

President's Report —Dallas L. Salisbury

Fall 2009

ebri.org Employee Benefit Research Institute

2009 has been a busy and eventful year for EBRI. The combination of a new administration, a new Congress, the health reform debate, concern over continued erosion of defined benefit plans, sharp losses in defined contribution plans, SEC and DOL review of target-date funds, plan fees, investment advice, and more, have kept our computers humming and the team jumping. Our unique 401(k) and IRA databases continue to grow, and requests from the administration, Congress, and all arms of the media for special analyses are growing apace.

Web usage and downloads are at all-time highs, for both www.ebri.org and www.choosetosave.org, with over 135,000 viewers making use of the *Ballpark E\$timate*[®] worksheet for planning their savings in so far in 2009. *Savingsman*[™] PSAs continue to be aired around the nation. Our new media activities continue to expand our reach to younger age groups.

Membership has remained strong, allowing us to move through the year on-budget for both revenue and expenses. We budgeted operating expenses to exceed operating revenue by \$550,000, in order to maintain all program activities, and to make new investments in systems and systems security required by our expanding databases. Total reserves of nearly \$10 million, built up over 30 years, allowed us the flexibility to stay focused on mission fulfillment in spite of the unstable economic environment.

This month, invoices will be distributed for 2010 EBRI membership and ASEC partnership. Your continued support is vital. Please consider an increase in your funding for EBRI, ASEC, or both, and for our subscription projects like the Retirement Confidence Survey, the Health Confidence Survey, and the Consumer Engagement in Health Care 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.



Dallas Salisbury
President & CEO
EBRI

ASEC Partners Meeting Oct. 21, 2009, will be at AARP's Brickfield Center. You can [register online](#). For more information, e-mail mcdonnell@asec.org

EBRI Policy Forum #65, Dec. 10, 2009, will be at the Kaiser Family Foundation. For more information, e-mail willis@ebri.org

New Developments

EBRI Research on Health Care Reform

In June 2009, EBRI released two *Issue Briefs* on health care that contributed to understanding of the health care reform debate. These briefs generated significant chatter on various blog sites, resulting in at least 600 visitors to the www.ebri.org site in August 2009.

- [“Addressing Health Care Reform Through an Insurance Exchange: Essential Policy Components, the Public Plan Option, and Other Issues to Consider”](#)—This *Issue Brief* examines issues related to managed competition and the use of a health insurance exchange for the purpose of addressing cost, quality, and access to health care services. It discusses issues that must be addressed when designing an exchange in order to reform the health insurance market and also examines state efforts at health reform that use an exchange.
- [“The 2009 Health Confidence Survey: Public Opinion on Health Care Reform Varies; Strong Support for Insurance Reform and Public Plan Option, Mixed Response to Tax Cap”](#)—Findings indicate that Americans have already formed strong opinions regarding various aspects of health reform, even before details have been released regarding various key factors. These issues include health insurance market reform, the availability of a public plan option, mandates on employers and individuals, subsidized coverage for the low-income population, changes to the tax treatment of job-based health benefits, and regulatory oversight of health care. These opinions may change as details surface, especially as they concern financing options.
- [“Capping the Tax Exclusion for Employment-based Health Coverage: Implications for Employers and Workers”](#)—The January 2009 *Issue Brief* provides further discussion on reforming the tax cap options.

401(k) Plans and IRAs

- EBRI is at the forefront of database development for 401(k) and IRA data. Our first releases from our new IRA and new comprehensive k/IRA databases will be issued in the months ahead. These unique databases provide first-of-a-kind capabilities with multi-year micro data from across providers and employers.
- Since October 2008, EBRI has been issuing updates of 401(k) balance estimates as the markets change, based on data from the EBRI/ICI 401(k) database, the most comprehensive database on 401(k) plan participants yet assembled. [Click here](#) for more information by release date.

Media Coverage of EBRI’s “401(k) Balances and Changes Due to Market Volatility” Updates: From October 1, 2008, to August 31, 2009, partial tracking found EBRI’s “401(k) Balances and Changes” updates mentioned in 37 newspapers, 44 periodicals, and five news wires. In addition, 25 Web-based outlets (such as [MarketWatch](#), [MSN Money](#)) posted headlines and links to the EBRI page on their Web sites. The information was used in a July 2009 GAO report, *Private Pensions: Alternative Approaches Could Address Retirement Risks Faced by Workers but Pose Trade-offs*. GAO [summary](#), and [full report](#) (the full report is 77 pages long).

