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IRAs: It’s a Whole New Ballgame

By Paul Yakoboski and Bill Pierron, EBRI

Introduction

With the recently enacted Taxpayer Relief Act of 1997 (“TRA ’97”) (H.R. 2014), the landscape of individual retirement accounts (IRAs) has changed dramatically. In fact, the term “retirement” has become somewhat misleading because IRAs can now be used to fund first-time home purchase and college expenses without incurring the 10 percent penalty tax currently applied to distributions made to individuals younger than age 59 1/2.

TRA ‘97 expanded eligibility for currently existing deductible IRAs and allowed the accumulated funds to be used for purposes other than retirement without penalty. It also created a new, nondeductible IRA—the Roth IRA, which can also be used to save for retirement, first-time home purchase, and college expenses. More individuals will be eligible for the Roth IRA than for deductible IRAs. Finally, TRA ’97 created a nondeductible education IRA.

IRA expansion raises numerous policy questions, such as whether it will increase personal saving levels. In addition, it raises more subtle issues from a retirement income security perspective, given that funds in any IRA can now be used for first-time home purchase and college expenses without incurring the 10 percent tax penalty.

This article first describes IRAs as they exist under current law; then highlights the changes introduced by TRA ’97 regarding IRA eligibility, usage, and expansion; and finally discusses the policy issues these changes raise.

Current-Law IRAs

The maximum contribution to current-law IRAs is $2,000 per year. Subject to eligibility, contributions are deductible when made, earnings accrue tax-deferred, and taxes are paid on withdrawal (on earnings and deductible contributions).

Regardless of income, if a worker (and his or her spouse) is not an active participant in an employment-based retirement plan, then he or she is eligible to make a fully deductible IRA contribution of up to $2,000 and the spouse is eligible for an equal contribution.

Eligibility for deductible contributions phases out between AGIs of $25,000–$35,000 for single filers and $40,000–$50,000 for joint filers participating in an employment-based retirement plan. This means that only a
portion of IRA contributions for workers within these income levels is deductible, with the proportion deductible based on the worker's income level. However, even workers participating in an employment-based plan, and with incomes exceeding $35,000 for single filers and $50,000 for joint filers, can establish nondeductible IRAs.\(^1\)

If employment-based retirement plans provide lump-sum distributions, the amounts corresponding to pretax employee and employer contributions may be transferred to a rollover IRA. Rollover IRAs were designed specifically to provide a savings vehicle for lump-sum distributions without imposing a tax penalty. Lump-sum distributions from employment-based plans are paid to a surviving spouse after an employee’s death and can also be rolled over into an IRA without penalty. There are no dollar limits on the amount that can be rolled over into an IRA.

A penalty tax of 10 percent generally applies for distributions that occur before the recipient is age 59\(\frac{1}{2}\), although the penalty does not apply in instances of death or disability. In addition to this penalty, income taxes are assessed at normal rates based on the recipient's individual or joint AGI. Distributions must commence by April 1 of the calendar year following the calendar year in which the individual reaches age 70\(\frac{1}{2}\).\(^2\)

**Changes to Current-Law IRAs**

The phase-out ranges for deductible contributions among those participating in an employment-based retirement plan will be increased, incrementally, between 1998 and 2007. The AGI range will eventually reach $50,000–$60,000 for individuals in 2005 and $80,000–$100,000 for joint filers in 2007. According to Employee Benefit Research Institute (EBRI) tabulations, if these limits were currently in effect, 96 percent of single filers and 91 percent of joint filers would be eligible for at least a partially deductible contribution.\(^3\)

Beginning January 1, 1998, unlimited penalty-free withdrawals will be allowed before the recipient is age 59\(\frac{1}{2}\) for “qualified higher education expenses,” which are essentially direct college and graduate school costs. Penalty-free withdrawals up to $10,000 will be allowed for a first-time home purchase. Such withdrawals will be allowed from both rollover and conventional deductible IRAs. In addition, non-working spouses will be eligible for a fully deductible $2,000 contribution even if the working spouse is not eligible; this provision phases out for joint income above $150,000.

**The Roth IRA**

Under the new Roth IRA, the maximum contribution is $2,000, coordinated with other IRA contributions (excluding rollover IRAs). This means that combined contributions to Roth and conventional deductible IRAs cannot exceed $2,000 for individuals or $4,000 for joint filers. Subject to eligibility and a five-year holding requirement (see below), contributions are nondeductible when made, earnings accrue tax-free, and no taxes are due on withdrawal. Eligibility is in no way dependent on lack of participation in an employment-based retirement plan. Eligibility phases out from AGIs of $95,000–$110,000 for single filers and $150,000–$160,000 for joint filers. According to EBRI tabulations, if the Roth IRA were in effect today, 99 percent of single filers and 97 percent of joint filers would be eligible for the full contribution.

There is no tax on earnings if money remains in the account for at least five years and is withdrawn after the recipient reaches age 59\(\frac{1}{2}\) or is used for college expenses or first-time home purchase ($10,000 limit applies to first-time home purchase). There is no requirement for distributions to commence by April 1 of the calendar year following the calendar year in which the individual reaches age 70\(\frac{1}{2}\). Amounts equal to the nondeductible contributions can be withdrawn at any time without a tax penalty.

If a family’s AGI is less than $100,000, the money in an existing IRA (deductible or rollover) can be transferred to a Roth IRA, with taxes due on earnings and deductible contributions. No penalty taxes apply. If the transfer occurs prior to January 1, 1999, taxes can be spread over four years.

