

President's Report

—Dallas L. Salisbury

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Employee Benefit

Research Institute

“Justify the value of the benefit you are providing (or being provided).”

That message has become all the more important as the nation faces slow economic growth, growing public deficits, and heightened concern by public and private employers about future costs and liabilities for health, retirement, and other employee benefit programs. It is a legitimate question for individuals to ask what current benefit promises will be kept in the decades ahead, whether one looks at the new law in the State of Maine that slices \$1.5 billion from future pension liabilities (including COLA reductions for current retirees); the proposal from Democratic Governor of California Jerry Brown to move to a hybrid pension system while increasing the earliest age for full retirement benefits for civil service workers to 67; the steady string of announcements by the nation's largest employers of the movement of their health plans to full-replacement, high-deductible consumer plans; the ongoing corporate announcements of moving from defined benefit and hybrid retirement plans to DC-only arrangements; or the statements of candidates for election and re-election in 2012 about the necessity of reforming the tax system, cutting Social Security, vouchering Medicare, cutting Medicaid, and to “repeal and replace” the new federal health law.

For EBRI, recent months have included testimony, studies, and briefings that quantify what is and is not being accomplished by today's programs, the gaps that still exist, the role of employment-based programs, and the effects of various reform proposals. The House Committee on Education and the Workforce was provided testimony and numbers on the effect on Americans' retirement readiness of proposals from the Simpson-Bowles Commission. The Senate Finance Committee was provided testimony and numbers on the effect of proposals to change the tax treatment of contributions to defined contribution plans, testing many different assumptions about individual and plan sponsor behavior.

We get a steady demand for updated numbers on the status of participants in DC plans as market and interest rate volatility continues. EBRI has been able to do that work because of its Retirement Security Projection Model,[®] other EBRI-developed models, and its largest-in-the world micro-database on DC and IRA participants. EBRI analyses have consistently been in the top 10 of studies accessed and downloaded from research network websites, and the Institute is the most-frequently cited employee benefits and retirement research organization by the media, while EBRI Research Director Jack VanDerhei was ranked in the top 20 business authors based on the Social Science Research Network's Author-Level Eigenfactor Score.

EBRI capabilities were expanded in November with the launch of the EBRI Center for Research on Retirement Income (CRI), and the addition of Nevin Adams, JD, to the team as director of Education and External Relations and co-director (with VanDerhei) of CRI. Adams is both a retirement-sector veteran and a media veteran who will add to the knowledge base, analytic capabilities, and educational activities of EBRI.

EBRI will soon go into the field with the 22nd annual Retirement Confidence Survey. Results of the 14th annual Health Confidence Survey and the seventh annual Consumer Engagement in Health Care Survey were recently released, documenting both the importance workers place on their work-place benefits and the ongoing shift to account-based health plans and individual health responsibility and decision-making.

The EBRI Center for Research on Innovation in Health Benefits, under the leadership of Director Paul Fronstin, has built an initial database of claims information on nearly 15 million workers and will soon publish study results on pre- and post-conversion behavior and cost. The steady movement of employers

to account-based consumer health plans makes understanding of the effects on health outcomes and cost essential to informing plan design, policy, and individual decision making.

EBRI finances have remained strong through 2011. As with all nonprofits, full financial details are available in the IRS Form 990 that we file each year and are made publically available by the IRS.

EBRI began its work in December 1978 through the vision of the CEOs of 13 actuarial and employee benefit consulting firms. As EBRI and I move toward 2012 and the 34th year of our work, the need for objective facts to inform plan design and public policy has never been greater. The bylaws adopted on Sept. 28, 1978, state that *the Institute shall function strictly in an objective and unbiased manner and not as an advocate or opponent of any position*. That provision makes EBRI unique among research organizations, as neither the Institute nor its authors recommend or advocate, but instead provide analysis that allows others to make informed plan design and policy decisions. And it has allowed EBRI to have members and other funders from all sides of most employee benefit policy debates, sharing a common belief in the value of objectively developed data and analysis. For that, I thank each of the organizations and the individuals who have continued to believe in that value and have provided the resources—data, thought, insight, time, and financial—to make the work of EBRI possible. Thank you!

