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EBRI
EMPLOYEE BENEFIT RESEARCH INSTITUTE®

Notes

Will Today's Workers Retire With Adequate Income? How Are Today's Retirees Surviving From a Financial Perspective?

by Jim Jaffe, EBRI

A confluence of changing conditions has created a growing concern about whether America's current workers will be able to afford the comfortable retirement they anticipate in the future. While some experts fear that the decades-long trend of rising income in post-work years may be reversed, so far there are more provocative hints than conclusive findings about how things may change for future retirees in the years ahead.

The relevant—and often interrelated—questions include these:

- Will federal programs, particularly Medicare (the federal health insurance program for the elderly and disabled) and Social Security (the federal retirement program), continue to be able to deliver the benefits they've been promising? Both programs face long-term funding problems, and while politicians all acknowledge the need to reform both programs, no progress has been made so far. There are fears that adding a drug benefit to Medicare may exacerbate the program's long-term financial stresses.
- Will the shift to defined contribution retirement plans (primarily the 401(k) plan) yield anticipated and adequate retirement income as successfully as have the steadily declining "traditional" defined benefit pension plans? Studies show that few workers plan ahead for retirement and their estimates of retirement income—if they have been attempted at all—tend to be casual.
- Will Americans be able to afford to continue to retire at an ever-earlier age? Data show that the trend toward early retirement has at least leveled off (if not reversed). There's little evidence yet indicating how workers or employers will react to a projected labor shortage in the next few decades and whether that will induce workers to remain on the job longer.
- Is there a growing danger that those who take their retirement benefits in a lump sum will outlive their income stream? Annuities (a regular income stream in retirement, typically—but increasingly less frequently—paid out by defined benefit pensions) have largely fallen out of favor with workers. If retirees are depleting their capital too quickly, they may be too frail to return to work when they realize their income is inadequate to support their lifestyle.
- Will state programs, particularly Medicaid (the federal-state health care program for the poor), be as willing and able as they have been in the past to pick up the slack for those who become medically indigent? At the moment, most states are having great difficulty paying for current services, but some see

growing pressure for a much broader Medicaid program.

- Are post-retirement economic and medical needs growing so rapidly that income levels and medical programs that were adequate in the past will no longer meet anticipated needs? Longer life spans result in longer periods of retirement, creating added costs.

While analysts approach these issues from varying perspectives, there seems to be a broad view that serious problems lie ahead for the nation if some basic changes aren't made—either by today's workers, their government, employers, or all three. These changes may be financial (in terms of the money and programs available) or cultural, psychological, and physical (in terms of how long workers are willing and able to remain a part of the work force).

Among those who worry about these issues, concerns range from those who believe that the non-productive elderly will consume a growing proportion of the nation's economy, to others who fear that a significant segment of America's retiree population will receive income inadequate to support an even modestly comfortable lifestyle.

These questions were the themes of a policy forum held in Washington, DC, Dec. 5, 2002, by the Employee Benefit Research Institute Education and Research Fund, "Will Today's Workers Retire With Adequate Income? And, How Are Today's Retirees Surviving From a Financial Perspective?" Attended by about 100 invited experts, the policy forum examined current research on retirement savings and retirement income adequacy, the resources workers are likely to need in retirement, how current retirees are faring financially, and the implications for consumers, business, and government.

What Do We Know About Current Retirees?

John Ameriks, senior research fellow at the TIAA-CREF Institute began by discussing how consumption patterns shift downward when people retire. It has long been known that consumption declines when people retire. His research posed the question of whether this change came as a surprise when people retired and created uncomfortable problems.

He found that many working households anticipate a substantial decline in income upon retirement. But those who have already retired report reductions smaller than those anticipated by today's workers. Part of this reflected the impact of the booming stock market during the 1990s that provided some retirees with substantially more income than they anticipated

Some believe that tomorrow's retirees will have higher income replacement rates than their parents, but will also be more dissatisfied as well. Among retirement planners, there's a belief that future retirees anticipate being able to replace a higher percentage of their preretirement income than has been the norm historically. If their view is correct, tomorrow's retirees may replace a greater percentage of their income than their parents did, but nonetheless be less satisfied with a result that fails to meet their anticipation.

