

President's Report

—Dallas L. Salisbury

July 2008

EBRI will celebrate its 30th birthday with a reception on the evening of Dec. 3, 2008. Plan to join us.....For more information, send an e-mail to ebri30reception@ebri.org

EBRI Dec. 4, 2008, policy forum will be on “The Outlook for Consumer Engagement in Health Care”.....For more information, e-mail EBRIDecember2008PF@ebri.org

ASEC Partners Meeting Oct. 22, 2008.....For more information, e-mail ASEC1008@asec.org

With the 2008 presidential campaign underway—and the U.S. economy in a volatile and vulnerable condition—“financial security” is rising up the list of important issues. Employee benefits are a big factor in that equation, and policymakers, like employers and employees, are intensifying their focus.

Yet, the level of economic challenge may delay the ability of Congress or a new administration to focus on health and retirement reform. The economy *per se*, along with the housing and liquidity crisis, are stealing the last weeks of this Congress, and may well dominate the early tenure of a new president. The sheer scope of the budgetary challenge presented by current health and retirement promises through Medicare, Medicaid, and Social Security is not unknown to Congress, as lawmakers are regularly reminded by congressional agencies like the Congressional Budget Office (CBO) and the Government Accountability Office (GAO). A recent letter from the CBO director to Rep. Paul Ryan (<http://www.cbo.gov/doc.cfm?index=9216>) reported that to meet current legal commitments, the long-term top marginal tax rate would have to climb to 88 percent. The letter contained much more, all of it chilling in terms of its implications for the scope of tax and entitlement reform that lies ahead.

EBRI's Founders saw the need for an organization that would deal with “just the facts,” regardless of how numbing or disappointing they might be, so that policy and program design would be well-informed. This fall will mark 30 years of fulfilling that mission. The wonders of technological developments over those 30 years now allow “instant” access to all that we have published over those decades at www.ebri.org

As president of EBRI since it opened its doors in 1978, I am proud to say that our underlying mission and vision remain unchanged, after three decades of hard work and countless publications. This was confirmed by our trustees during reviews in late 2007 and, most recently, at our Spring board meeting in 2008. At their recommendation, a “branding” review is underway. And in this remarkable election year—our anniversary year—I am pleased to say our research and analysis continues unabated. Here's a quick review of the first half of our 30th anniversary year.

On the Retirement Side....

EBRI's 2008 Retirement Confidence Survey received particularly heavy media coverage this Spring because it clearly documented the growing worries that Americans are feeling about the economy. Released as our April *EBRI Issue Brief*, it showed the biggest drop in confidence among active workers in the 18-year history of the RCS (a 9 percentage-point one-year drop in those *very* confident they will be able to live comfortably throughout retirement), and a very sharp drop in confidence among current retirees. The RCS is the longest-running survey of Americans' attitudes toward retirement and savings issues, and was one of the earliest this year to measure the public's deteriorating outlook. If there's a silver lining, it's that Americans *finally* may be starting to recognize reality: Past surveys clearly measured a lot of *false* confidence about their ability to afford retirement. At least many people are waking up to the fact that they haven't saved enough.

On a more positive note, EBRI's unique computer modeling analysis, published in our June *EBRI Issue Brief*, found that widespread adoption of automatic 401(k) enrollment and escalation under terms of the Pension Protection Act (PPA) is likely to make a significant positive impact on the retirement savings of many American workers—especially among low-income workers. This analysis served as a basis for EBRI's Spring 2008 policy forum, the results of which were published in the July *EBRI Notes*. This is part of EBRI's ongoing effort to more precisely quantify how different cohorts of Americans will be likely to fare in retirement, based on sophisticated modeling of how much they will need for basic expenses and how much they are likely to have.

Responding to strong interest among some of EBRI's Member organizations, earlier this year we conducted the first Recent Retirees Survey to see what it would take to convince skilled employees to delay their retirement and stay longer with their employer past normal retirement age. Results, published in the July *EBRI Issue Brief*, found, surprisingly, that money alone was not that big a factor: Being told they were valued was most important. The survey suggests a number of steps employers can take to retain these workers—including, especially, not waiting. Most retirees said they spent surprisingly little time thinking in advance about retirement, generally less than two years.

