

# President's Report

—Dallas L. Salisbury

Spring 2010

## ebri.org Employee Benefit Research Institute

2010's first quarter was marked by release of the 2010 Retirement Confidence Survey, release of new investment advice regulations by the Department of Labor, launch of the new EBRI Center for Research on Health Benefits Innovation, and enactment of comprehensive health reform. The former underlined the ongoing growth in individual responsibility for, and understanding of, the need to save and the potential need for many to work longer than their parents. The latter highlighted ongoing efforts to expand health coverage and to figure out what can be done to slow the pace of health cost inflation.

The pages that follow highlight all of our recent work, with links directly to the reports.

We launched a blog on the Web this quarter to allow us to easily contribute in a short form to the growing blog dialogue on savings, retirement, and health issues.

Our unique 401(k) and IRA databases continue to grow, and requests from multiple constituent realms for special analyses are growing apace. Web usage and downloads are at high levels, for both [www.ebri.org](http://www.ebri.org) and [www.choosetosave.org](http://www.choosetosave.org)

Membership has remained strong, but the ongoing pace of mergers and consolidations means we have to grow the base. Your assistance with adding new members or new grant givers is always welcome!

On behalf of myself and the team at EBRI, I extend my grateful appreciation to our Members and other funders, 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

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*EBRI Policy Forum #66, May 13, 2010, will be at the Kaiser Family Foundation, on the topic "Retirement Income Adequacy: How Big Is the Gap and How Might the Market Respond?" For more information, e-mail [willis@ebri.org](mailto:willis@ebri.org)*

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## **New Developments**

### **EBRI Blogspot**

The [EBRI blog](http://ebriorg.blogspot.com/) is online at <http://ebriorg.blogspot.com/> and will provide periodic postings to supplement the Institute's regular publications, and to provide comment on questions that the Institute gets from news reporters, policymakers, and others.

### **Retirement Confidence Survey, 2010:**

This year marks the 20<sup>th</sup> anniversary of the Retirement Confidence Survey (RCS). The RCS was released on March 9, 2010. See below for further details on the 2010 RCS.

### **The 2010 EBRI Lillywhite Award:**

Keith Ambachtsheer, director of the Rotman International Centre for Pension Management (ICPM) at the University of Toronto, was chosen as recipient of the 2010 EBRI Lillywhite Award. The honor recognizes outstanding lifetime contributions to Americans' economic security.

[Press release announcing 2010 Lillywhite award recipient.](#)

### **December 2009 Policy Forum:**

The presentations from EBRI's 65<sup>th</sup> policy forum, "[Employers, Workers and the Future of Employment-Based Health Benefits](#)", are now available on-line. [The February 2010 Issue Brief](#) summarizes the presentations from the policy forum.

## **Presentations by EBRI Staff**

The following are presentations and testimony by EBRI staff since September 2009:

### **Dallas Salisbury:**

- Mar. 31, 2010, "Health and Financial Security for You, Your Parents, Grandparents in the Decades Ahead – Every Family Is in This Together," University of Arizona, Tucson, AZ.
- Mar. 18, 2010, Financial Services Roundtable, Council on Asset Management, New York, NY.
- Mar. 9, 2010, Keynote speech at the Pensions & Investment DC East 2010 Conference, Miami, FL.
- Feb. 25, 2010, Stakeholders/Association panel for the PBGC Investment Policy Review, Washington, DC.
- Feb. 11, 2010, Orange County Employee Benefits Council, Costa Mesa, CA.
- Jan. 26, 2010, Putnam Investments Seminar, "Addressing America's Retirement Challenge," New York, NY.
- Dec. 15, 2009, Prudential Group Insurance Leadership Meeting, Newark, NJ.
- Nov. 5, Oct. 29, and Oct. 15, 2009, NRECA regional meetings, "What Will Drive the Future of Employee Benefits?"
- Oct. 26, 2009, featured luncheon speaker at Greenwich Associates Competitive Challenges Conference, San Diego, CA.
- Oct. 16, 2009, Stable Value Investment Association, Fall Forum, Washington, DC.
- Oct. 8, 2009, National Economist Club, Washington, DC.

### **Jack VanDerhei, EBRI Research Director:**

- Nov. 6, 2009, Falling Stocks: What Will Happen to Retirees' Incomes? The Worker Perspective, "The Economic Crisis of 2008: What Will Happen to Retirees' Incomes?" Thirty-First Annual APPAM Research Conference.
- September 17, 2009, An Evaluation of the Adequacy and Structure of Current U.S. Voluntary Retirement Plans, With Special Emphasis on 401(k) Plans, "Approaches for Retirement Security in the U.S." U.S. Department of Labor, Advisory Council on Employee Welfare and Pension Benefit Plans.