- In August 2009, EBRI released data on IRA plan balances for mid-June 2009, see “Research—Retirement” (below) for details.
- Target-Date funds have received a great deal of attention due to their performance in the financial crisis. EBRI has released two *Issue Briefs* on target-date funds (see “Research—Retirement,” below) and EBRI Research Director Jack VanDerhei testified on the issue before a joint hearing of the Department of Labor and Securities and Exchange Commission (see “Presentations by EBRI Staff— Jack VanDerhei,” below).

Census Bureau Current Population Survey, March Supplement

On Sept. 10, the Census Bureau released the March 2009 Supplement to the Current Population Survey, showing that the nation's poverty rate went up, income went down, and the uninsured rate remained stable at 15.4 percent. EBRI uses this dataset extensively in our work, and it forms the basis of our September 2009 *EBRI Issue Brief* on the number of Americans without health insurance and sources of coverage for those who have health insurance coverage (also used in [Chapters 26 and 27 of EBRI's Databook on Employee Benefits](#)); the number of Americans participating in an employment-based retirement income plan (upcoming *Issue Brief* and [Chapter 10 of the Databook](#)); and sources of income for the population age 55 and over ([Chapters 6, 7, and 8 of the Databook](#)).

Presentations by EBRI Staff

The follow are presentations and testimony by EBRI Staff since April 2009:

Dallas Salisbury:

- Sept. 10, 18, and 24, 2009, Salisbury gave presentations at three NRECA Regional Meetings on "What Will Drive the Future of Employee Benefits?"
- [June 25, 2009](#), Salisbury testified before the House Committee on Financial Services, Subcommittee on Financial Institutions and Consumer Credit hearing on "[Improving Consumer Financial Literacy Under the New Regulatory System.](#)"
- June 24, 2009, Salisbury participated in a White House town hall meeting on health care reform.
- June 23, 2009, Salisbury moderated a panel discussion for the Divided We Fail Campaign's "Retirement Realities: Examining the Economic Downturn's Impact on Savings from the Employer and Employee Perspective." He also moderated the Employer Perspective panel.
- June 11, 2009, Salisbury moderated a panel discussion on "Benefit Trends" for the Chief Human Resource Officer Academy.
- May 5, 2009, Salisbury participated in a panel discussion for the Prudential Retirement Client Advisory Board.
- [May 20, 2009](#), Salisbury testified before the Senate Special Committee on Aging, at a hearing on "[The Pension Benefit Guaranty Corporation.](#)"
- [April 29, 2009](#), Salisbury testified before the Senate Committee on Homeland Security and Government Affairs subcommittee on the federal workforce at a hearing on "[The Federal Government's Role in Empowering Americans to Make Informed Financial Decisions.](#)"
- April 28, 2009, Salisbury gave a presentation on "The Impact of the Recent Financial Crisis on 401(k) Account Balances" for Wachovia Retirement Services.
- April 16, 2009, Salisbury participated in a staff briefing for the Senate HELP Committee on "How Workers Are Offered Health Coverage Through the Voluntary Employer-sponsored System, The Facts about the System and The Challenges Facing Employers of All Sizes."
- April 7, 2009, Salisbury participated in a panel discussion for Barclays Global Investors on "Restoring Confidence: Saving the Future of Retirement."

Jack VanDerhei, EBRI research director:

- Sept. 23, 2009, VanDerhei participated in an ICI workshop on "Enhancing Understanding of Target Retirement Date Funds."
- Sept. 17, 2009, VanDerhei testified before the ERISA Advisory Council hearing on "Approaches for Retirement Security in the U.S."
- Aug. 10, 2009, VanDerhei participated in an ISCEBS annual symposium, "What Will Happen to Retirement Income for 401(k) Participants After the Market Decline?"
- June 18, 2009, VanDerhei testified before the joint DOL/SEC hearing on [target-date funds](#).
- May 20, 2009, VanDerhei made a presentation at the President's Economic Recovery Advisory Board Retirement and Savings Working Group.

- April 30, 2009, VanDerhei and Craig Copeland, EBRI senior research associate, made a presentation at the Spring 2009 Pension Research Council Conference on “Restructuring Retirement Risk Management in a Defined Contribution World,” speaking on “The Role of Private Defined Benefit Pension Plans in US Retirement Income: Past, Present and Future Scenarios.”