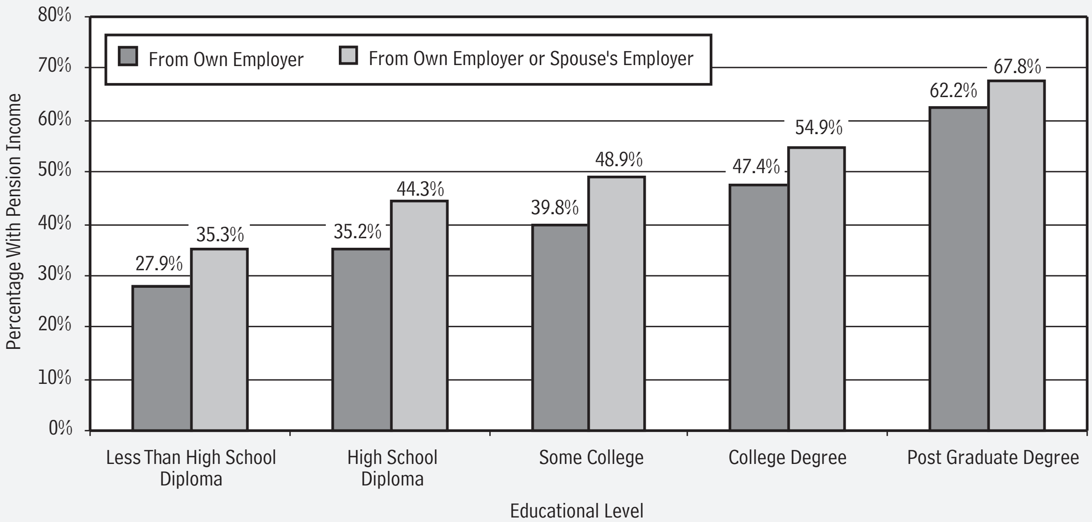
The adjustment to living on less income than anticipated can be a painful surprise. "This has been termed the wealth shock. People show up at retirement, they realize they don't have enough money to fund retirement and as a result they cut back on their spending," he said. "The real key here is expected versus unexpected changes. The big problem is that we need to better understand what the expectations are." Ameriks noted that, as a rule, those who plan ahead for retirement tend to find the adjustment easier.

In a TIAA-CREF survey, most participants prior to retirement (55 percent) believe that their expenses will drop when they stop working, but 10 percent expect to spend more. The biggest anticipated declines are found in the group with the highest debt-to-income ratios. A survey of those already retired yielded a more positive result—with 44 percent reporting a reduction in spending and 20 percent an increase.

Another perspective came from Jerry Carnegie, principal and retirement design practice leader at Hewitt Associates' Connecticut Center, who reported on a projection predicting what retirement income would be for workers from 23 large-company Hewitt clients that employ a total of 560,000. Most of these

Figure 1

AMERICANS 65 OR OLDER WITH PENSION INCOME EITHER FROM OWN OR SPOUSE'S FORMER EMPLOYER, BY EDUCATIONAL LEVEL, 1998



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

firms (18) offer a "traditional" defined benefit pension plan, while just five provide only a defined contribution plan (a 401(k)). The study assumed all workers transformed all retirement assets into an annuity at retirement in order to simply divide it by their pay to determine a retirement income replacement ratio.

With retirement assumed at age 65, the study found that, on average, these retirees would receive more than 92 percent of their preretirement pay: Social Security would provide 31.2 percent of the replacement income, defined benefit plans 15.1 percent, and 401(k) plans 45.8 percent. Some employees with long service would enjoy income replacement rates that exceed 100 percent. The anticipated income figures are higher than those that most workers can look forward to because of the generosity of the large firms surveyed. Long-term workers who are assumed to maximize their pension contributions were predicted to do best. Partly because of the structure of Social Security, those who do best in terms of replacement rates are workers who earn from $45,000 to $80,000 annually.

Carnegie said the data affirm a point made several times during the day, that a key to having an adequate expected retirement income was taking maximum advantage of tax-deferred savings plans like 401(k)s. But roughly a quarter of his sample did not do this—and thus could look forward to significantly lower retirement income. A recurring question was whether educating those whose savings seemed inadequate could convince them to change their behavior.

