

# 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).** President Obama, Congressional leaders, Governors and Mayors, activists...everyone... looking at spending programs and tax preferences alike for ways to improve outcomes and the bottom line. Taming the red ink. Ahead of tax day 2011 both parties have set

forth their visions for the future as part of the budget battles underway, and as part of the beginning of the 2012 campaigns.

For EBRI this has meant a continuous stream of requests for numbers on the current status of financial and health wellbeing, the income status of current retirees, and projections of what the future might hold if no policy changes are made, if radical changes are made, or if incremental changes are made. What is the current defined contribution plan and account structure accomplishing and what might it accomplish in the future? How long would individuals have to work in order to achieve a secure retirement? How could life income designs that provide at least some longevity protection for the individual reduce the amount individuals would need to accumulate? What affect are health plan redesigns having on cost and quality and wellness, including the movement to consumer directed health? What would be the expected impact on savings and contributions were allowable pre-tax contributions to defined contribution plans and individual accounts reduced by more than half? And, the list goes on.

Answering those questions during the initial months of 2011 has produced a steady stream of publications, testimony, media releases, Fast FAQs, tweets, and citations in the media and other publications.

The sharp differences drawn by the House Budget Resolution and the “revised” Budget from President Obama in mid-April on the form that spending, taxes, tax preferences (expenditures), Social Security, Medicare, Medicaid, health reform, etc., should take in the future will require extensive new analysis of implications for financial and health security.

EBRI models, defined contribution and IRA databases, health claim databases, and nearly 33 years of trend lines and design/policy perspective, and established credibility for non-partisan and objective work unbiased by position taking or reaching policy conclusions, assure that EBRI will be at the center of the reviews and assessments. EBRI will continue to provide analysis that will allow others to understand the implications of alternative policies, apply their philosophy and perspective, and conclude what they think the appropriate decision is for plan design or policy. As recent policy debates in the Congress have underlined, the perspective and objectives of the decision maker will heavily influence how they view study results and what action they think the results justify.

The ongoing conversation about the effectiveness of Social Security and 401(k) plans present perfect examples. Depending upon perspective and objectives a review of the numbers can lead to these programs being viewed as wildly successful or dreadfully falling short. Against an objective of every worker moving into retirement at a chosen age able to fully maintain their lifestyle until death, the numbers on both can be viewed as quite depressing. Against an objective of every worker being able to have a safety net for survival in the event of disability, retirement, or survivorship, and the opportunity to easily (if not automatically) accumulate savings for a life well above the safety net, and many doing so, the numbers on both can be viewed as quite positive and successful.

Early in my first job in Washington, D.C. in 1974 the Deputy Attorney General in who's office I worked noted at the end of a meeting that “where you stand depends on where you sit”. The environment today

suggests an added version: “The color of your glasses – your objectives and perspective – will determine your view of success and failure.”

The ongoing role of EBRI is to provide numbers and analysis that all individuals, regardless of the color of their glasses, are willing to use with confidence as they make their decisions. Let the argument, if you will, move beyond the numbers.

I am pleased to be able to report that membership has remained strong, as has the balance sheet of the organization. The detailed report of activity that follows seeks to bring you up to date, with links that allow you to drill down for detail.

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.



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## **New Developments**

### *Is There a Future for Retirement?*

The May 12, 2011, policy forum explores an issue that is at the center of policy debates around the world: retirement age. New EBRI modeling results will show how long we would have to work to achieve adequate retirement income if we saved no additional money. The forum will also explore the implications of policy change proposals.

### *Health Confidence Survey, 2011:*

This year marks the 14<sup>th</sup> anniversary of the Health Confidence Survey (HCS). The HCS will be released in Fall 2011. See below for further details on the 2011 HCS.

### *December 2010 Policy Forum:*

The presentations from EBRI’s 67<sup>th</sup> policy forum, [“Innovations in Employment-Based Health Benefits”](#) are now available on-line.

### *Upcoming Issue Briefs:*

- Update on EBRI’s Retirement Security Projection Model.<sup>®</sup>
- Longitudinal Target-Date Funds Results.
- Retirement Income Adequacy With Immediate and Longevity Annuities.
- Health Insurance and Taxes: Implications of the Debt Commission.
- 401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2010.
- Sources of Health Insurance and Characteristics of the Uninsured: Analysis of the March 2011 Current Population Survey.
- Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2010.
- Findings from the 2011 EBRI/MGA Consumer Engagement in Health Care Survey.
- Spend-Down Behavior in Retirement.

### *Upcoming Notes Articles:*

- Innovations in Employment-Based Health Benefits.

- Retirement Income Adequacy: Alternative Thresholds and the Importance of Future Eligibility in Defined Contribution Retirement Plans.
- Characteristics of the CDHP Population 2006–2010.
- IRA Asset Allocation.
- Health Insurance Coverage by Month.
- Impact of the Recession on Health Insurance Coverage for Unionized Workers.
- Job Turnover Analysis Among 401(k) Plan Participants.