And as part of EBRI's mission to disseminate hard data on the state of employee benefit programs, we published the most current statistics on IRA and 401(k) ownership in our May *EBRI Notes*, and updated an earlier report on "Benefit Cost Comparisons Between State and Local Governments and Private-Sector Employers," in our June *EBRI Notes*. This last item highlights the fact that the wide compensation gap between these groups reflects the fundamental differences in job functions and skill requirements between state/local governments and private-sector employers.

On the Health Side...

EBRI has long been working toward merging our health and retirement analyses. A good example of this combined analysis is the May *EBRI Issue Brief*, which published the results of a new EBRI computer simulation model on "Savings Needed to Fund Health Insurance and Health Care Expenses in Retirement." The analysis presents estimates for individuals and couples to determine the assets needed to cover retiree health costs 50 percent, 75 percent, and 90 percent of

the time. The estimates vary widely (from \$64,000 to \$635,000), depending on how much risk the individual or couple is willing to assume. As high as these estimates are, the *Issue Brief* notes that many individuals will need even more money than the amounts projected, because the analysis does not factor in the savings needed to cover long-term care expenses, early retirement, or savings needed to cover any basic costs of living, such as food, clothing, or shelter.

EBRI's health research continues to track developments in consumer-driven health plans (the March *EBRI Issue Brief* published results of the latest EBRI/Commonwealth Consumerism in Health Care Survey). The February *EBRI Notes* reported on the discussion of our Fall 2007 policy form on "The Future of Employment-Based Health Benefits: Have Employers Reached a Tipping Point?" (the answer: Not yet, but they're thinking about it).

And with state governments continuing to innovate and push for their own health coverage programs, interest remains high in overhauling ERISA's federal pre-emption of health insurance. The February *EBRI Issue Brief* revisited that issue, providing an historical review of how and why the pre-emption provision was added to ERISA, and pointing out that the law is working exactly as its crafters had intended—be that good or bad.

Other Activities....

On other fronts, EBRI has testified before various panels of Congress and administration Advisory Committees many times this year.

EBRI continues to be a highly ranked resource for reporters (again this year, I presented a seminar to reporters and editors from around the country at a special retirement program sponsored by the National Press Foundation). EBRI reports are among the most frequently downloaded at the SSRN academic research Web site, and are among the most frequently cited in GAO reports and in testimony before Congress by witnesses for other organizations, when the hearing or report topic is related to savings, retirement, health, or employee benefits. Our Web site is heavily trafficked and we are a frequent "hit and transfer" as search engines help surfers find information on employee benefits.

We continue to be very active with the EBRI-Education and Research Fund American Savings Education Council (ASEC) and Choose to Save public education programs. EBRI works closely with other organizations to build public awareness of what individuals can do to build health and financial security, and to better understand their needs and opportunities—such as our participation in and support for the national *America Saves Week* (www.americasavesweek.org). CTS public service announcements (PSAs) were modified to promote both *America Saves Week* and *Military Saves Week*, and are being seen by American service personnel on the Pentagon's world network, on all military bases, and onboard ships.

I am proud to report that "Savingsman," our PSA campaign featuring the high-flying champion of saving and planning for retirement, won a 2008 Emmy Award in June from the National Capital Chesapeake Bay Chapter of the National Academy of Television Arts and Sciences. This is the seventh year that Choose to Save PSAs have won Emmy awards, and numerous other awards as well. Four new PSAs are in final development.

The Weeks Ahead.....

Still to come this year is our annual update of the EBRI/ICI 401(k) database, the 2008 Health Confidence Survey release this fall, the 2008 Consumer Engagement in Health Care Survey, and other *Issue Brief* and *Notes* treatments of important policy and design issues. August will bring an *Issue Brief* on the application of behavioral finance and 401(k) experience to consumer-focused health care.

You will soon be asked to complete the 2008 sponsor survey to give us your insights on what we should focus on in the months ahead. I urge you to go online to complete the survey.

On behalf of myself and the team at EBRI, I extend my grateful appreciation to our Members, whose moral and financial commitment to our mission and vision continues to make all our work possible. Your dedication and support are vital to our ability to continue to “tell it like it is” with “just the facts.” And I thank the many others with whom we work.

I wish you a great summer and fall.

A handwritten signature in black ink, appearing to read "Dallas Salisbury", with a long, sweeping horizontal line extending to the right.

Dallas Salisbury
President & CEO
EBRI