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

- Dec. 10, 2009, “Findings from the 2009 EBRI/MGA Consumer Engagement in Health Care Survey,” EBRI-ERF policy forum, Washington, DC.
- Nov. 10, 2009, “Tax Treatment of Health Care and Employment-Based Health Benefits,” Milbank Memorial Fund, New York, NY.
- Oct. 1, 2009, “The Latest Word on Health Reform and Implications for the Future of Employment-Based Health Benefits,” ICG HR Meeting, Boston, MA.
- Sept. 30, 2009, “Deciphering the Current Legislative Landscape and Implications for Consumer Choice,” Annual Consumer Health Care Congress, Alexandria, VA.
- Sept. 30, 2009, “A Deep Dive into Health Care Reform,” Annual Consumer Health Care Congress, Alexandria, VA.
- Sept. 29, 2009, “Lessons from 401(k) Retirement Plans for Increased Consumerism in Health Care,” Aetna Client Conference, Arlington, VA.
- Sept. 23, 2009, “The Latest Word on Health Reform,” CQ Roll Call Monthly Breakfast Series, Washington, DC.

## **Research—Retirement**

### 401(k) Plans:

Since September of 2009, EBRI has released the following publications on 401(k) topics:

- April 2010 *Issue Brief*, [“The Impact of Automatic Enrollment in 401\(k\) Plans on Future Retirement Accumulations: A Simulation Study Based on Plan Design Modifications of Large Plan Sponsors”](#)— This EBRI study updates the EBRI/ERF RSPM model used for the 2008 policy forum to analyze the likely impact of automatic enrollment and auto-escalation on 401(k) participants’ account balances at retirement. However, the 2008 model was constructed so soon after PPA that there was no way of telling how most 401(k) sponsors who changed to automatic enrollment would modify their plan design in terms of matching contributions and other employer contributions. The new model has added actual plan design parameters from more than 1,000 large 401(k) plan sponsors in 2005 and 2009 to provide a distribution of plan generosity differentials.
- December 2009 *Notes* article, [“Investment Behavior of Target-Date Fund Users Having Other Funds in 401\(k\) Plan Accounts”](#)— This study shows that some mixed target-date fund (TDF) investors apparently fail to understand either the purpose or the benefit of a TDF designed as an “all-in-one” portfolio solution. However, holding TDFs with other funds could lead to an unexpected result of ending up with a potentially inferior portfolio in terms of risk/return tradeoff from more assets allocated to some sectors than the designers of the TDFs had planned.
- October 2009 *Issue Brief*, [“401\(k\) Plan Asset Allocation, Account Balances, and Loan Activity in 2008”](#) —Because 401(k) balances can fluctuate with market returns from year to year, meaningful analysis of 401(k) plans must examine how participants’ accounts have performed over the long term. Looking at consistent participants in the EBRI/ICI 401(k) database over the five-year period from 2003 to 2008 (which included one of the worst bear markets for stocks since the Great Depression), the study found:
  - After rising in 2003 and for the next four consecutive years, the average 401(k) retirement account fell 24.3 percent in 2008.
  - The average 401(k) account balance moved up and down with stock market performance, but over the entire five-year time period increased at an average annual growth rate of 7.2 percent, attaining \$86,513 at year-end 2008.
  - The median (mid-point) 401(k) account balance increased at an average annual growth rate of 11.4 percent over the 2003–2008 period to \$43,700 at year-end 2008.
- [Chapter 13 of EBRI's Databook on Employee Benefits](#) functions as a guide to additional EBRI research on 401(k) plans.

### Retirement Confidence Survey

This year marked the 20<sup>th</sup> anniversary of the Retirement Confidence Survey (RCS). The 2010 RCS was fielded in January and released on Tuesday, March 9, 2010. The survey had 31 underwriters. The full report and fact sheets are available on the [2010 RCS Web site](#).

### Media Coverage of the 2010 RCS

From March 9, 2010, to March 22, 2010, partial tracking found the 2010 RCS mentioned in 127 newspapers, 25 periodicals, 11 news wires, and 22 blogs. In addition, 167 Web-based outlets (such as MarketWatch, CNNMoney) posted headlines and links on their Web sites. CBS and CNN featured taped interviews with EBRI Research Director Jack VanDerhei. PLANSPONSOR.com featured a podcast titled “Talking Points: Retirement Confidence” with Jack VanDerhei.

