e-mail: budapest@ilo.org.

Parker, Thornton. What If Boomers Can't Retire? How to Build Real Security, Not Phantom Wealth. $27.95. Berrett-Koehler Publishers, c/o AIDC, P.O. Box 565, Williston, VT 05495, (800) 929-2929, fax: (802) 864-7626.

U.S. General Accounting Office. United States Postal Service: Information on Retirement Plans. Order from GAO.

Social Security

Edelman, Peter, Dallas L. Salisbury, and Pamela J. Larson. The Future of Social Insurance: Incremental Action or Fundamental Reform? $24.95. The Brookings Institution, Dept. 029, Washington, DC 20042-0029, (800) 275-1447 or (202) 797-6258, fax: (202) 797-2960, Attn: Order Dept.

U.S. Congressional Budget Office. Social Security: A Primer. Order from CBO.

Training Programs

Brinkerhoff, Robert O., and Anne M. Apking. High-Impact Learning: Strategies for Leveraging Business Results From Training. $30. Perseus Publishing, Eleven Cambridge Ct., Cambridge, MA 02142, (617) 252-5200.

Work

Boverie, Patricia E., and Michael Kroth. Transforming Work: the Five Keys to Achieving Trust, Commitment, and Passion in the Workplace. $30. Perseus Publishing, Eleven Cambridge Ct., Cambridge, MA 02142, (617) 252-5200.

Work Patterns

Boulin, Jean-Yves, and Reiner Hoffman. New Paths in Working Time Policy. $22. European Trade Union Institute, Boulevard du Roi Albert II, 5 Bte 4, 1210 Bruxelles, e-mail: etui@etuc.org.

CCH Incorporated. 2001 CCH Unscheduled Absence Survey. $29.95 + tax, S&H. CCH Incorporated, call (800) 449-9525 and ask for offer number 06280001.

Hewitt Associates. Managing Time Off: 2000/2001. $250. Hewitt Associates LLC, Attn: Publications Desk, 100 Half Day Rd., Lincolnshire, IL 60069, (847) 295-5000.

Houseman, Susan N., and Alice Nakamura. Working Time in Comparative Perspective: Life-Cycle Working Time and Nonstandard Work. $25. W.E. Upjohn Institute for Employment Research, 300 S. Westnedge Ave., Kalamazoo, MI 49007-4686, (616) 343-5541.

Wong, Ging, and Garnett Picot. Working Time in Comparative Perspective: Patterns, Trends, and the Policy Implications for Earnings Inequality and Unemployment. $25. W.E. Upjohn Institute for Employment Research, 300 S. Westnedge Ave., Kalamazoo, MI 49007-4686, (616) 343-5541.

Documents Available on the Internet

Bringing Unbanked Households Into the Banking System www.brookings.edu/es/urban/capitalxchange.htm

Government's Greatest Priorities of the Next Half Century www.brookings.edu/Comm/news/1220endeavors.htm

HR Vendor Directory 2002 www.workforce.com/global/2002vendordirectory.pdf

Home-Based Workers in the United States: 1997 www.census.gov/prod/2002pubs/p70-78.pdf

Insights on Company Stock www.plansponsor.com/content/News/finance/costockindex

Investment Advice Survey 2001 www.psca.org/data/advice2001.html

Long Term Care Insurance: Trends and Outlook www.limra.com/Research/3517.doc

National Health Care Expenditures www.hcfa.gov/stats/NHE-OAct/

PEOs and Payrolling www.cfcw.org/PEO.pdf

Pay and Working Conditions Across

Europe 2000
www.fedee.com/condits.html

State Taxation of Social Security and Pensions in 2000
research.aarp.org/econ/ib55_sstax.html

ERISA Sites

Employee Benefits & ERISA
pwweasel.home.att.net/eb.html

Employee Benefits Legal Resource Site
www.benefitsattorney.com/

Employee Retirement Income Security Program [sic]
www4.law.cornell.edu/uscode/29/ch18.html

Employment Law Information Network: ERISA Summary
www.elinfonet.com/ERISAsum.php

ERIC-The ERISA Industry Committee
www.eric.org/

FreeERISA.com
www.freeERISA.com/

Offramp to Title 29 of the United States Code
www.benefitslink.com/erisa/index.shtml

U.S. Department of Labor
www.dol.gov/

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Notes

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What we do

EBRI's work advances knowledge and understanding of employee benefits and their importance to the nation's economy among policymakers, the news media, and the public. It does this by conducting and publishing policy research, analysis, and special reports on employee benefits issues; holding educational briefings for EBRI members, congressional and federal agency staff, and the news media; and sponsoring public opinion surveys on employee benefit issues. **EBRI's Education and Research Fund** (EBRI-ERF) performs the charitable, educational, and scientific functions of the Institute. EBRI-ERF is a tax-exempt organization supported by contributions and grants. **The American Savings Education Council** (ASEC) and the **Consumer Health Education Council** (CHEC) are programs of EBRI-ERF. They are coalitions of private- and public-sector institutions with the goals of public education on saving, retirement planning, health insurance, and health quality.

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