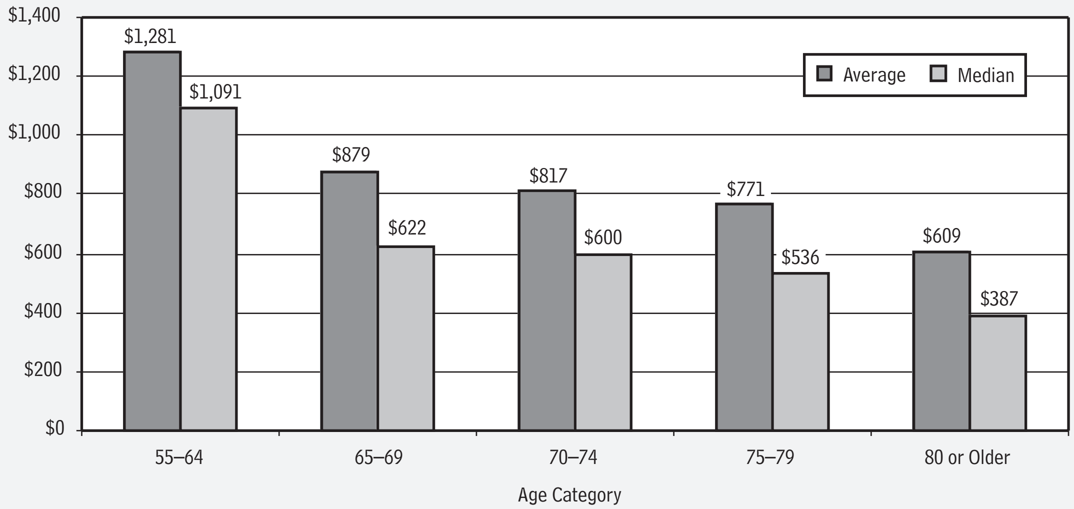
Craig Copeland, senior research associate at EBRI, focused on who gets retirement income, citing a survey that showed 36 percent of retirees over 65 received pension income (nearly all from a defined benefit plan) from a former employer in 1996 (a third of these retired from the public sector). But when the age cutoff is lowered to 55, the percentage of retirees with pensions increases to 41.6 percent. As a rule, the larger the work force of the employing firm, the more likely it is that retirees will receive a pension; at firms with more than 100 workers, the probability is almost 70 percent. Other things equal, being male, white, and well educated tend to translate into significantly larger pension checks (see Figure 1).

Among former workers over 65, about 78 percent of both union members and public-sector employees receive pension payments, although public-sector retirees generally receive more generous benefits, with a median pension of $904 monthly. Public-sector pension plans (unlike private-sector pensions) tend to contain inflation adjustments, making them more valuable over time.

For union members, median monthly pension income is $590. The higher the preretirement earnings, the greater the odds are that the retiree will receive pension payments, reaching a maximum of 70.9 percent of those who earned more than $50,000 annually.

The average monthly pension payment for retirees over 65 is $781,

Figure 2
Average and Median Monthly Pension Income, 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.

while the median (mid-point) monthly payment is $549. Younger retirees typically receive a higher monthly pension income than do older ones; the average monthly pension for all retirees over 55 is $920, compared with $1,281 monthly for retirees ages 55–64. Those over 80 receive an average of $609 monthly, with a median payment of $387 (see Figure 2).

Slightly more than a third of eligible married pension recipients (34.1 percent) elect to take a reduced benefit so as to guarantee a survivors benefit if they predecease their spouse; almost two-thirds take a lump-sum distribution, which they then become responsible for managing.

Paul Yakoboski, research director for the American Council on Life Insurers, examined the relatively new area of long-term care insurance. He estimated that about half the women and a third of the men in America ultimately will require at least some nursing home care. The average annual cost of nursing home care exceeded $50,000 per person in 2002, he noted.

Because the costs are so large and so common, Yakoboski argued, they should be considered as part of the retirement needs equation and not relegated to discussions about health care costs: “Fundamentally, long-term care and long-term care insurance is not a medical issue. It is not a health care issue. It is primarily a *financial security* issue, a retirement income security issue,” he said.