### Usage by Social Security Administration

ASEC developed several “factoids” based on data from the 2009 RCS for one of the Social Security Administration’s (SSA) *America Saves Week* 2010 efforts. These factoids were displayed on television screens in SSA waiting rooms in all of their field offices across the country during the 2010 *Week*.

### Social Security Reform

- September 2009, *Notes* article, [“Social Security Reform: How Different Options Might Affect Future Funding”](#)— 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

- November 2009, *Issue Brief*, [“Employment-Based Retirement Plan Participation: Geographic Difference and Trends, 2008”](#)— About 56 percent of all working-age (21–64) wage and salary employees work for an employer or union that sponsors a retirement plan. Among full-time, full-year wage and salary workers ages 21–64 (those with the strongest connection to the work force), just under 63 percent worked for an employer or union that sponsors a plan.
- November 2009, *Notes* article, [“Retirement Plan Participation and Asset Allocation, 2007”](#)—This study utilizes the Federal Reserve Board’s Survey of Consumer Finance to report participation and asset allocation data in employment-based plans and individual retirement accounts for years 1992–2007.
- Further details are available in [Chapter 10 of EBRI’s Databook on Employee Benefits](#).

## **Research—Health Care**

### Health Confidence Survey

Planning for the HCS 2010 is under way. The first meeting of the advisory board was March 16, 2010. The survey will be fielded in mid-May through mid-June 2010. If you would like to see the results of the 2009 HCS, please visit [the 2009 HCS Web site](#).

### Media Coverage of the 2009 HCS

From June 11, 2009, to April 9, 2010, partial tracking found the 2009 HCS mentioned in 91 Web-based outlets (such as [MarketWatch](#), [MSN Money](#)) posted headlines and links on their Web sites. In addition, one newsweekly, 13 periodicals, and 12 newspapers wrote articles utilizing the 2009 HCS.

- September 2009 *Notes* article, [“Trends in Satisfaction and Confidence in Health Care, by Insurance and Health Status: Findings from the 2009 EBRI/MGA Health Confidence Survey”](#)—This article examines public opinion by insurance status and health status, using data from the 2009 EBRI/Mathew Greenwald Associates Health Confidence Survey. It finds that the uninsured are more likely than individuals with insurance coverage to be dissatisfied with the quality of health care received and they are less confident in various aspects of health care. Similar differences in satisfaction and confidence are found by health status.

### Consumerism in Health Care

- February 2010 *Notes* article, [“Choice of Health Plan: Findings from the 2009 EBRI/MGA Consumer Engagement in Health Care Survey”](#)—The 2009 EBRI/MGA Consumer Engagement in Health Care Survey finds that individuals with a choice of health plan are not only those who tend to work for a large firm, but also individuals with higher incomes and higher education. Individuals with a choice of health plan are more likely than those without a choice to be satisfied with their health plan and health care along a number of dimensions. However, controlling for choice of plan did not change the difference in satisfaction rates between individuals with traditional coverage and those enrolled in consumer-driven health plans and high-deductible health plans, when differences in satisfaction existed.
- December 2009 *Notes* article, [“What Do We Know About Enrollment in Consumer Driven Health Plans?”](#)—This article summarizes the literature on consumer-driven health plan (CDHP) offer rates and enrollment. The percentage of employers offering CDHPs has gone from virtually none in 2000 to 12 percent in 2009. Based on the various sources of data on enrollment in health reimbursement arrangements (HRAs) and HSA-eligible plans, it appears that 15–19 million people were enrolled in these plans in 2009, representing 9–11 percent of the privately insured market.
- December 2009 *Issue Brief*, [“Findings from the 2009 EBRI/MGA Consumer Engagement in Health Care Survey”](#)—This *Issue Brief* presents findings from the 2009 EBRI/MGA Consumer Engagement in Health Care Survey, which provides nationally representative data regarding the growth of consumer-driven health plans (CDHPs) and high-deductible health plans (HDHPs), and the impact of these plans and consumer engagement more generally on the behavior and attitudes of adults with private health insurance coverage. Findings from this survey are compared with four earlier annual surveys.
- November 2009 *Notes* article, [“Availability, Contributions, Account Balances, and Rollovers in Account-Based Health Plans, 2006-2009”](#)—The share of the adult population with private health insurance enrolled in account-based health plans (so-called "consumer-driven" health plans, or CDHPs) remains small but continues to grow. In 2009, 4 percent of the adult population with private health insurance was enrolled in an health reimbursement arrangement (HRA) or had a high-deductible plan with an health savings account (HSA), up 1 percentage point from the previous year. An additional 4.9 percent were eligible for an HSA but did not have such an account. Overall, 8.9 percent of adults with private insurance were either in a CDHP or were in a high-deductible plan that was eligible for an HSA, but had not opened an account.