The EBRI team is committed to “tell it like it is” with “just the facts” in year 34, just as it has over the past 33 years. That is our guarantee!

The EBRI team extends its best wishes to all for the coming holiday season and the new year, and looks forward to working with you in 2012!

Warm Regards,



Dallas

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Developments

Nevin Adams joined EBRI November 1, 2011, as Director, Education and External Relations:

Press release [online here](#).

EBRI to Launch Center for Research on Retirement Income:

The Center will begin its work in 2012 under the leadership of co-directors Jack VanDerhei and Nevin Adams. The Center will house the integrated EBRI Defined Contribution and IRA database and will undertake research using that unique dataset, the largest of its kind in the world. No personal or employer identification capability resides in the database, meaning there is no risk of any privacy breach for individuals, employers, or service providers, but the nature of identifiers and integration will allow

account aggregation, far greater understanding of rollovers, and analysis of spend-down behavior from both DC plans and IRAs. Comparison of any asset allocation changes as individuals move across plans and accounts will also be a central focus of the work of the Center. Projections of flows and future retirement income streams will also be undertaken.

More information about the Center is [online here](#).

Testimony on Tax Reform Options and Retirement Security:

On Sept. 15, 2011, Dr. Jack VanDerhei testified before the Senate Finance Committee hearing on retirement security and the potential impact of various types of tax reform options on retirement income adequacy. A copy of the testimony, “Tax Reform Options: Promoting Retirement Security,” may be downloaded from EBRI’s website, [online here](#).

Center for Research on Health Benefits Innovations:

Launched in 2010, the Research Center focuses on helping employers assess the impact that plan design—with the goal of increasing consumer engagement—has on cost, quality, and access to health care. Initial findings from this Center are scheduled to be released Fall 2011.

Health Confidence Survey, 2011:

This year marks the 14th anniversary of the Health Confidence Survey (HCS). The HCS was released Sept. 27, 2011. See below for further details on the 2011 HCS.

May 2011 Policy Forum:

The presentations from EBRI’s 68th policy forum, [“Is There a Future for Retirement?”](#) are available online. A gavel-to-gavel webcast of the forum is available at the link provided.

Upcoming Issue Briefs:

- Consumer Engagement in Health Care.
- 401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2010.
- Health Reimbursement Account/Health Savings Account data from the Consumer Engagement in Health Care Survey.
- Update on data from the IRA database.
- Retirement Confidence Survey, 2012.
- Private health insurance exchanges.
- Expenditure patterns of older Americans, 2001–2009.

Upcoming Notes Articles:

- Additional analysis of the Health Confidence Survey, 2011.
- Retirement Age Expectations of Older Americans Between 2006 and 2010.
- Employer innovations in controlling health care costs.

Research—Retirement

To obtain a copy of any of the *Issue Briefs* or *Notes* articles referenced below, please go to www.ebri.org

Participation in Employment-Based Retirement Plans:

- October 2011 *Issue Brief*, [“Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2010”](#)—This *Issue Brief* examines the level of participation by workers in public- and private-sector employment-based pension or retirement plans, based on the U.S. Census Bureau’s March 2011 Current Population Survey, the most recent data currently available (for year-end 2010).

- Also see Chapter 10 of the [EBRI Databook on Employee Benefits](#) for further detail on income in retirement: Aggregate Trends in Defined Benefit and Defined Contribution Retirement Plan Sponsorship, Participation and Vesting.

