

# EBRI:NOTES

EBRI Notes is published six times a year by the Employee Benefit Research Institute to apprise policy makers, scholars, businessmen, workers, the press, and the public of current employee benefit studies, activities, and legislation. EBRI is a nonprofit, tax-exempt association organized to encourage effective and responsible national policy for public and private employee benefit programs through objective research, analysis, and educational activities.

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## EBRI HOLDS FORUM ON CHANGING BENEFIT TRENDS

### WORKERS WILL DEMAND GREATER PARTICIPATION AND FLEXIBILITY IN EMPLOYMENT DECISIONS DURING THE 80S

"We are reacting to the 1960s' values - we have had twenty years of experience with those values and have discovered some problems...we are increasingly uncertain about our economic pie... we are shifting toward a revival of the support for free enterprise...people now have a more selective view of entitlement programs...we will support fairness but will not support anything beyond fairness...we are becoming a culture that is more supportive of justice than mercy..." according to Florence Skelly, President of the highly respected firm of Yankelovich, Skelly and White.

Benefit planners, public opinion experts and futurists gathered at EBRI-ERF's November 10 Policy Forum on "The Effects of Changing Family Relationships on Employee Benefit Programs." The experts' discussion on changing social trends focused on implications for employers, employees and public welfare institutions.

Dr. Yung-Ping Chen, Research Director, McCahan Foundation, and Geoffrey Calvert, a renowned actuary, economist and futurist, agreed that:

Attitudinal changes along with dramatic changes in family relationships, lifestyles, workstyles, trends toward earlier retirement, increased longevity and escalating inflation have far reaching implications for all organizations sponsoring health, welfare and retirement benefits.

In Dr. Chen's view, most programs are outdated. "They are designed to satisfy the 1950s' 'model family' -- a bread-winning father, bread-making mother and bread-eating children." Dr. Chen noted: since Social Security is primarily structured to provide economic benefits to families, reductions in family size and growth in single-person households "tend to make Social Security less valuable...to an increasing number of persons. An expanding group, particularly females and single workers, do not believe they are getting their money's worth from Social Security."

Most public and private employer-sponsored benefit programs are suffering from similar problems -- they also have not adjusted to societal change, according to forum participants. Skelly reported that public opinion surveys indicate that "workers now expect personalization of employee benefits, open communication with employers without penalty, fair treatment but not special treatment and maximum flexibility for change throughout their full lives."

Representatives from two companies that believe they are responding to workers' changing needs discussed their experience with flexible benefit (cafeteria) plans. Shirley Curry, Director of Employee Benefits at TRW, Incorporated, and John Haslinger of American Can Company, noted that their flexible benefit plans permit employees to select benefit packages, shaping them to best satisfy individual needs and desires.

Despite initial concerns about adverse selection, administrative complexities, government regulation and tax uncertainties, these flexible benefit programs have adapted very well. Both employers reported very successful results. The programs have: (1) promoted employee interest, awareness and satisfaction with benefit plans; (2) proven to be cost efficient; (3) contributed to employer's public image as a leader; and (4) provided the employer with a unique benefit package that is an attractive recruitment tool.

Geoffrey Calvert's comments sum up a concern that was expressed by many forum participants: "The design and funding of employee benefit plans and the Social Security system reaches two generations into the future, yet we tend to set them up as though today's conditions will remain unchanged indefinitely. In the real world there will be fundamental changes ahead. We must design programs that can be adapted to conditions as they unfold, and avoid rigid commitments that are difficult or impossible to change."

In early 1982, EBRI-ERF will publish a summary of the forum's discussion entitled *The Effects of Changing Family Relationships on Employee Benefit Programs*. The publication will include the speakers' written presentations.

## NEW RESEARCH FINDINGS

### IRAS: AN EXPANDING OPPORTUNITY FOR PRIVATE RETIREMENT INCOME PROVISION

This recent EBRI review estimates the potential increase in individual retirement accounts (IRAs) as a result of the 1981 Economic Recovery Tax Act (ERTA).

The review first examines the economic, demographic and work characteristics of those who have traditionally established IRAs. The characteristics considered include: age, income, annual hours of employment and length of service.

The review then determines the characteristics of those who are likely to establish or expand IRAs because of ERTA's more liberal eligibility and contribution provisions. In identifying IRA eligibles, the characteristics are broken down further according to occupation, industry and firm

size. The population of IRA users is compared with the population of IRA eligibles to ascertain: (1) how many new individuals are expected to establish IRAs; and (2) the characteristics of those individuals.

