

## Thank You!

Your membership in EBRI has allowed the ongoing fulfillment of our mission with the extension of longitudinal databases and studies on savings, retirement and health; continuing assistance to thousands of public policymakers and reporters; better informed policy outcomes and stories that are more consistently fact-based; and insights, data, and studies to help you do your own planning and priority setting. EBRI seeks to assist you in seeing over the horizon, helping you stay ahead of the curve. The EBRI team, information center, and Web sites are available to assist you in dealing with the turbulent environment that only seems to swirl faster with each passing year. Call on us!

## 2003 Membership Dues

EBRI will continue to use a multi-tiered dues schedule at the same nominal levels that have been in effect since the early days. Technology, foundation partnerships, and special program funding have allowed us to expand our program, but your support is essential. Please consider moving up a level in membership; recommend EBRI to an associate at a nonmember organization; and plan to join us at the Waldorf-Astoria in New York for the 25<sup>th</sup> anniversary celebration in 2003 (Friday, September 19—make it a weekend!).

Please call me at 202-772-6322 if you have any suggestions or questions after reviewing this short report, or e-mail me at [salisbury@ebri.org](mailto:salisbury@ebri.org). Have a great fall!

## Employee Benefit Environment in Turmoil

The last 12 months have been a challenge for the nation and the world. The tragedy of September 11<sup>th</sup> is still hanging in the air as the President and Congress consider a new war in Iraq. Interest rates are at 40-year lows, bringing reductions in income for those with assets in certificates of deposit, money market accounts, or short-term bonds, while causing defined benefit pension liabilities to suddenly appear larger. The equity markets, at multi-year lows, threaten to move into a fourth consecutive year of decline, causing portfolios and retirement plan balances to decline.

The double impact of low interest rates and low equity returns has caused the nation's defined benefit plans in both the private and public sectors to move down the funding ladder to points that will soon require large cash infusions and much higher premium payments to the PBGC.

With an overall CPI near 1.5 percent, health care inflation is steaming ahead for retirees at upwards of 17 percent, and for employee plans at an average of 14 percent, hitting ceilings as high as 40 percent in some cases. Employers in both the public and private sectors are cutting back on benefit levels, increasing employee premium share, deductibles, co-pays, and out-of-pocket maximums and experimenting with "consumer-driven health plans" and "health spending accounts." Among employers that still provide some support for retiree medical benefits, FASB ceilings are being hit and the movement of recent years to change the benefits available to future retirees is joined by likely freezes in employer payments, with retirees taking responsibility for future inflation increases in health care costs.

Job mobility across the total work force remains steady, but median tenure for older age groups continues to decline. The portion of older workers reporting more than 25 years of job tenure has fallen to less than 20 percent from a high of just under 30 percent some decades in the past. Employers have continued their move to individual account defined benefit plan designs and to the introduction of defined contribution plans, as lump-sum distributions become the norm and rollover IRAs grow to an asset level that now exceeds stand-alone assets in both private defined benefit and defined contribution plans.

EBRI has continued its research, education, and publications on all of these topics and trends during the past 12 months. EBRI has continued to provide its Members with policy forums, publications, Web-based data ([www.ebri.org](http://www.ebri.org)), and trend commentary so that they can remain ahead of the curve.

Our first two forums on consumer-driven health, and resulting publications, were ahead of the “market,” and our soon-to-be released book on consumer health will provide Members with a framework for evaluating models for this new approach. Work by the EBRI-ERF Consumer Health Education Council ([www.ourhealthbenefits.org](http://www.ourhealthbenefits.org)) has added new understanding to the “business case for health insurance” and opportunities to increase coverage in order to reduce group average cost.