Given that deductible IRAs will have the same preretirement penalty-free withdrawal options as Roth IRAs, which one should an individual use? The income limits for
eligibility are higher for Roth IRAs than for deductible IRAs, so some individuals and couples not eligible for a deductible IRA contribution will be eligible to contribute to a Roth IRA. If an individual is eligible for both, the answer will depend to a large extent on expectations regarding changes in tax rates between the date contributions are made and the expected date of withdrawal. If an individual expects his or her tax bracket to remain the same, the choice of vehicle does not matter. However, an individual who expects his or her tax rate to increase would be better off paying taxes on contributions under the Roth IRA and receiving withdrawals tax free. Similarly, for an individual who expects his or her tax rate to decrease, the deductible IRA would be the better choice.

**The Education IRA**

Maximum annual contributions to an education IRA are limited to $500 per beneficiary. Contributions are nondeductible when made; earnings accrue tax free; and distributions are not taxable as long as they are used for college education expenses. Contributions may not be made after the beneficiary reaches age 18, and distributions must be taken before the beneficiary reaches age 30. However, an Education IRA can be rolled over to another beneficiary, provided that the beneficiary is a member of the previous beneficiary’s family.4

Eligibility for education IRA contributions phases out for those with AGIs of $95,000–$110,000 for single filers and $150,000–$160,000 for joint filers. Distributions from Education IRAs are not excludable from income in years when HOPE Scholarship or Lifetime Learning tax credits are claimed.5 Education IRA contributions are not coordinated with other IRAs.

**Policy Implications**

Will IRA expansion result in a net increase in personal saving and if so, by how much? The economic literature regarding the effect of IRAs on personal saving has thus far been inconclusive.6 The source of this uncertainty is individuals’ ability to transfer funds that would have been saved through other investment vehicles into IRAs. With regard to current IRA expansion, for example, a couple already saving for a child’s education may continue to save the same amount but now do so through a Roth IRA rather than through, for instance, a traditional savings account. IRA contributions would thus increase, but personal saving would not.

On the other hand, it is realistic to expect that financial institutions will significantly expand the marketing of IRAs in response to the expansion of IRA eligibility. If this happens, it also seems realistic to expect that, in addition to the shift in saving that was already occurring, new saving may be generated as new savers begin using IRAs and as some existing savers respond to marketing efforts by saving more. It thus seems reasonable to conclude that IRA expansion is likely to generate additional personal saving, but the magnitude of this effect is far from clear.7

The ultimate impact of IRA expansion on retirement income security presents another interesting issue. Individuals will be able to tap any IRA for first-time home purchase and college expenses without incurring a tax penalty. This means that all currently existing IRAs—rollover as well as contributory, in addition to future IRAs—will be available without tax penalty for purposes other than retirement. Literally hundreds of billions of dollars already accumulated in tax-preferred vehicles earmarked for retirement will be available for these other two purposes.

It is unknown how IRA holders will react, and whether they will withdraw large amounts of money for children’s tuition and house downpayments. Most of the funds currently flowing into IRAs are rollovers from employment-based retirement plans, such as 401(k) plans.8 This means that all money accumulated on a tax-deductible basis in 401(k) and similar plans at previous jobs will become eligible for first-time home purchase and college expenses on job termination as long as the money has been rolled over into an IRA. In addition, it will be possible in theory for workers to tap their accumulations in a 401(k) plan in which they are currently participating for college expenses and first-time home purchase without incurring a tax penalty. If a plan
offers hardship withdrawals, a participant could take such a withdrawal and roll it over into an IRA. It could then be withdrawn from the IRA (subject to income taxes, but no penalty tax) and used for the above purposes.

Finally, as TRA '97 is written, families with AGIs of less than $100,000 could transfer deductible IRAs into a Roth IRA, pay income tax on the amount transferred, and then withdraw the entire amount the next day and owe income and penalty tax on only the one day of earnings. This withdrawal could then be used for any purpose.

The ultimate impact of this potential leakage on retirement income security will depend on whether individuals withdraw their money without carefully considering the potential implications for future retirement income levels; without considering alternative options (e.g., 401(k) loans and home equity loans); and without questioning their ability to make up for the lost retirement accumulations in the future, if necessary. Money that has supposedly been accumulated for retirement on a tax-preferred basis becomes eligible for other penalty-free uses under the new law. If individuals access these funds before retirement and do not rebuild their retirement savings, they risk potentially significant erosion of their retirement income security. This presents a public policy challenge to a system already expected to experience significant financial pressures to support future retirees.

Conclusion
This round of IRA expansions represents an implicit shift in policy focus from retirement savings per se to capital accumulation. This shift appears to be based on the belief that increased access will mean increased savings. However, increased accumulations today may not necessarily lead to retirement income security tomorrow.