Retirement Income Adequacy

- September 2011 *Notes* article, [“Is There a Future for Retirement?”](#)—This article summarizes the presentations and discussions at the Employee Benefit Research Institute’s May 12, 2011, policy forum, on the topic: “Is There a Future for Retirement?” This was EBRI’s 68th policy forum and was attended by about 120 policy and professional experts.
- August 2011 *Notes* article, [“The Importance of Defined Benefit Plans to Retirement Income Adequacy.”](#)—This article shows the tremendous importance of defined benefit plans in achieving retirement income adequacy for Baby Boomers and Gen Xers. Overall, the presence of a defined benefit accrual at age 65 reduces the “at-risk” percentage by 11.6 percentage points.
- July 2011 *Notes* article, [“Capping Tax Preferred Retirement Contributions: Preliminary Evidence of the Impact of the National Commission on Fiscal Responsibility and Reform Recommendations”](#)—Among the debt-reduction recommendations by the National Commission on Fiscal Responsibility and Reform is a proposal to cap annual “tax-preferred contributions to [the] lower of \$20,000 or 20% of income” for 401(k)-type retirement plans. New results from EBRI’s Retirement Security Projection Model™ (RSPM) show that the highest-income quartile within each age cohort would see the largest average percentage reduction in projected balances at retirement. However, for each age cohort other than the oldest one, the lowest-income quartile would see the second-highest average percentage reductions. Phrased another way, the proposed cap would, as expected, most affect the highest-income workers; but it also would cause a very big reduction in projected retirement accumulations for the lowest-income workers.
- June 2011 *Issue Brief*, [“The Impact of Deferring Retirement Age on Retirement Income Adequacy”](#)—In this *Issue Brief*, EBRI’s Retirement Security Projection Model is modified to allow retirement at ages other than 65 and assess the value of deferring retirement age for increasing the probability of retirement income adequacy.
- June 2011 *Notes* article, [“How Changes in Longevity Annuity Prices and Longevity Risk Affect Retirement Income Adequacy”](#)—Building on the May 2011 *EBRI Issue Brief*, this article analyzes how changes in longevity annuity prices and longevity risk affect retirement income adequacy of retirees facing three different types of risk—investment income, longevity, and long-term care risk.
- May 2011 *Issue Brief*, [“Retirement Income Adequacy with Immediate and Longevity Annuities”](#)—This *Issue Brief* updates with recent information and estimates on retirement and health care expenditures a previous EBRI analysis (from 2006), which quantified how different types of risk (investment income, longevity, and long-term care risk), asset allocation, and percentage of annuitization affect retirement income adequacy.
- The following chapters of the [EBRI Databook on Employee Benefits](#) provide further detail on income in retirement.
 - Chapter 6—Income Statistics of the Population Age 55 and Over.
 - Chapter 7—Sources of Income for Persons Age 55 and Over.
 - Chapter 8—Retirement Annuity and Employment-Based Pension Income.

401(k) Plans:

- October 2011 *Notes* article, [“Ownership of Individual Retirement Accounts \(IRAs\) and 401\(k\) Type Plans, 1996–2009.”](#)—The percentage of workers ages 21–64 with an individual account plan (IRA or 401(k)-type plan) grew significantly in the late 1990s into the early 2000s. By 2009, 33.0 percent of workers owned a 401(k)-type plan and 20.8 percent owned an IRA.
- August 2011 *Issue Brief*, [“Target Date Fund Use in 401\(k\) Plans and the Persistence of Their Use, 2007–2009”](#)—This study examines the use of target-date funds (TDFs) by a consistent group of

401(k) participants in plans that offered them in 2007 through 2009. The consistent group of participants were those who were in a plan that offered a TDF in 2007, were in plans that were still offering TDFs in 2008 and 2009, and were still in the data source in 2008 and 2009.

- Also see Chapter 13, Sec. 401(k) Plans, in the [EBRI Databook on Employee Benefits](#).