Historically, nearly all such care was paid for either by the patient or by state Medicaid programs for the medically indigent—often with the patient first spending down his or her assets for early care until becoming financially indigent and thereby eligible for the state aid that was subsequently provided. While long-term care insurance may be seen as a third possible payer, he noted, less than 10 percent of the current elderly population has such coverage. In 2000, the latest year for which data are available, just 600,000 policies were sold. In total, there are only about 3.5 million long-term care insurance policies outstanding, 71 percent of which were purchased in the individual market. While those coverage numbers cited may seem low, Yakoboski said, they are actually good in light of the fact that long-term care insurance is a relatively new financial product.

Health care makes significant claims on most retiree budgets, regardless of whether such long-term institutional care is required. Deborah Chollet, senior fellow at Mathematica Policy Research, noted that the average cost of health care for Medicare beneficiaries is approximately $10,000 annually, which is triple the expense for nonelderly families; that beneficiaries pay “out of pocket” approximately half the bill for long-term care; and that employer-provided retiree health insurance is an “endangered species,” a victim of employer response to escalating health insurance premiums.

According to Chollet, Medicare pays more than half of the health care expenditures of the retired population, and retirees pay about

20 percent of their health care expenditures out of pocket for a variety of services. Private insurance, including retiree health insurance and "Medigap" insurance, covers about 12 percent of retiree health costs. Medicaid accounts for about the same percentage.

Sources of payment for Medicare beneficiaries' health care shift depending on the type of service involved, she noted. Private insurance, for instance, pays 43 percent of retirees' prescription drug bill—but only a small portion of long-term nursing home care, where individuals pick up half the bill, and Medicaid pays 41 percent.

Only about a quarter of current retirees who worked for large employers have retiree health coverage, Chollet added; the numbers are significantly lower for those who worked for smaller employers. Fewer retirees will have retiree coverage in the years ahead, as employers continue to cut back to control escalating costs.

Results of State-Specific Income Adequacy Studies

In a unique series of studies of selected state-specific retirement income adequacy by the Employee Benefit Research Institute and the Milbank Memorial Fund, the aggregate shortfall between what's available and what's required to cover a basic standard of living was found to be quite substantial, especially when nursing home and home health care costs are included. In Massachusetts alone, this amount is projected to reach $1 billion annually in 2031, according to data presented by Jack VanDerhei, Temple University and research director of the EBRI Fellow's program, and Craig Copeland of EBRI. This year alone, the total Massachusetts shortfall is estimated at $655 million.

The relevant research was done in Oregon, Kansas, and, most recently, in Massachusetts. Although the numbers differed from one state to another, a general trend emerged: For married couples, the need for extensive home health or nursing home care often created economic stress in cases where there otherwise would have been economic adequacy. Generally, it appears that married couples that did not require this level of care would find themselves with adequate resources. For single men and women, whose financial posture was generally more precarious, the need for such care increased the odds that retirement income would be inadequate.

A panel of state officials said that these data would help the states prepare to meet greater demands from the elderly in the years ahead. Several agreed that it was particularly difficult to get the states to focus on this future problem during a time of extremely difficult current budget deficits, which are forcing many states to reduce funding for their Medicaid programs. Kansas State Rep. Melvin Neufeld suggested that the average state would need to increase taxes by 20–25 percent over the next three decades just to maintain *current* services; increasing coverage under these conditions would be an extraordinary political challenge, regardless of need.

But Neufeld and his colleagues—former Kansas State Sen. (and current state Insurance Commissioner) Sandy Praeger and Mark Gibson, policy advisor to the governor of Oregon—agreed that despite today's austere state budgets, the specific projections provided by the EBRI research made the problem of retiree income adequacy more tangible and quantifiable, and thus more likely to change future behavior.