Endnotes
1 For a full explanation of eligibility for deductible and nondeductible IRA contributions under current law, see Fundamentals of Employee Benefit Programs, 5th edition (Washington, DC: Employee Benefit Research Institute, 1997).
2 The amount of the minimum distribution required is based on the amount accumulated in the IRA as well as the individual’s remaining life expectancy.
3 According to EBRI tabulations, under current law, 89 percent of single workers are eligible for a deductible IRA contribution, 86 percent of married couples with one earner are eligible for a deductible IRA contribution, and 56 percent of two-earner couples are eligible. See Paul Yakoboski, “IRA Eligibility and Usage,” EBRI Notes (April 1995): 5–7.
4 If the beneficiary reaches age 30 without attending college and the funds are not rolled over to another beneficiary, then the money must be distributed to the beneficiary and income tax plus a 10 percent penalty tax will be owed on the proportion of the distribution attributable to earnings.
5 The HOPE Scholarship allows taxpayers to claim a credit up to $1,500 of tuition and fees for each of the first two years of post-secondary education for each dependent student. The Lifetime Learning credit allows taxpayers to claim a maximum of $1,000 of tuition and fees per year regardless of the number of students in a taxpayer’s family. (This amount rises to $2,000 in 2002.) However, unlike the HOPE Scholarship, the Lifetime Learning credit may be claimed for an unlimited number of years and may be used for graduate and post-graduate expenses. Both credits phase out for individual taxpayers with AGI between $40,000 and $50,000 and joint filers with AGI between $80,000 and $100,000. Both credits, along with Education IRAs, are mutually exclusive; a taxpayer may elect only one in a given year.
7 Some taxpayers may find it more advantageous to save outside the IRA system, given the reduction in capital gains rates brought about by TRA ’97. Effective May 7, 1997, the maximum capital gains rate dropped from 28 percent to 20 percent for assets held 18 months or more. (The 28 percent rate remains in effect for assets held less than 18 months.) For taxpayers in the 15 percent bracket, the capital gains rate drops to 10 percent. Beginning January 1, 2001, assets acquired and held five years or more will be subject to an 18 percent capital gains rate, and, for taxpayers in the 15 percent bracket, the rate will be 8 percent. Even with dividends taxed as regular income, a non-IRA investment account may produce greater after-tax returns for certain IRA-eligible individuals than the same amount of money invested in an IRA.
8 According to EBRI/IRS tabulations, 82 percent of money flowing into IRAs in 1990 (the latest year for which data are available) was the result of rollovers. See Paul Yakoboski, “Retirement Program Lump-Sum Distributions: Hundreds of Billions in Hidden Pension Income,” EBRI Issue Brief no. 146 (Employee Benefit Research Institute, February 1994).
**Sources of Health Insurance Coverage Among Part-Time Workers**  
*By Pamela Ostuw, EBRI*

**Introduction**
Employee Benefit Research Institute (EBRI) tabulations of the March 1996 Current Population Survey (CPS)\(^1\) reveal that 21.3 percent of the total work force, consisting of 29.6 million individuals ages 16 and older, were part-time workers in 1995. In comparison, 78.6 percent of all workers, or 109.3 million individuals ages 16 and older, were full-time workers in 1995.

The definition of part-time work has changed over time. As of March 1994, the Bureau of Labor Statistics (BLS) classifies full- and part-time workers based solely on the number of hours usually worked. Using this definition, part-time workers are those who work between 1 and 34 hours per week. Full-time workers are those who work 35 hours or more per week. As a result of the refinements in the March 1995 CPS, data for 1994 and later years are not directly comparable with those from 1993 and earlier years.

Typically, part-time employees are young (36.1 percent of part-timers are ages 16–24 and 35.1 percent are ages 25–44). Employees ages 55–64 represented 8.8 percent of the part-time population, and those ages 65 and older represented 9.1 percent of the part-time population.

In 1995, there were 19.4 million female part-time employees (representing 65.5 percent of the part-time work force) and 10.2 million male part-time employees (34.5 percent of the part-time work force). Part-time employees ages 25–64 were much more likely to be female (in terms of both numbers and percentage of part-time employees) (table 1).

Data for part-time employees in the private sector reveal that, in 1995, 26.2 percent were employed at an establishment with fewer than 10 employees, and 53.3 percent of private-sector, part-time employees worked at a firm with fewer than 100 employees. Thirty-one percent of part-time employees in the private sector were employed at a company with 1,000 or more employees.

Part-time workers earn less per hour, on average, than full-time workers and are less likely to receive employment-based health, retirement, and other benefits (such as life insurance) than their full-time counterparts. In addition, if these benefits are available, the cost to part-time employees often exceeds that to full-time employees. This article examines access to and sources of health insurance coverage of the part-time work force in 1995.\(^2\)

**Private Coverage**
Private health insurance coverage includes direct coverage (in an employee’s own name), indirect coverage (dependent coverage), and other private coverage. The category known as “other private” is defined as individual or group coverage not offered through an individual’s current or former employer or union. This type of coverage primarily consists of individually purchased private insurance. While a person may supplement employment-based coverage with another form of private insurance, the CPS does not allow identification of these individuals.

Among all part-time employees, 71.1 percent had private coverage, with 57.8 percent having employment-based coverage (table 1). (Chart 1 provides a breakout of own name and dependent employment-based coverage for part-time workers ages 16 and older.)