The review concludes that ERTA enables an additional 43.5 million individuals to participate in IRAs. Five to fourteen million individuals are expected to establish IRAs with contributions of \$7 billion to \$21 billion annually.

An addendum is being prepared. The addendum will include an analysis of government workers' IRA eligibility status. Also in the addendum is a comparison of the census numbers used in the EBRI review with estimates of past IRA utilization based on 1977 Treasury Department taxpayer records.

#### ESOP/TRASOP COMPARISON STUDY

According to a recent National Center for Employee Ownership study, the average participant's holdings in a Fortune-500 company's ESOP/TRASOP plan is valued at about \$1,035. The study also concludes that the average plan owns 1.02 percent of total company stock. In five companies, the ESOP/TRASOP plan owned more stock than any other one shareholder; in thirteen companies, the plan is among the top five shareholders. Additionally, in eight of the surveyed companies, an average ESOP/TRASOP participant owns over \$2,000 in stock. The study is based on a sample of sixty-seven Fortune-500 companies.

Copies of the study, *Employee Ownership in the Fortune 500*, are available from: The National Center for Employee Ownership, 4836 South 28th Street, Arlington, VA 22206 (703/931-2757).

#### OTHER EBRI ACTIVITIES

##### RECENT PUBLICATIONS

*A Bibliography of Research: Retirement Income and Capital Accumulation Programs*, and  
*A Bibliography of Research: Health Care Programs*

Each bibliography contains over 1,000 citations, four indexes, a research-in-progress section and a listing of organizations that provide information or conduct research in employee benefits. The bibliographies are in loose-leaf binders for easy updating.

Copies are available for \$25 each (\$17.50 for sponsors).

*Retirement Income and the Economy: Policy Directions for the 80s* is now available. The presentations prepared by expert speakers for EBRI-ERF's May Policy Forum and the meeting's discussion are combined in this publication. Additionally, the book contains an Appendix that provides executive summaries from the final reports of fourteen major government, business and labor study groups. The summaries delineate the primary retirement policy recommendations of the last seventeen years. Included are summaries from the 1965 Kennedy report and the 1980 National Commission on Social Security report.

This collected material offers insight into current retirement issues and policy initiatives--especially those pertaining to Social Security and employer pension plans. Alternative approaches for satisfying our nation's retirement income needs, and evaluation of various retirement policies' potential effects on the overall economy are also discussed.

This publication is in paperback for \$10 (\$7 for sponsors) and in hard cover for \$18 (\$12.60 for sponsors).

EBRI has added seven new pamphlets to its Educational Pamphlet Series: (#15) *The Flexible Compensation Plan*; (#16) *Defined Benefit and Defined Contribution Plans: Understanding the Differences*; (#17) *Integrating Pension Plans with Social Security*; (#18) *The Legal Services Plan*; (#19) *Retirement Planning*; (#20) *The Multiemployer Plan*; and (#21) *Tax Sheltered Annuities*.

Two earlier pamphlets are recently updated: (#1) *The Employee Retirement Income Security Act* and (#9) *The Pension Plan*.

Pamphlets are available for \$1 each (\$.70 for sponsors).

#### UPCOMING PUBLICATIONS

*Retirement Income Opportunities in an Aging America: Income Levels and Adequacy* will be published in early 1982. The report examines: 1) the range of income sources available to the elderly; 2) income adequacy standards that are used in identifying the low-income elderly, as well as in establishing benefit levels for government and employer income replacement and assistance programs; and 3) the application of alternative standards to various retirement income definitions. Additionally, the report reviews recent policy changes and proposals--their effects on present and future elderly income levels. This is a companion study to EBRI's recently published *Coverage and Benefit Entitlement* report.

New Educational Pamphlets: (#22) *Taxation of Employee Benefits*; (#23) *Planning for Retirement* and (#24) *IRAs, KEOGHs and Deductible Employee Benefits*.

Updated Pamphlets EBRI is revising two previously published pamphlets to reflect recent legislative changes: (#4) *The Employee Stock Ownership Plan*; and (#13) *The Social Security Program*. These revised pamphlets will be available in early 1982.

All EBRI or EBRI-ERF publications are available through EBRI-ERF Publications.