Dan Fox, president of the Milbank Memorial Fund, which cosponsored the three state studies with EBRI, predicted that the new quantification would bring the issue to voters' attention. He pointed out that the quest for government health insurance programs—which culminated in the creation of Medicare and Medicaid in 1965—began 15 years before the programs were enacted, and suggested this effort was the start of a similar process. "Now, as then, most of the available ways to pay these costs violate strongly held values that many, perhaps most, Americans have about politics and policy—values like personal responsibility, distaste for higher taxes and suspicion about public bureaucracy," Fox said. Nevertheless, he said, the looming shortfall in retirement income adequacy, which will fall mainly to the states to deal with, is simply too big for policymakers to ignore.

The theme that medical expense will drive the coming crisis of retirement income inadequacy was expanded by Dan Holmes, executive vice president of Fidelity Health and Welfare Consulting Services, who cited additional research showing that tomorrow's retirees will be stretched to pay their medical bills. A couple retiring today at age 65 would need $160,000 to pay medical bills for the remainder of their lives, according to Fidelity research. If they decided to purchase long-term care insurance at age 65, the lifetime premium would be slightly lower ($130,000). Holmes noted that the vast majority of those with 401(k) plans would not be able to achieve the general target of being able to replace 70 percent of their preretirement income unless they could rely on other sources of income as well.

Debt Burden of Retirees

One financial constraint for retirees is debt. John Gist, associate director for economic policy research at the AARP Public Policy Institute, noted that the prosperity of the 1990s carried some heavy baggage: "Little noted at the time was the fact that personal debt was accumulating rapidly along with financial assets," he said. Gist reported that, overall, annual debt payments for Americans over age 50 increased from 8 percent of personal income in 1989 to 11.5 per-cent in 1998. Most of this growth has been in housing debt, perhaps a reflection of the popularity of refinancing during a period of rising property values and low interest rates. The biggest debt burdens were non-housing debt owed by pre-retirees in the lowest income group.

His findings were amplified by Al Duarte, director of educational design and delivery for the educational services department at the InCharge Institute of America, a debt-counseling firm. Duarte said that 59 percent of the Americans over 65 seeking debt relief assistance from InCharge have incomes below $15,000, while only 20 percent of all debtors seeking such aid were in this category. The firm helps borrowers with excessive debt formulate plans to meet their obligations.

The Role of Investment Advice

Bill Arnone, partner in the personal finance counseling practice of Ernest & Young, identified five basic problems that are preventing workers from saving as much as they could or should in their defined contribution employment-based retirement plans (principally 401(k) plans):

- Not enough workers elect to participate in employment-based retirement plans.
- Those who do participate make inadequate contributions.
- 401(k) plan loans undermine retirement savings.
- Significant numbers of workers "cash out" their retirement accounts when a job ends, instead of "rolling over" the assets into another retirement plan or an individual retirement account.
- Significant numbers of workers do not make wise investment decisions.

A frequent topic of debate in helping people prepare for retirement is how to provide appropriate investment advice to help them maximize their income when they retire. Despite the surge in free or low-cost online investment advice resources available over the Internet, Arnone maintained this approach is not working—at least, not yet—because relatively few people use them. He deconstructed what he called the "myth of the million eyeballs" to show why the claims of some Web-based investment sites do not reach as many customers or have as much impact as they claim.

Subsequent speakers who run such Web-based advisory services challenged Arnone's skepticism on Internet advisory services. Jeff Maggioncalda, president and CEO of Financial Engines, reported that his firm is providing counsel to 3 million people affiliated with 800 employers. With 60 million retirement or investment accounts and a median balance of about $20,000, he said, computerized systems offered the only cost-effective option to provide needed investment advice, since offering personal counsel to such modest-sized accounts simply isn't financially viable. Maggioncalda said that 80 percent of Financial Engines participants get investment recommendations, and that half of this group subsequently makes a change in their savings or investment pattern.

Andrew Huddart, president and CEO of mPower, explained that such services got off to a slow start because it took them five years to discover the 401(k) plan participants wouldn't pay for financial counseling. His firm's target audience is large employers (firms with more than 2,000 employees) that pay to provide mPower's services to their workers. Among such client firms, more than half of those eligible (54 percent) use the service within two years, Huddart said, and among those who ask for advice more than twice as many increase their contributions than did members sampled in a broader group analyzed by EBRI in the annual Retirement Confidence Survey.