**Age**—The part-time employees most likely to have private health insurance coverage were those ages 65 and older (78.9 percent), whereas those least likely to have this type of coverage were part-timers ages 25–44 (65.5 percent). Coverage may be lower among the latter group of individuals because of their age and health insurance costs (i.e., it is possible that the employee considers the cost too high, and feels that money would be better spent in another manner). Where the employee works is another possible reason for lower coverage. For example, some employers may not offer coverage to part-time workers.
# Sources of Health Insurance Coverage for Persons Ages 16 and Older Working Part Time, by Age and Gender, 1995

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(percentage within age and gender categories)

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<td>Female Part-Time Workers</td>
<td>100.0</td>
<td>73.6</td>
<td>61.0</td>
<td>18.9</td>
<td>42.1</td>
<td>12.6</td>
<td>18.6</td>
<td>16.3</td>
<td></td>
</tr>
<tr>
<td>Ages 16–24</td>
<td>100.0</td>
<td>70.3</td>
<td>57.1</td>
<td>7.7</td>
<td>49.3</td>
<td>13.2</td>
<td>16.8</td>
<td>18.3</td>
<td></td>
</tr>
<tr>
<td>Ages 25–44</td>
<td>100.0</td>
<td>72.7</td>
<td>64.9</td>
<td>21.1</td>
<td>43.7</td>
<td>7.8</td>
<td>12.5</td>
<td>17.6</td>
<td></td>
</tr>
<tr>
<td>Ages 45–54</td>
<td>100.0</td>
<td>79.3</td>
<td>68.6</td>
<td>23.1</td>
<td>45.5</td>
<td>10.7</td>
<td>7.5</td>
<td>15.8</td>
<td></td>
</tr>
<tr>
<td>Ages 55–64</td>
<td>100.0</td>
<td>78.8</td>
<td>65.1</td>
<td>35.2</td>
<td>29.9</td>
<td>13.7</td>
<td>10.0</td>
<td>16.4</td>
<td></td>
</tr>
<tr>
<td>Ages 65 and older</td>
<td>100.0</td>
<td>76.3</td>
<td>34.5</td>
<td>24.8</td>
<td>9.7</td>
<td>41.8</td>
<td>96.3</td>
<td>a</td>
<td></td>
</tr>
</tbody>
</table>


Note: Details may not add to totals because individuals may receive coverage from more than one source.

aFewer than 50,000 respondents (weighted) in this category.

Employees ages 16–24 have a higher coverage rate (72.3 percent) than those ages 25–44. Part of the reason for this may be that some younger employees are covered by a parent’s health plan.

Gender—In 1995, male part-time workers were less likely to have private coverage (66.2 percent) than female part-time workers (73.6 percent). The real difference lies in own name versus dependent coverage (see table 1). Female part-time employees were much more likely than their male counterparts to have dependent coverage, but little variation in own name coverage existed among males and females.

Sector/Firm Size—Among part-time employees in the public sector, 75.4 percent had private health insurance coverage, compared with 70.4 percent in the private sector, and 71.5 percent among the self-
employed. For part-time employees in the private sector, those least likely to have private coverage were employed in firms with fewer than 10 employees (64.7 percent), while those most likely to have this type of coverage were employed in firms with 100–499 employees (74.0 percent) (table 2).

**Industry**—The finance, insurance, and real estate industries had the most part-time employees covered by private health insurance (80.6 percent). This was followed by the professional services industry, with 80.2 percent. The industries with the lowest private health insurance coverage were personal services (55.3 percent) and construction (52.2 percent) (table 3).

**Public Coverage**

Coverage from Medicaid, Medicare, and the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) comprise the three major public sources of health insurance available to part-time workers. These programs are not mutually exclusive; a person may have more than one type of public coverage, and may also have both public and private insurance. For example, a worker may receive both employment-based health insurance coverage and CHAMPUS coverage because he or she may have had different sources of coverage at different points in time, during the same calendar year. Among all part-time workers, 20.4 percent were covered under a public health insurance plan in 1995 (table 3).

**Age**—Public health insurance coverage was rather uncommon among part-time employees under age 65—ranging from 9.4 percent for those ages 45–54 to 13.8 percent for part-time workers ages 16–24. In contrast, public coverage was very common for those ages 65 and older (96.5 percent) (table 1), due to Medicare coverage.

**Gender**—Data on coverage through a public health insurance plan can be found in table 1. The data reveal only small gender differences: 23.8 percent of male part-time workers had public insurance and 18.6 percent of females had this type of coverage. Gender comparisons across ages reveal some differences, except at the 65 and older age range where the numbers were very close. Men ages 45–64 are more likely to receive public health insurance coverage than women of the same age (table 1). This may be because these women are past the childbearing age range of 14–44.

**Uninsured**

Overall, 19.1 percent of part-time workers (5.7 million) were uninsured in 1995. The least likely group to be uninsured was part-time employees ages 55–64 (17.6 percent uninsured). In comparison, those most likely to be uninsured were part-timers ages 25–44 (24.6 percent) (table 1).

**Age and Gender**—Male part-time employees were more likely than their female counterparts to be uninsured (24.5 percent and 16.3 percent, respectively) (table 1). Real differences between the genders become more evident when examining part-time workers ages 25–44.
Table 2