Paul Fronstin, director of EBRI’s Health Research and Education Program:

- Sept. 16, 2009, Fronstin gave a presentation on “Health Reform and the Future of Employment-Based Health Coverage” to the Portland, OR, chapter of the Western Pension and Benefits Conference.
- Sept. 15, 2009, Fronstin gave a presentation on “Health Reform and the Future of Employment-Based Health Coverage” to the Seattle, WA, chapter of the Western Pension and Benefits Conference.
- June 10, 2009, Fronstin gave a presentation on “The Future of Employment-Based Health Insurance” at the Society of Actuaries Health Spring Meeting.
- May 1, 2009, Fronstin gave a presentation on “Coverage and Access on the Long Road to Reform” for the American Academy of Dermatology Association.
- April 28, 2009, Fronstin gave a presentation on retiree health for Oppenheimer Funds.

Research—Retirement

401(k) Plans:

Since April of 2009, EBRI has released three *Issue Briefs* on 401(k) topics:

- August 2009, “[Individual Account Retirement Plans: Analysis of the 2007 Survey of Consumer Finances, with Market Adjustments to June 2009](#)”—This *Issue Brief* assesses the current status of Americans’ savings for retirement by examining the incidence of individual account plans among families, as well as the average amount of assets accumulated in these accounts. The 2007 Survey of Consumer Finances (SCF), the Federal Reserve Board’s triennial survey of wealth, is the basis for this study, as it is a leading source of data on Americans’ wealth, provides detailed information on retirement plan incidence and account balances among families, and is the latest available.
- July 2009, “[What Does Consistent Participation in 401\(k\) Plans Generate?](#)”—The annual EBRI/ICI 401(k) database update report is based on large cross-sections of 401(k) plan participants. Looking at consistent participants in the EBRI/ICI 401(k) database over the eight-year period from 1999 to 2007, the average 401(k) account balance increased at an annual growth rate of 9.5 percent over the period, to \$137,430 at year-end 2007, and the median 401(k) account balance (half above, half below) increased at an annual growth rate of 15.2 percent over the period, to \$76,946 at year-end 2007.
- June 2009, *Notes* article, “[Many 401\(k\) Sponsors Suspending Matching Contributions Also Fund Defined Benefit Pension Plans](#)”—A review by EBRI of 251 401(k) plan sponsors that have suspended 401(k) matching contributions for their 4.4 million workers finds that those employing 50 percent of the workers also maintained an open defined benefit plan. An additional 16 percent of workers were with employers that were still obligated to fund a frozen defined benefit plan. Further, 8 percent of the workers were with an employer that had both an open and a frozen defined benefit plan that carried funding obligations.
- May 2009, “[Plan Demographics, Participants’ Saving Behavior, and Target-Date Fund Investments](#)”—This analysis explores (1) whether plan demographic characteristics would affect individual participant contribution rates and target-date fund investments and (2) equity glide paths for participants in relation to plan demographics by considering target replacement income and its success rate.
- [Chapter 13 of EBRI’s Databook on Employee Benefits](#) functions as a guide to additional EBRI research on 401(k) plans.

Retirement Confidence Survey

Planning for the RCS 2010 is under way. The first meeting of the review committee will be Oct. 21, 2009. The survey will be fielded in January 2010 and results will be released next spring. As of Sept. 4,

we have 20 underwriters for the survey. If you would like to see the results of the 2009 RCS, please visit [the 2009 RCS Web site](#).

Media Coverage of the 2009 RCS

From April 14, 2009, to Sept. 1, 2009, partial tracking found the 2009 RCS mentioned in 154 newspapers, 39 periodicals, and 13 news wires. In addition, 261 Web-based outlets (such as [MarketWatch](#), [MSN Money](#)) posted headlines and links to the survey on their Web sites. AP Radio featured an interview with Jack VanDerhei; ABC Radio featured an interview with Craig Copeland. A satellite media tour sponsored by Principal Financial Group on April 14 generated about two dozen TV and radio interviews on the results of the survey.