Retirement Confidence Survey:

The year 2012 will mark the 22nd anniversary of the Retirement Confidence Survey (RCS). The 2012 RCS will be fielded in January and released on Tuesday, March 13, 2012. There is still time to become a subscriber to the 2012 RCS. Please contact Ken McDonnell at mcdonnell@ebri.org if you are interested in becoming a subscriber. Past RCS reports and fact sheets are available [online here](#).

Media Coverage of the 2011 RCS:

- From March 15, 2011, to October 27, 2011, partial tracking found the 2011 RCS mentioned in 103 newspapers, 67 Web-based outlets, 33 blogs, 25 broadcast outlets (such as NPR, CNNMoney.com, and Fox Business), 29 periodicals, 16 newswire services, and four newsletters.

Individual Retirement Accounts:

- October 2011 *Notes* article, [“Ownership of Individual Retirement Accounts \(IRAs\) and 401\(k\) Type Plans, 1996–2009.”](#)—The percentage of workers ages 21–64 with an individual account plan (IRA or 401(k)-type plan) grew significantly in the late 1990s into the early 2000s. By 2009, 33.0 percent of workers owned a 401(k)-type plan and 20.8 percent owned an IRA.
- May 2011 *Notes* article, [“IRA Asset Allocation.”](#)—EBRI collects data from IRA plan administrators, and its IRA database currently contains information on 14.1 million accounts of 11.1 million unique individuals with total assets of \$732.9 billion, as of year-end 2008. In this database, 38.5 percent of the assets were in equities, 22.3 percent in money, 13.6 percent in bonds, 12.1 percent in balanced funds, and 13.6 percent in other assets.
- The following chapters of the [EBRI Databook on Employee Benefits](#) provide further detail on income in retirement.
 - Chapter 15—Individual Retirement Accounts: Participation.
 - Chapter 16—Individual Retirement Accounts and Keogh Assets.

Federal Government Employees’ Pension Plan:

- July 2011 *Issue Brief*, [“Twenty-Five Years After Federal Pension Reform.”](#)—Congress created the Federal Employees Retirement System (FERS) in 1986, in the most sweeping overhaul of retirement benefits for civilian workers in modern times. The law is now 25 years old, has changed little (other than a modest expansion of investment choices), and remains the basis for retirement benefits provided to some 3 million civilian federal workers.
- Also see Chapter 18, Federal Retirement Plans, in the [EBRI Databook on Employee Benefits](#).

Research—Health Care

Health Confidence Survey (HCS):

The 2011 HCS was fielded in mid-May through mid-June 2011. Results of the 2011 HCS were released in the September 2011 *Notes*, [“The 2011 Health Confidence Survey: Most Americans Unfamiliar with Key Aspects of Health Reform.”](#)—Findings from the 2011 HCS demonstrate that, despite the passage of health reform a year ago, most Americans are unfamiliar with health insurance exchanges, a key aspect of the health reform law (the Patient Protection and Affordable Care Act of 2010, or PPACA). Furthermore, dissatisfaction with the American health care system remains widespread; while confidence regarding various aspects of today’s health care system is not high, it has neither fallen nor increased as a result of the passage of health reform.

Media Coverage of the 2011 HCS

- From Sept. 27, 2011, to Oct. 27, 2011, partial tracking found the 2011 HCS mentioned in two periodicals, one newspaper, and one Web-based outlet.

Health Benefits and Tax Reform:

- July 2011 *Issue Brief*, [“Employment-Based Health Benefits and Taxation: Implications of Efforts to Reduce the Deficit and National Debt.”](#)—The purpose of this *Issue Brief* is to examine the implications of changing the tax treatment of employment-based health coverage. The report discusses the current tax treatment of health coverage, various proposals to change the tax treatment of health coverage, and the implications of changing the tax treatment in the context of health reform.