**SOURCES OF HEALTH INSURANCE COVERAGE FOR PERSONS AGES 16 AND OLDER WORKING PART TIME, BY FIRM SIZE, 1995**

<table>
<thead>
<tr>
<th>Firm Size</th>
<th>Total (millions)</th>
<th>Employer Coverage</th>
<th>Other Coverage</th>
<th>Total (percentage within firm size categories)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Private</td>
<td>Total Private</td>
<td>Own name</td>
<td>Dependent</td>
</tr>
<tr>
<td></td>
<td>(millions)</td>
<td>Total</td>
<td>Private</td>
<td>Public</td>
</tr>
<tr>
<td>Part-Time Workers</td>
<td>29.6</td>
<td>21.1</td>
<td>17.1</td>
<td>5.8</td>
</tr>
<tr>
<td>Self-employed</td>
<td>3.3</td>
<td>2.4</td>
<td>1.7</td>
<td>0.6</td>
</tr>
<tr>
<td>Total wage and salary workers</td>
<td>26.3</td>
<td>18.7</td>
<td>15.5</td>
<td>5.2</td>
</tr>
<tr>
<td>public sector</td>
<td>3.4</td>
<td>2.6</td>
<td>2.2</td>
<td>1.0</td>
</tr>
<tr>
<td>private sector</td>
<td>22.9</td>
<td>16.1</td>
<td>13.3</td>
<td>4.2</td>
</tr>
<tr>
<td>fewer than 10 employees</td>
<td>6.0</td>
<td>3.9</td>
<td>2.9</td>
<td>0.7</td>
</tr>
<tr>
<td>10–24 employees</td>
<td>3.2</td>
<td>2.2</td>
<td>1.8</td>
<td>0.5</td>
</tr>
<tr>
<td>25–99 employees</td>
<td>3.0</td>
<td>2.2</td>
<td>1.8</td>
<td>0.5</td>
</tr>
<tr>
<td>100–499 employees</td>
<td>2.4</td>
<td>1.8</td>
<td>1.6</td>
<td>0.5</td>
</tr>
<tr>
<td>500–999 employees</td>
<td>1.1</td>
<td>0.8</td>
<td>0.7</td>
<td>0.3</td>
</tr>
<tr>
<td>1,000 or more employees</td>
<td>7.1</td>
<td>5.2</td>
<td>4.5</td>
<td>1.7</td>
</tr>
</tbody>
</table>


Note: Details may not add to totals because individuals may receive coverage from more than one source.

25–54. Among part-time workers ages 25–44, males were much more likely to be uninsured (47.8 percent uninsured) than females in the same age range (17.6 percent uninsured). Similarly, among those ages 45–54, 36.1 percent of male part-timers were uninsured, compared with 15.8 percent uninsured females of the same age range.

**Implications**

In general, part-time employees are less likely to receive health insurance coverage (71.1 percent with private coverage and 20.4 percent with public coverage) than their full-time counterparts (80.8 percent with private coverage and 7.1 percent with public coverage). Small firms play a significant role in the U.S. economy and are the least likely to offer employment-based health insurance coverage to their employees. This is at least partly due to the fact that employment-based health insurance coverage costs much more for small firms than it does for large firms. Additionally, employers may be less able to justify these costs for short-term, young employees, who represent slightly over one-third of the part-time employee population.

Employment-based benefits will continue to be valued in employee recruitment—as found in multiple EBRI/Gallup surveys on the value of benefits—for large and small employers. Therefore, the small employers that do provide health benefits will have a decided advantage over small employers that do not, particularly as the workforce ages.

The increased use of part-time employees represents a structural change in the labor market, and may contribute to the increase in the uninsured rate among part-time employees. Part-time employees may value health benefits less than other employment-based benefits and thus be more likely to accept employment with employers who do not offer them.
Table 3

SOURCES OF HEALTH INSURANCE COVERAGE FOR PERSONS AGES 16 AND OLDER WORKING PART TIME, BY INDUSTRY, 1995

<table>
<thead>
<tr>
<th>Industry</th>
<th>Employer Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Private</td>
</tr>
<tr>
<td></td>
<td>(millions)</td>
</tr>
<tr>
<td>Part-Time Workers</td>
<td>29.6</td>
</tr>
<tr>
<td>Government</td>
<td>3.4</td>
</tr>
<tr>
<td>Agriculture</td>
<td>0.7</td>
</tr>
<tr>
<td>Construction</td>
<td>0.7</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1.2</td>
</tr>
<tr>
<td>Transportation, communications, and utilities</td>
<td>0.7</td>
</tr>
<tr>
<td>Wholesale</td>
<td>0.4</td>
</tr>
<tr>
<td>Retail</td>
<td>9.0</td>
</tr>
<tr>
<td>Finance, insurance, and real estate</td>
<td>1.0</td>
</tr>
<tr>
<td>Business and repair services</td>
<td>1.4</td>
</tr>
<tr>
<td>Personal services</td>
<td>1.6</td>
</tr>
<tr>
<td>Entertainment and recreation services</td>
<td>0.9</td>
</tr>
<tr>
<td>Professional services</td>
<td>5.1</td>
</tr>
</tbody>
</table>

(percentage within industry groups)

| Part-Time Workers | 100.0% | 71.1% | 57.8% | 19.5% | 38.3% | 13.3% | 20.4% | 19.1% |
| Government        | 100.0  | 75.4  | 64.1  | 28.7  | 35.4  | 11.3  | 23.2  | 14.0  |
| Agriculture       | 100.0  | 67.1  | 47.7  | 12.6  | 35.1  | 19.4  | 26.3  | 21.1  |
| Construction      | 100.0  | 52.2  | 40.4  | 17.9  | 22.5  | 11.8  | 17.9  | 38.9  |
| Manufacturing     | 100.0  | 66.5  | 56.8  | 23.1  | 33.7  | 9.7   | 20.7  | 23.8  |
| Transportation, communications, and utilities | 100.0 | 74.0 | 62.9 | 36.2 | 26.7 | 11.1 | 14.9 | 19.8 |
| Wholesale         | 100.0  | 79.2  | 64.8  | 23.7  | 41.1  | 14.4  | 19.9  | 16.2  |
| Retail            | 100.0  | 68.7  | 57.2  | 14.0  | 43.1  | 11.6  | 18.4  | 20.7  |
| Finance, insurance, and real estate | 100.0 | 80.6 | 69.1 | 26.9 | 42.2 | 11.5 | 21.3 | 11.5 |
| Business and repair services | 100.0 | 61.2 | 47.3 | 17.7 | 29.6 | 14.0 | 25.0 | 25.6 |
| Personal services  | 100.0  | 55.3  | 40.8  | 12.3  | 28.5  | 14.5  | 27.6  | 26.6  |
| Entertainment and recreation services | 100.0 | 76.7 | 63.3 | 14.5 | 48.8 | 13.4 | 14.4 | 16.3 |
| Professional services | 100.0 | 80.2 | 68.1 | 24.5 | 43.5 | 12.1 | 16.7 | 12.6 |

Note: Details may not add to totals because individuals may receive coverage from more than one source.