Lump-Sum Distributions

- July 2009, *Notes* article, [“More Detail on Lump-Sum Distributions of Workers Who Left a Job, 2006”](#)— This article examines workers’ decisions to take a lump-sum distribution—a one-time payment—from an employment-based retirement plan when changing jobs, while remaining in the labor force. It builds on earlier, top-line data from the 2004 Survey of Income and Program Participation (SIPP). The study provides estimates of the percentage of workers changing jobs and leaving their assets in their former employers’ plan, compares the standard of living of individuals age 55 or older with that of their early 50s, and assesses how the current near-elderly and elderly have fared after making a lump-sum decision.

Retirement Plan Participant Demographics

- May 2009, *Notes* article, [“Income of the Elderly Population Age 65 and Over, 2007”](#)— In 2007, Social Security continued to be the largest source of income for those currently age 65 and older, accounting for 38.6 percent of their income on average. Pension and annuity income was 18.6 percent, income from assets 15.6 percent, and income from earnings was 25.3 percent.
- Further details are available from [Chapter 7 of EBRI’s Databook on Employee Benefits](#).

Public Plan Assets

- April 2009, *Notes* article, [“Public Pension Plans Asset Allocations”](#)—This article reviews actual public pension plan contribution behavior from 2001 to 2006, pension asset allocations from 2003 to 2007, and the effect that investment performance has on employer contribution volatility.
- Further information on state and local government plans is available in [Chapter 19](#) of the *Databook*.

Research —Health Care

Health Care Reform

See above, *EBRI Research on Health Care Reform*, under “New Developments,” for further details.

Health Confidence Survey

In June 2009, EBRI released the results of the 2009 Health Confidence Survey. See *EBRI Research on Health Care Reform* (above), under “New Developments,” for further details.

Media Coverage of the 2009 HCS

From June 11, 2009, to September 1, 2009, partial tracking found the 2009 HCS mentioned in 87 Web-based outlets (such as [MarketWatch](#), [MSN Money](#)) posted headlines and links on their Web sites. In addition, 1 newsweekly, 10 periodicals, and 11 newspapers wrote articles utilizing the 2009 HCS.

Consumerism in Health Care

- May 2009 *Notes* article, [“Consumer Engagement in Health Care: The Use of Lower Cost Sharing”](#)—This survey examined opinions regarding the appropriate use of lower cost sharing as an incentive to change the way individuals use the health care system.

Health Care Plan Participant Demographics

- August 2009 *Notes* article, [“Health Insurance Coverage of Individuals Ages 55–65, 1994–2007”](#)—EBRI estimates from the latest Current Population Survey data show adults ages 55–64 were one of two groups—the other was children—most likely to have health insurance coverage in 2007. That year, 12 percent of adults ages 55–64 were uninsured, compared with about 32 percent of adults ages 21–24, 26 percent of those ages 25–34, and 23.5 percent of all younger adults. There were 4 million adults ages 55–64 without health insurance in 2007, accounting for 9 percent of the 45 million individuals under age 65 who were uninsured.
- Further information on health insurance participation by the nonelderly is in [Chapter 26](#) of the *Databook* and by workers in [Chapter 27](#) of the *Databook*.

Retiree Health Care

- June 2009 *Notes* article, [“Savings Needed for Health Expenses in Retirement: An Examination of Persons Age 55 and 65 in 2009”](#)—This report updates earlier EBRI research on estimated savings needed to cover health insurance to supplement Medicare and out-of-pocket expenses for health care services in retirement. It finds that men age 65 in 2009 retiring this year will need anywhere from \$68,000–\$173,000 in savings to cover health insurance premiums and out-of-pocket expenses in retirement if they want a 50–50 chance of being able to have enough money, and \$134,000–\$378,000 if they prefer a 90 percent chance. With their greater longevity, women will need more: A women retiring at age 65 in 2009 will need anywhere from \$98,000–\$242,000 in savings to cover health insurance premiums and out-of-pocket expenses in retirement for a 50–50 chance of having enough money, and \$164,000–\$450,000 for a 90 percent chance. For those seeking a median (50 percent) chance of having enough money for health care in retirement, these estimates are about 9 percent higher than a year ago for men and married couples, and 16 percent higher for single women.
- Further information on sources of health insurance for the elderly population is in [Chapter 36](#) of the *Databook*. [Chapter 37](#) serves as a guide to EBRI research on employment-based retiree health insurance. [Chapters 39–41](#) of the *Databook* provide further information on Medicare.

American Savings Education Council and Choose to Save[®]

For an update on the activities of ASEC and Choose to Save,[®] please see the [Spring 2009 ASEC Chairman’s Report](#).