Consumerism in Health Care:

- May 2011 *Notes* article, [“Characteristics of the CDHP Population, 2005–2010.”](#)—This article examines the population with a consumer-driven health plan (CDHP) and how it differs from the population with traditional health coverage. While it is very difficult to generalize the differences in characteristics among CDHP enrollees, high-deductible health plan (HDHP) enrollees, and individuals with traditional coverage, a few differences stand out.
- Also see Chapter 30, Cost Management Strategies, in [EBRI’s Databook on Employee Benefits](#).

Health Care Plan Participant Demographics:

- October 2011 *Notes* article, [“Tracking Health Insurance Coverage by Month: Trends in Employment-Based Health Insurance Coverage Among Workers, and Access to Coverage Among Uninsured Workers, 1995–2010.”](#)—This analysis examines employment-based health benefit coverage rates on a monthly basis from December 1995 to April 2010, to more clearly show changes in trends and the effects of recessions and unemployment on coverage.
- September 2011 *Issue Brief*, [“Sources of Health Insurance and Characteristics of the Uninsured: Analysis of the March 2011 Current Population Survey.”](#)—This *Issue Brief* provides historical data through 2010 on the number and percentage of nonelderly individuals with and without health insurance. Based on EBRI estimates from the U.S. Census Bureau’s March 2011 Current Population Survey (CPS), it reflects 2010 data. It also discusses trends in coverage for the 1994–2010 period and highlights characteristics that typically indicate whether an individual is insured.
- July 2011 *Notes* article, [“Union Status and Health Care Coverage Among Workers: The Impact of the Recession.”](#)—Union workers are much more likely to have employment-based health benefits than nonunion workers. In 2009, 80.4 percent of union workers were covered by health benefits through their own job, compared with 52.2 percent of nonunion workers. Overall, 91 percent of union workers had coverage either through their own job or as a dependent, while 70.6 percent of nonunion workers had any employment-based coverage. In 2009, 5.6 percent did not have any health insurance coverage. Among nonunion workers, 20.2 percent were uninsured in 2009.
- June 2011 *Notes* article, [“Tracking Health Insurance Coverage by Month: Trends in Employment-Based Health Insurance Coverage Among Workers, and Access to Coverage Among Uninsured Workers, 1995–2009.”](#)—This analysis examines employment-based health benefit coverage rates on a monthly basis from December 1995 to December 2009, to allow for more accurate identification of changes in trends, and to more clearly show the effects of recessions and unemployment on changes in coverage.
- The following chapters of the [EBRI Databook on Employee Benefits](#) provide further details on health care plan participant demographics.
 - Chapter 26—Health Insurance Coverage of the Nonelderly.
 - Chapter 27—Health Insurance Coverage of Workers.

Retiree Health Care:

- August 2011 *Notes* article, “[The Impact of Repealing PPACA on Savings Needed for Health Expenses for Persons Eligible for Medicare.](#)”—This article examines the impact that repealing PPACA would have on savings targets for health care expenses in retirement. The estimates suggest that retirees with high levels of prescription drug use throughout retirement would see their savings targets increase roughly 30–40 percent were the coverage gap reduction in PPACA repealed. Individuals at the median (midpoint) level of prescription drug use throughout retirement would not see any change in savings targets.
- The following chapters of the [EBRI Databook on Employee Benefits](#) provide further details on retiree health care.
 - Chapter 36—Health Insurance Coverage of the Elderly.
 - Chapter 37—Employment-Based Retiree Health Insurance.
 - Chapter 38—Medicare Enrollees.
 - Chapter 39—Medicare Covered Services.
 - Chapter 40—Medicare Finances.
 - Chapter 41—The Future of Medicare.

American Savings Education Council and Choose to Save[®]

The Fall 2011 ASEC Partners Meeting was held on Oct. 19, 2011. [The agenda along with the presentations](#) are available on-line. The next ASEC Partners Meeting will be Wednesday April 11, 2012. An update on the activities of ASEC and Choose to Save,[®] is available in the [Fall 2011 ASEC Update](#).

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