Endnotes

1 The March 1996 Current Population Survey includes the civilian, noninstitutionalized population of the United States living in housing units and members of the Armed Forces living in civilian housing units on a military base or in a household not on a military base. EBRI does not tabulate responses of active duty military workers because these individuals are generally provided health services on a military base.

2 For a more in-depth look at the part-time and contingent work force, see Nancy Saltford and Sarah Snider, “Characteristics of the Part-Time Work Force.” EBRI Issue Brief no. 149 (Employee Benefit Research Institute, May 1994); Edina Rheem, “Between 2% and 5% of Workers Are Contingent,” EBRI Notes (Employee Benefit Research Institute, February 1996: 1–4; and Pamela Ostuw, “Part-Time Workers: Characteristics and Benefits,” EBRI Notes (Employee Benefit Research Institute, August 1996): 4–6.

3 Medicaid is the federal state health insurance program for certain categories of low-income individuals. Medicare is the publicly financed health insurance program for the elderly and certain disabled individuals. CHAMPUS provides coverage to dependents of active duty and retired members of the uniformed services. The CPS defines CHAMPUS to include other government programs, including the Civilian Health and Medical Program of the Veterans Administration (CHAMPVA), which provides coverage to dependents of totally disabled veterans who are eligible for retirement pay from a uniformed service.


Washington Update
By Bill Pierron, EBRI

UPS Strike
The International Brotherhood of Teamsters strike against United Parcel Service (UPS) lasted a little over two weeks. During that period, the Employee Benefit Research Institute (EBRI) played a key role in educating the media and the general public about the underlying issues. Anticipating reporters’ questions, EBRI staff developed a series of fact sheets, in question and answer format, covering general information about part-time workers, their benefits, wages and salaries, and the pension and health proposals made by UPS. EBRI posted this information on its World Wide Web site along with data tables on part-timers. It also sent the information directly to the press, resulting in extensive nationwide coverage. Among other notable sources, ABC, CNN, and National Public Radio aired interviews with EBRI staff members and cited EBRI data in their programs.

Outlook: The strike brought national attention to pension plan structure and coverage issues as well as part-time workers and the benefits they receive. At the same time, as evidenced by the general tenor of news media coverage, the overall public understanding of these issues appears to be limited. While this is not surprising, it demonstrates the need for vigorous outreach to the news media and policymakers regarding the importance of the employee benefits system. The outcome of this strike also provides a boost to organized labor. Expect renewed emphasis on organizing in the work place, along with a higher public profile for the labor movement.

Health Care Privacy
Several bills introduced this year at the state and federal levels would provide increased protection for individual medical records and limit employers’ and insurers’ use of genetic information. At least 12 bills have been introduced in Congress, and legislation is pending in as many as 13 states. Genetic privacy laws are already on the books in roughly one-half of the states.

At the federal level, the Genetic Confidentiality and Nondiscrimination Act (S. 422), sponsored by Sen. Pete Domenici (R-NM), would bar employers from requesting or requiring genetic information as a condition of employment and insurers from requesting or requiring it for insurance underwriting purposes. The Genetic Privacy and Nondiscrimination Act (H.R. 2198), sponsored by Rep. Cliff Stearns (R-FL), would prohibit employment and insurance discrimination based on genetic information. This bill incorporates National Institutes of Health recommendations on workplace discrimination. Senate Minority Leader Tom Daschle (D-SD) is sponsoring the Genetic Justice Act (S. 1045), which, among other provisions, would outlaw genetic discrimination in the work place and would authorize the recovery of “any appropriate legal or equitable relief” for a violation on the part of an employer.

Outlook: As genetic testing becomes more sophisticated, and public awareness grows over the potential for use (and abuse) of genetic information, Congress will pay greater attention to the issue. Hearings are likely either this fall or early in 1998. With an election on the way, this is a bipartisan issue that can generate a great deal of favorable press coverage.
Keeping on Track

The following items are listed to keep you up-to-date on issues that were not specifically addressed in Washington Update.

IRS Restructuring Proposal
A bill introduced July 30 by Sens. Bob Kerrey (D-NE) and Charles Grassley (R-IA) and Reps. Robert Portman (R-OH) and Ben Cardin (D-MD) would restructure the Internal Revenue Service (IRS). The Internal Revenue Service Restructuring and Reform Act of 1997 (H.R. 2292/S. 1087) would put into effect the changes recommended by the National Commission on Restructuring the Internal Revenue Service. Changes would include greater hiring flexibility, electronic filing, more rights for taxpayers, and changes in the IRS’ governance structure. Treasury Secretary Robert Rubin has expressed strong disapproval of the proposal.