Michael Conway, vice president of marketing financial related services at the AYCO companies, said that such firms typically tell employees that they're not saving enough and that workers often respond by saying they can't afford to save more.

The challenge lies in convincing workers that money is available—perhaps from "forgotten" assets like income tax refunds—that can be used to boost savings, and then adjusting income tax withholding so that take-home pay remains constant while 401(k) contributions rise by the amount that tax withholding is decreased. Because the average tax refund check is about $3,000, he noted, there is room for significant movement in savings levels, and for many workers that can significantly reduce the savings gap.

What Are the Ramifications For Public Policy?

Rob Shapiro, a fellow at the Progressive Policy Institute and managing director of Sonecon, warned that the group of Americans with a positive financial prognosis in retirement is shrinking because of a growing income disparity in America. While 30–40 percent of Americans probably will be comfortable in retirement, he suggested, "It's the remaining 60 to 70 percent of Americans that have something to worry about."

This, and broader demographic trends, indicate that "the share of the American population that is dependent…is set to rise significantly," which will means that "we will either grow poorer—or at least grow more affluent at a slower rate," Shapiro said. Nonetheless, he thinks it unlikely that society will confront the problem until it becomes an emergency, at which point it will respond as it did to the 1983 Social Security reforms. The probable result, he predicted, would be a combination of increased payroll taxes, reduced benefits, and an increase in government debt.

Shapiro criticized tax incentives for saving, saying that they merely influenced the *way* people saved, not the aggregate *amount* saved. He predicted a larger government role in guaranteeing income adequacy in the decades ahead, suggesting that the United States would move toward the model already common in Western Europe, where a large population was increasingly dependent on government benefits.

A more optimistic perspective came from Martha Farnsworth Riche, former U.S. Census Bureau director and now head of her own consulting firm, who stressed the impact of population growth. She obliquely challenged predictions of a growing dependent class, suggesting that the anticipated problems of inadequate retirement income may be only temporary. "We have to get the baby boom retired. But the baby boom is merely the front wave of a permanent transition," she said.

"We expect to add more people in this decade than we did during the last one," she noted, referring to anticipated American population growth. This can be construed to mean that there will be a larger dependent population if one assumes that children and adults over 65 are dependent. But this view would use an outmoded Social Security standard and ignore the growth in life expectancy that's occurred in the past half century and the fact that people 65 and older may be more independent than assumed. Whereas Social Security in 1935 clearly considered people age 65 to be dependent, today the "indication of dependency" would be around 80, she said. The key question, she suggested, is whether each expansion of life expectancy is automatically translated into an equal increase in retirement years.

Glenn Hubbard, chairman of the White House Council of Economic Advisors, who has since returned to his academic post at Columbia University, presented a case for individual Social Security accounts. Hubbard argued that allowing workers to invest a portion of their Social Security taxes will benefit both workers and the financially troubled Social Security program. "The real issue is not so much the math of Social Security reform, but that personal accounts are sound economic policy for creating an ownership society," Hubbard said. "Economists have long believed that individual choice and savings decisions and portfolio allocation is a good thing outside the Social Security context. It's a good thing within as well. Social Security personal accounts would promote ownership and wealth accumulation."

Hubbard said that arguments for increasing Social Security income by diversifying Social Security trust fund investments were less compelling than giving workers individual ownership of a Social Security account: "It raises very large questions about corporate governance, about conflicts of interest."

By the end of the policy forum, there was agreement that the American retirement system was stressed and that there was a need for continuing change to meet new circumstances. Individuals will have to take a more active role in planning for retirement during their working years.

Many fear that the idea of postwork "golden years" may become a historic memory, a cruel joke, or perhaps both, unless the system responds aggressively and effectively to these new challenges.

Washington Update

by Jim Jaffe, EBRI

Cash Balance Debate Heats Up

A coalition of employers has asked the Treasury Department to rewrite its draft language on age discrimination in the department's proposed regulations on the conversion of defined benefit plans into cash balance plans. The employers are particularly concerned that pension equity plans could be vulnerable to age bias complaints under the regulation as currently drafted. Treasury was to hold a public hearing on its proposal on April 9.