### Health Care Plan Participant Demographics

- March 2010 *Notes* article, [“Tracking Health Insurance Coverage by Month: Trends in Employment-Based Coverage Among Workers, and Access to Coverage Among Uninsured Workers”](#)—This analysis examines employment-based health benefit coverage rates on a monthly basis from December 1995 to March 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.
- October 2009 *Notes* article, [“The Relationship Between Union Status and Employment-Based Health Benefits”](#)—Union workers are much more likely to have employment-based health benefits than nonunion workers. In September 2007, 83 percent of union workers were covered by health benefits

through their own job, compared with 58 percent of nonunion workers. Union workers are more likely to be employed in the public sector, manufacturing industry, blue-collar occupations, and in full-time jobs. Union workers have higher annual earnings than nonunion workers.

- September 2009 *Issue Brief*, [“Sources of Health Insurance and characteristics of the Uninsured: Analysis of the March 2009 Current Population Survey”](#)—This *Issue Brief* provides historic data through 2008 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 2009 Current Population Survey (CPS), it reflects 2008 data. It also discusses trends in coverage for the 1994–2008 period and highlights characteristics that typically indicate whether an individual is insured.
- 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

- April 2010 *Notes* article, [“The Use of Health Savings Accounts for Health Care in Retirement”](#)—Health savings accounts (HSAs) are often touted as a vehicle for funding future retiree health care costs. However, statutory contribution limits mean that they are unlikely to play more than a minor part in savings for health care costs in retirement.
- January 2010 *Notes* article, [“Retiree Health Benefit Trends Among the Medicare-Eligible Population”](#)—In 2008, 26 percent of 65–69-year-olds had retiree health benefits, down from 32 percent in 1994, and the numbers are lower for older retirees. It is possible that the decline in coverage would have been even larger had it not been for changes in the work status of individuals eligible for Medicare. In 1995, 59 percent of individuals ages 65–69 considered themselves retired, and that fell to 53.6 percent in 2008, while those saying they were working increased from 28 percent in 1995 to 35 percent in 2008.
- January 2010 *Issue Brief*, [“Implications of Health Reform for Retiree Health Benefits”](#)—This *Issue Brief* examines how the health reform legislation then being debated in Congress would impact the future of retiree health benefits. In general, the proposals’ provisions would have a mixed impact on retiree health benefits: In the short term, the reinsurance provisions would help shore up early retiree coverage and Medicare Part D coverage would become more valuable to retirees. In the longer term, insurance reform combined with new subsidies for individuals enrolling for coverage through insurance exchanges, the maintenance-of-effort provision affecting early retiree benefits, increases to the cost of providing drug benefits to retirees, and enhanced Medicare Part D coverage would all create significant incentives for employers to drop coverage for early retirees and drug coverage for Medicare-eligible retirees.
- 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.

### **Research—Labor Force**

- March 2010 *Notes* article, [“Employment Status of Workers Age 55 or Older, 1987–2008”](#)—A growing percentage of older Americans is in the labor force: The percentage of those ages 55 or older in the labor force increased from 29.4 percent in 1993 to 39.4 percent in 2008. For those ages 65–69, the percentage increased from 18.4 percent in 1985 to 30.7 percent in 2006. These trends mark a significant change in the behavior of individuals in these age groups, and are likely driven by their need to obtain affordable employment-based health insurance and to accumulate retirement savings.
- February 2010 *Notes* article, [“Labor Force Participation Rates: The Population Age 55 or Older, 2008”](#)—The labor-force participation rate is increasing for those age 55 and older. The percentage of civilian noninstitutionalized Americans age 55 or older who were in the labor force declined from 34.6 percent 1975 to 29.4 percent in 1993. However, since 1993, the labor-force participation rate has steadily increased, reaching 39.4 percent in 2008—the highest level over the 1975–2008 period.

- January 2010 *Notes* article, [“Employee Tenure, 2008”](#)—Data on employee tenure—the amount of time an individual has been with his or her current employer—show that career jobs never existed for most workers, and still do not. The median tenure of workers—the midpoint of wage and salary workers’ length of employment in their current job—was virtually unchanged over the past 25 years: 5.1 years at the same job in 2008, compared with 5.0 years in 1983.

**American Savings Education Council and Choose to Save<sup>®</sup>**

For an update on the activities of ASEC and Choose to Save,<sup>®</sup> please see the [Spring 2010 ASEC Chairman’s Report](#).

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