PBGC Publishes Databook
The Pension Benefit Guaranty Corporation has published The Pension Insurance Databook, a compilation of information gathered about single-employer defined benefit pension plans. The book includes data from 48,000 defined benefit plans covering roughly 33 million participants. It may be accessed via the PBGC World Wide Web page at http://www.pbgc.gov.

Proposed Rule Would Allow In-Service TSP Withdrawals
The Federal Retirement Thrift Investment Board issued a proposed rule Aug. 7 that would allow Federal Thrift Savings Plan participants to withdraw their holdings once they reach age 59 1/2 or face a financial hardship. Under the proposal, a hardship would consist of “insufficient cash flow” or “extraordinary expenses” such as medical expenses or personal legal costs. Comments on the rule are due by Sept. 8, and should be sent to the Federal Retirement Thrift Investment Board, 1250 H Street NW, Washington, DC 20005.

Consolidated Freightways Offers Stock Options
The national trucking company Consolidated Freightways has announced a plan to distribute approximately 1 million shares of stock to its employees. Approximately 95 percent of the company’s 21,500 workers are represented by the International Brotherhood of Teamsters. All full-time employees with the requisite years of service will be eligible to receive up to 35 shares of common stock in three installments. The stock, which represents about 4.5 percent of the company’s outstanding shares, is valued at $15.5 million.

ERISA Panel to Meet
On Sept. 17, the Department of Labor’s ERISA Advisory Council will hear reports from its three working groups. These groups are currently working on the merits of defined benefit versus defined contribution plans, employer assets held in employment-based plans, and soft dollar arrangements and commission recapture. The meeting will be held from 9:30 a.m. until noon at the Department of Labor, Room 5437 A and B, 200 Constitution Avenue NW, Washington, DC 20210.

EBRI in Focus

1997 Retirement Confidence Survey (RCS)

The Retirement Confidence Survey (RCS) was in the field during the month of July, and tabulations were completed in early August at which time analysis commenced. The RCS co-organizers will brief survey sponsors on this year’s findings on Wednesday, Sept. 17. The meeting will be held from 10:00 a.m. to 2:00 p.m. at EBRI.

The RCS team is currently planning a number of events surrounding public release of this year’s survey. These include:

• On Oct. 15, a congressional reception will be held in the early evening in room HC-5 of the Capitol to provide policymakers with a sneak preview of key findings from this year’s RCS. The reception is being co-hosted by the Senate/House Steering Committee on Retirement Security.

• Public release of the 1997 RCS findings will take place on Oct. 16 at a press conference held at the National Press Club in Washington, DC. A continental breakfast will be served at 8:45 a.m., with the actual press briefing beginning at 9:15 a.m.

• A luncheon will be held at 12:30 p.m. on Oct. 16 for the policy research community in Washington, DC. The purpose of this luncheon is to disseminate the RCS results to researchers with a policy interest in retirement income security issues, who will then draw on the survey over time in their work.

For a list of survey sponsors and status updates, visit the RCS Web site at www.ebri.org.

EBRI Briefings

On Sept. 26, EBRI Research Associates Paul Fronstin and Craig Copeland will present an educational briefing on Medicare and the changes in the program brought about by the federal budget agreement. EBRI’s educational briefings are generally held at 9:30 a.m. on the last Friday of each month in room B-369 of the Rayburn House Office Building in Washington, DC. They are open to congressional and administrative staff, the news media, and representatives of EBRI Member organizations. The October briefing will be held on Friday the 31st. The topic will be announced at a later date. For more information, please contact Bill Pierron at (202) 775-6353.

EBRI Presentations

On Sept. 8, EBRI President Dallas Salisbury was the keynote speaker at the 10th annual Benefits Management Forum & Expo in Atlanta, GA. Dallas gave an overview of the future of employee benefits. Sept. 15 took Dallas to Arizona to speak on the 1997 Budget Agreement and its long-term implications for human resources management at Discovery ’97, a Coopers & Lybrand conference. On Sept. 29, he traveled to Philadelphia for the 75th Annual National Council on Teacher Retirement (NCTR) Convention, where he presented an opening keynote address on retirement planning and savings education. Later that day, Dallas opened the first meeting of the ASPA Benefit Council (ABC) of Delaware Valley with a presentation on employee benefits in the next millenium.

Next ASEC Partner Meeting

The next meeting of the ASEC Partner institutional representatives will be held on Thursday, Oct. 16, 1997, at the Sheraton City Centre in Washington, DC, in conjunction with the release of the seventh annual Retirement Confidence Survey (RCS) results. See details for the 1997 RCS release above. The ASEC Policy Board will meet the night before. If you would like more information about ASEC and its activities, please contact Don Blandin at (202) 775-9130.

New EBRI-ERF Databook

EBRI’s new and improved fourth edition of the Databook on Employee Benefits will be available in late September. The Databook serves as a one-stop data source on all benefits trends in private employment, public employment, and social insurance benefit programs. EBRI will continue to publish and update the Databook regularly to assure that you have a timely data source for research and planning. Due to
the ever-changing information in this volume—the fact that new data are constantly being released—the updating process is ongoing. Therefore, there will be instances in which it is necessary to search the original sources for more recent data. The good news on this front for EBRI Members and Databook users—the fourth edition of the Databook is going on the World Wide Web at www.ebri.org. This will provide EBRI Members access to up-to-date Databook information at their fingertips!

**New EBRI-ERF Policy Forum Book**

*Retirement Prospects in a Defined Contribution World*, a book based on the Apr. 30, 1997, Employee Benefit Research Institute Education and Research Fund (EBRI-ERF) policy forum, will be mailed to EBRI Members in mid-October.