More than 50 major employers—including Wells Fargo, Dow Chemical, and Caterpillar—joined the effort, called the Coalition to Preserve the Defined Benefit System, organized by Watson Wyatt Worldwide.

The proposed regulations also have come under attack from critics who believe they don't provide adequate protection to older workers during cash balance conversions. Some members of Congress have vowed to block the Treasury Department regulations unless they are amended to meet these concerns.

Tax-Free Dividends Proposed For Annuity Payments

The Bush administration has broadened its proposal that would make dividend payments tax-free to recipients if they were paid out of corporate earnings that had been taxed. The iteration now under congressional consideration would make such dividends included in annuity payments exempt from taxes as well. The proposal was also modified to include the exemption for dividends paid by corporations that pay the alternate minimum tax.

But no quick action is anticipated on the dividend tax-cut proposal, and many members of Congress are concerned about its cost in lost tax revenue, especially as federal deficits continue to skyrocket. Treasury officials were using special finance mechanisms in late March to avoid breaching the current $6.4 trillion national debt limit. Things were expected to get better in mid-April when income tax revenues traditionally roll in, thus providing some breathing room. But sometime this year Congress will have to vote to raise the debt limit, despite lawmakers' intense political aversion to doing so.

House Panel Moves Investment Advice Bill

The House Education and Workforce Committee voted 29-19 last month to pass a bill (H.R. 1000) that would make it easier for employers to provide 401(k) participants with investment advice, and well as provide workers with new diversification rights and expanded account information. The bill,

Keeping on Track

Administration Working on PBGC Changes—Steven Kandarian, executive director of the Pension Benefit Guaranty Corporation, says the administration is drafting proposals designed to discourage companies from dropping their defined benefit pension plans when they are facing difficulty in funding the plans. Testifying before the Senate Finance Committee in March, he predicted that PBGC's record $3.6 billion 2002 deficit would be eclipsed this year, due to continued business failures by employers with big DB plans.

Kandarian said his agency was working with experts in the Treasury, Labor, and Commerce departments to craft reform proposals, but he offered no timetable on when a proposal will be released. One possibility, he said, was imposing more extensive disclosure rules on pension funds.

On a related topic, Pam Olson, assistant Treasury secretary for tax policy, characterized America's tax system as "nearing collapse" because of growing complexity issues. She touted the Bush administration's retirement savings proposals as a big step toward simplification. She made her remarks in a March speech to the Federal Bar Assn. Section on Taxation.

FASB Adds Pension Disclosure to Agenda—In a potentially far-reaching move, the Financial Accounting Standards Board (FASB) March 12 decided to add to its agenda a limited-scope project aimed at better disclosures about pension plans. This begins a process that may take half a year to produce draft disclosure rules.

Significantly, FASB decided *not* to undertake a comprehensive project to revise pension accounting standards—something that could have opened the door to possibly eliminating or limiting the so-called "smoothing mechanisms" used under FAS 87 to defer the effects of valuation swings in pension plan stock investments. The International Accounting Standards Board, with which FASB is working to develop high-quality worldwide accounting standards, has proposed the complete abolition of such smoothing mechanisms.

However, repealing FAS 87 potentially could have a seismic impact not only on pension plan accounting but on corporate finances and stock market valuations as well. By opting for a limited-scope project, FASB will focus on improving disclosures about pension cost, plan assets, obligations, and funding requirements.

sponsored by Rep. John Boehner (R-OH), committee chairman, is one of the "post-Enron" legislative responses to retirement plan problems revealed by that company's much-publicized bankruptcy.

Before approving the bill, committee Republicans voted down a slew of Democratic amendments designed to provide greater rights to 401(k) participants by imposing more restrictions on plan sponsors. Among many other Democratic amendments that were defeated, the committee killed one that would have treated nonqualified deferred compensation plans (typically offered only to executives) the same as tax-qualified retirement plans, thereby making them equally vulnerable when a company goes bankrupt.

With approval by the Education and Workforce Committee, the bill now goes to the House Ways and Means Committee before it can be taken up on the House floor. Last year, a similar measure died in the Senate.