EBRI work on savings and retirement plan coverage, participation, contribution rates and patterns, investment allocation, current income production success, lump-sum distribution behavior, projections of future retirement income, and future income adequacy combine to provide a basis for EBRI Members to benchmark their own programs (EBRI/ICI Database and the *Pension Investment Report*) and provide a basis for projecting the capacity of future generations of retirees to purchase product (determinants of profitability and the ability to preserve jobs for our workers) (EBRI/Milbank Oregon and Kansas studies). Work by the EBRI-ERF American Savings Education Council ([www.asec.org](http://www.asec.org)) and the EBRI-ERF Choose to Save® public service education program ([www.choosetosave.org](http://www.choosetosave.org)) is taking savings education into the cars, homes, and offices of Americans in 49 states through radio messages distributed by our PSA partners, the National Association of Broadcasters and the Associated Press News Radio. Regional Emmy Awards and a national Emmy nomination were special highlights of the program in 2002; work with the Social Security Administration in 2003 on the national “Save for Your Future” campaign will mark a new stage in SSA’s message of recent years: Social Security is a floor of income, it was never intended to provide an adequate income, so don’t retire until you know you have enough income to supplement Social Security!

EBRI continues to break new ground with new databases, new partnerships, and new research. EBRI Members make it all possible and gain strategic insight from the work EBRI does.

## EBRI Making a Difference

### Government Policy

EBRI has experienced a heavy year of briefings, testimony, and special requests, as Congress and the Administration, along with state and local governments, wrestle with health, savings, retirement, and other economic security issues, as well as how employee benefit programs fit into the picture.

EBRI work on health coverage and health programs continues to be a central source of information as policy is developed, while our work on defined benefit and capital accumulation plans, asset allocation, employer stock, and future income fills policymakers’ needs as they consider savings and pension reform proposals.

## The Media

EBRI has experienced a continuing increase in requests for assistance from the print and broadcast media as the columns and air minutes devoted to savings, retirement, pension plans, 401(k) plans, health status, health insurance coverage, and health cost inflation continue to grow. In addition to thousands of interviews and citations in articles and on data tables and charts, EBRI has conducted briefing sessions with reporters and editors of numerous major publications across the nation and has participated in special invitational sessions at major meetings of financial writers and editors. EBRI is among the top 20 “think tanks” cited by the major media. Our work cannot assure accurate coverage, but it can dramatically increase the probability that stories will be balanced in their consideration of employee benefits and the role of employers and unions.

## Academia

EBRI research is regularly cited in academic studies and journal articles. Again, this helps to increase the likelihood of informed and balanced treatment. In addition, EBRI’s *Fundamentals of Employee Benefit Programs* is being used in classrooms across the nation to teach the next generation of workers and human resources and finance leaders the importance of employee benefits and their role in enhancing economic security.

## The Year Ahead

EBRI will mark its 25th anniversary on September 19, 2003, with a celebration dinner in New York at the Waldorf-Astoria hotel ([www.ebri.org/25thanniversary](http://www.ebri.org/25thanniversary)). The vision of EBRI’s founders was an organization that would “contribute to, encourage, and enhance the development of sound employee benefit programs and sound public policy through objective research and education.” Because of its Members, EBRI has done that for 24 years, and will continue to do it in the future!

EBRI will end 2002 with a policy forum assessing the retirement income prospects of those born prior to 1964, building on our benchmark analysis in Kansas. The forum will explore implications for the Medicaid program, the primary funding source for long-term care, and the secondary implications for the taxes required of individuals and corporations. Will an aging nation with 23 percent of the population over age 65 (13 percent today) be able to keep a consumption-driven economy going? What does this suggest about the strategic and business interests of employers, unions, and government? What actions will separate the winners from the losers?

*Issue Briefs* just ahead will explore (1) trends and developments in DB and DC plans; (2) implications of declining markets on the adequacy of 401(k) plans; (3) the current state of the 401(k) universe and participants; (4) consumer-driven health plans; and (5) the status of health insurance coverage for the nation. *EBRI Notes* and *EBRI Washington Bulletins* will continue to provide updates and insights on a range of statistical, trend, legislative, regulatory, and information resources.

Again, Thank You!



Dallas Salisbury  
President & CEO  
(202) 775-6322  
Salisbury@ebri.org