**New EBRI Team Member**

On Sept. 2, Carol Quick joined the EBRI research staff. Her primary responsibilities will focus on analysis of participant behavior in self-directed retirement plans. Carol comes to EBRI after working at the U.S. General Accounting Office and the Office of Management and Budget. She has extensive experience collecting and analyzing data on private-sector pensions plans, including hybrid and defined contribution plans, and various federal budget issues.

**EBRI Membership and Development**

1998 EBRI Member dues invoices were mailed in mid-September. Should you have any questions about them, or wish to discuss EBRI membership, call Deborah Milne at (202) 775-6361 or e-mail at milne@ebri.org.

**EBRI in the News**


On Sept. 20, ASEC President Don Blandin will appear on the Fox network’s “Fox on Money.” Don will discuss ASEC’s new savings tools as well as provide a preview of the upcoming 1997 RCS findings. “Fox on Money” reaches over 22 million households nationwide.

EBRI receives a continuous stream of inquiry calls from the news media each month, resulting in print and electronic coverage at the local and national levels as well as in trade publications. The following citations are representative of recent EBRI coverage:

- EBRI was cited in the *Arizona Republic*, the *Detroit Free Press*, the *Miami Herald*, *The Oregonian*, the *Seattle Times*, *The Atlanta Journal/Constitution*, *The Cincinnati Post*, the *Anchorage Daily*, and the *New Jersey Record*, among other notable sources, on part-timers and the UPS-Teamsters strike.
- A July 23 *Honolulu Advertiser* article on domestic partner benefits.
- The Aug. 11 *Chicago Tribune* cited EBRI Senior Research Associate Paul Yakoboski’s analysis of the IRA changes made in the Taxpayer Relief Act of 1997 (TRA ’97) and the new “Roth IRA.”
- An Aug. 8 *New York Times* article on the UPS strike and the increase in defined contribution plans compared with defined benefit plans over the past 20 years.
- An Aug. 5 *USA Today* story on recent IRA expansion under TRA ’97.

ASEC’s *Ballpark Estimate* worksheet continues to receive extensive press coverage nationwide. In August, *Ballpark* was mentioned in the *Chicago Tribune*, *San Francisco Chronicle*, *The Oregonian*, the *Fort Myers News-Press*, and the *Akron Beacon Journal*. 
Other EBRI Mentions
EBRI data will be cited in New Strategist’s forthcoming book, Americans 55 & Older.

ASEC’s Interactive Ballpark Estimate Worksheet
ASEC has continued to receive positive response from consumers and employers nationwide on its new savings tool—the Ballpark Estimate worksheet. To get a ballpark estimate of how much you will need to save today to retire comfortably tomorrow, complete ASEC’s new interactive Ballpark Estimate worksheet, which can be accessed on ASEC’s Web site at www.asec.org. Try it out!

EBRI Prepares for 20th Anniversary Celebration
EBRI will celebrate its 20th anniversary on Monday, Sept. 14, 1998, with a black-tie gala to be held in New York City. The 10th and 15th anniversary celebrations were huge successes, so please plan to join us for this exciting event. For more information, contact Patsy D’Amelio at (202) 775-6323, e-mail: damelio@ebri.org, or Deborah Milne at (202) 775-6361, e-mail: milne@ebri.org.

Surf EBRI on the Web
If you haven’t already visited our sites, both EBRI and ASEC are on the World Wide Web! We can be found at ebri.org and asec.org.

EBRI Members, don’t forget the last three years of Issue Briefs and Notes are available in full text on the publications page. Stay up-to-date by reading EBRI press releases, congressional testimony, and our “What’s New” section highlighting recent EBRI activities and events, up-to-date information on hot topics in the benefits arena, as well as links to current legislative, administrative, and various other developments. EBRI has also recently posted FACTS from EBRI.

New Publications/Internet Sites
[Note: To order publications from the U.S. Government Printing Office (GPO), call (202) 512-1800; to order congressional publications, call (202) 512-2470. 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].


Bass, Scott A., Robert Morris, and Masato Oka. Public Policy and the Old Age Revolution in Japan. $34.95. Haworth Press, 10 Alice Street, Binghamton, NY 13904-1580, (800) 342-9678, Fax (800) 895-0582.

Farley, Reynolds. The New American Reality: Who We Are, How We Got Here, Where We Are Going. $34.95 + $3.50 postage. Russell Sage Foundation, c/o CUP Services, P.O. Box 6525, Ithaca, NY 14851, (800) 666-2211.

Fuchs, Victor R. Individual and Social Responsibility: Child Care, Education, Medical Care, and Long-Term Care in America. $55. University of Chicago Distribution Center, 11030 South Langley Avenue, Chicago, IL, (800) 621-2736.

no. 6000. $5. National Bureau of Economic Research, Publications Department, 1050 Massachusetts Avenue, Cambridge, MA 02138, (617) 868-3900.


HR Investment Consultants. 401k Provider Directory. $250. + $10. S&H. HR Investment Consultants, 305 West Chesapeake Avenue, Suite 330, Baltimore, MD 21204, (800) 462-0628.

Judy, Richard W., and Carol D'Amico. Workforce 2020: Work and Workers in the 21st Century. $20.50. Hudson Institute, Herman Kahn Center, P.O. Box 26-919, Indianapolis, IN 46226, (317) 545-1000.


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