Trustees Update Solvency Projections for Social Security, Medicare

In their report for 2003, the Social Security trustees conclude that the fund will contain adequate revenues to pay full benefits until 2042. It was the sixth consecutive year that the date, which was set at 2037 in 2000, was moved farther out. The trustees predict that benefit costs would begin to exceed tax revenues in 2018. The Social Security report is available online at www.socialsecurity.gov/OACT/TR/TR03/trTOC.html

Once again, however, the funding problems of Medicare were seen as more urgent. Trustees see expenses beginning to exceed revenues after 2012. That would result in depletion of the trust fund, and inability to pay full promised benefits, in 2026. The Medicare report is available online at cms.hhs.gov/publications/trusteesreport/2003/

EBRI in Focus

EBRI Education on the Road

EBRI CEO Dallas Salisbury continued to travel the nation in April to carry forward the EBRI mission of education on financial security issues:

- April 4, he was the featured speaker at the WEB annual awards ceremony held in Arlington, VA. The Worldwide Employee Benefits (WEB) Network this year created three awards categories, for Innovation in Benefits, Achievement in Benefits Service, and Friend of the Benefits Community.
- April 7, he joined other judges in New York to determine the 2003 Principal *10 Best Companies for Employee Financial Security.* This is the second year that Principal has sponsored the awards program to recognize growing companies that excel at ensuring employee financial security through benefits and other programs. More than 1,800 companies from across the United States were nominated. Principal also publishes a *Best Practices Guide* for employers.
- April 22, he keynoted the annual Western Pension Benefits Conference meeting in Seattle. Salisbury provided a view of the future of retirement income and health programs and the major savings challenge facing today's workers.
- April 23, he spoke to the board of directors of the Capital Group, a Sustaining Member of the Institute, on the future outlook for defined benefit and defined contribution plans, and resulting implications for asset management organizations.

Also, on March 6 Salisbury testified before the House Ways and Means Committee at a hearing on the potential impact on retirement plans of the president's proposal to cut dividend taxes. His statement is available at *EBRI Online* at www.ebri.org/testimony/t138.pdf

Other recent EBRI staff presentations include:

- April 29, Senior Research Associate Paul Fronstin presented findings from recent EBRI research on retiree health benefits at the federal Interagency Forum on Aging-Related Statistics and the Agency for Healthcare Research and Quality.
- On April 15, Jack VanDerhei, Temple University and research director of the EBRI Fellows program, presented findings from the most recent EBRI/ICI 401(k) database report at the ASEC Partners meeting. Joining in the presentation was his coauthor of the report, Sara Holden of ICI. Full results for the year-end 2001 study are available at *EBRI Online* at www.ebri.org/pdfs/0303ib.pdf

Also, on March 14, VanDerhei participated in a briefing held in the U.S. Capitol for several dozen congressional aides on the basics of pension plans.

ASEC in Howard University/ **Washington Post** *Financial Forum*

Staff of the American Savings Education Council (ASEC) presented a half-hour session on how to save and avoid debt at an April 7 forum hosted by *The Washington Post* and Howard University on the Howard campus in Washington, DC. The forum, entitled "What is Your Financial IQ?" provided practical information on a range of personal finance topics relevant to students and the university community. Michelle Singletary, personal finance columnist for the *Post*, was the prime speaker/moderator.

SOA: Call for Papers

EBRI is cosponsoring a call for papers by the Society of Actuaries on "Managing Retirement Assets for Longevity and Other Risks." The papers are to address ways to manage mortality/longevity risks and uncertainties using traditional solutions or innovative new approaches; the call for papers is directed to all professionals knowledgeable and interested in these topics (authors do not need to be SOA members). Abstract of papers are due by June 2, 2003, and all papers, based on accepted abstracts, are to be completed by Feb. 16, 2004. For more information, contact Karen Gentilcore, SOA, (847) 706-3595 or kgentilcore@soa.org

Join EBRI in New York on September 19, 2003, for a 25th Anniversary Celebration

Find Details Online at www.EBRI.org

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.*]

Aging

Korczyk, Sophie M. Back to Which Future: The U.S. Aging Crisis Revisited. Free. AARP, 601 E St., NW, Washington, DC 20049, (202) 434-2277, research.aarp.org/econ/2002_18_aging.pdf.

Employee Benefits

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