#### EBRI ESTABLISHES EDUCATION AND COMMUNICATIONS DIVISION

The new Division's primary functions are: (1) developing policy forums, workshops and seminars; (2) preparing short information pieces such as issue briefs, educational pamphlets, newsletters and press releases. The Division is also responsible for editorial standards, printing and publication procedures, publication distribution and external liaison.

Pat (George) Moore, a Research Coordinator at EBRI since June 1980, has become the Education and Communications Director. Abby Levin began on November 1 as the Education and Communications Associate. Abby was previously with The Jewish Community Centers of Chicago: Mayer Kaplan Senior Center. Her graduate work at the University of Chicago concentrated on adult development and aging. Debbie Stark is the Publications and Educational Programs Assistant. She has been with EBRI for over two years and has increasingly assumed responsibilities for meeting arrangements and publication procedures. Jean Smith, previously at the Executive Office of the President, began November 1 as the Division's secretary.

#### EBRI PARTICIPATES IN EMPLOYEE BENEFIT CONFERENCES

EBRI Executive Director, Dallas L. Salisbury, has participated in a number of recent major conferences: The Southern Pension Conference, IFEB Public Employees Conference, American Bankers Association Trust School and the Women's Research and Education Foundation. Presentation topics include "Employee Benefits in the 80s," "Legislative and Regulatory Developments," "Public Employee Pensions: Policy Considerations for the 80s" and "Alternative Work Options: Implications for Employee Benefits."

EBRI Research Director, Sylvester J. Schieber, presented a paper at the 1981 Gerontological Society's Annual Meeting in Toronto. "Trends in Pension Coverage and Benefit Coverage" updates findings of EBRI's earlier published report *Retirement Income Opportunities in an Aging America: Coverage and Benefit Entitlement*. The analyses focus on: 1) explanations of current coverage and participation in pension plans; 2) the historical growth of such plans; and 3) a recent forecast of future private pension coverage and participation.

#### OTHER PUBLICATIONS AND ACTIVITIES OF INTEREST

The Child Care Information Service in Pasadena, California has been awarded an HHS grant to study employer-supported child care. Materials will be developed that are intended to stimulate business support of employees' child-care needs. Costs of various employer-sponsored child-care programs will be measured and cost/benefit comparisons of the programs will be made. Additionally, the project will provide technical assistance to selected new employer-sponsored child care programs.

For more information, contact the Child Care Information Service, 363 East Villa Street, Pasadena, CA 91101 (213/796-4341).

*Pension Fund Investment in Agricultural Land*, a recent GAO study, evaluates American Agricultural Investment Management's (AAIM) plan "to seek investment opportunities in farm land for pension funds." The study addresses a series of questions concerning: "the attractiveness of agricultural land as an investment for nonfarm capital; the proposed plans of the AAIM; and the potential immediate and long-range impact of pension fund investment in agricultural land."

For more information, contact the U.S. General Accounting Office, Document Handling and Information Services Facility, P.O. Box 6015, Gaithersburg, MD 20760 (202/275-6241). Ask for document #CED-81-86.

*Pension Funds and Economic Renewal* was sponsored by the Council of State Planning Agencies and the Division of Economic Research, Economic Development Administration, U.S. Department of Commerce. The study discusses the interrelationship between "prudent financial standards" and "development investments." "It focuses primarily on the use of state and local government pension funds, but most of its analyses and proposals are applicable to private pension funds." The study is broken down into five primary chapters: I) Pension Investment as a Development Tool; II) Financial, Legal and Organizational Considerations; III) Portfolio Investments to Promote Job Creation; IV) Portfolio Investment to Promote Housing Affordability, and V) Implementing Development-Oriented Investment.

To obtain a copy, contact the Council of State Planning Agencies, Hall of States, 400 North Capitol Street, Suite 291, Washington, DC 20001 (202/624-5386).

*Health Care Costs: Private Initiatives for Containment*, published by the Government Research Corporation examines: "1) health benefits redesign; 2) structure and supply of health care resources; 3) reimbursement systems and claims control; 4) labor, industry and investor-owned delivery systems; 5) health planning--the voluntary effort and coalitions; 6) physicians' role in cost containment; and 7) where to go from here."

The study is available for \$15 from the Government Research Corporation, 1730 M Street, NW, Washington, DC 20036.