### **Presentations by EBRI Staff**

The following are presentations and testimony by EBRI staff since September 2010:

#### Dallas Salisbury:

- April 27, 2011, Boston Financial Services Leadership Council, U.S. Retirement Policy CEO Meeting, Boston, MA.
- April 11, 2011, Insured Retirement Institute, “Consumer Retirement Readiness”, a webinar to kick-off National Retirement Planning Week, Washington, DC.
- March 9, 2011, GuideStone Financial Resources, “Retirement in Today’s Economy”, a video for GuideStone’s participants, Dallas, TX.

#### Jack VanDerhei, EBRI research director:

- Research Council, *Issues for Discussion*, Financial Services Roundtable, March 2, 2011.
- The State of Retirement Income Preparation and Future Prospects (Results from the updated EBRI/ERF Retirement Security Project Model (RSPM)), Western Pension and Benefits Conference, March 1, 2011.

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

- April 7, 2011, University of North Carolina, 2<sup>nd</sup> Annual Health and Welfare Plan Management for Mid-Sized Employers, “What Is the Future of Employer-Sponsored Health Care?” Atlanta, GA.
- March 31, 2011, University of St. Thomas, Symposium, “2011 and Beyond: Aligning Health Care Benefits to Support Your Business Strategy,” Keynote Speaker, Minneapolis, MN.
- March 8, 2011, Blue Cross and Blue Shield Association, San Francisco, CA.
- February 24, 2011, Heritage Foundation, DC Roundtable.
- February 3, 2011, Robert Wood Johnson Foundation webinar, “Cost Sharing: Effects on Spending and Outcomes.”
- January 20, 2011, National Congress on Health Insurance Reform, “Is the Funding Adequate for the Early Retiree Reinsurance Program?” Washington, DC
- January 19, 2011, National Congress on Health Insurance Reform, Keynote Address, “Overview of the Current Health Insurance Marketplace in the United States,” Washington, DC.

### **Research—Retirement**

#### Participation in Employment-Based Retirement Plans

- November 2010 Notes article, [“Retirement Plan Participant: Survey of Income and Program Participation \(SIPP\) Data, 2009”](#) — The latest SIPP data show 59 percent of all workers over age 16 had an employer that sponsored a pension or retirement plan for any of its employees in 2009, down from previous levels (60 percent 1998 and 63 percent 2003), and the same as in 2006. Workers participating in a plan increased to 45 per-cent in 2009, up slightly from 2006 (44 percent) but down from 2003 (48 percent).
- October 2010 *Issue Brief*, [“Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2009”](#) — This Issue Brief closely 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 2010 Current Population Survey (CPS), the most recent data currently available (for 2009). It shows that the employment-based retirement system remains a critical source of Americans' retirement income security, and is under pressure from the recent economic downturn.

- The following chapters of *EBRI's Databook on Employee Benefits* provide further detail on income in retirement.
  - [Chapter 10 — Aggregate Trends in Defined Benefit and Defined Contribution Retirement Plan Sponsorship, Participation and Vesting](#)

#### Retirement Income Adequacy:

- April 2011 *Notes* article, "[Retirement Income Adequacy: Alternative Thresholds and the Importance of Future Eligibility in Defined Contribution Retirement Plans](#)" — This article introduces a new method of analyzing the results from the EBRI Retirement Security Projection Model (RSPM®). Instead of simply computing an overall percentage of the simulated life paths in a particular cohort that will not have sufficient retirement income to pay for the simulated expenses, the new method computes what percentage of the households will meet that requirement more than a specified percentage of times in the simulation.
- February 2011 *Issue Brief*, "[A Post Crisis Assessment of Retirement Income Adequacy for Baby Boomers and GenXers](#)" — The analysis in this paper was designed to answer two questions: 1) What percentage of U.S. households became "at risk" of insufficient retirement income as a result of the financial market and real estate crisis in 2008 and 2009? 2) Of those who are at risk, what additional savings do they need to make each year until retirement age to make up for their losses from the crisis? The results are from the 2010 EBRI Retirement Security Projection Model® by the Employee Benefit Research Institute.
- November 2010 *Issue Brief*, "[The Impact of Auto-Enrollment and Automatic Contribution Escalation on Retirement Income Adequacy](#)" — This *Issue Brief* expands upon earlier work by EBRI to provide the first results of a new simulation model that estimates the impact of changing 401(k) plan design variables and assumptions on retirement income adequacy. Previous research has demonstrated the large potential impact of auto-enrollment (AE) on retirement income adequacy. Until recently however, there was extremely limited evidence on the impact of automatic contribution escalation. This study is part of a larger joint project between Employee Benefit Research Institute (EBRI) and the Defined Contribution Institutional Investment Association (DCIIA).
- October 2010 *Notes* article, "[Retirement Savings Shortfalls for today's Workers](#)" — Using its unique Retirement Security Projection Model® EBRI can estimate the total national aggregate and individual retirement deficits at age 65 for Early Boomers (born between 1948–1954, now ages 56–62), Late Boomers (born between 1955–1964, now ages 46–55), and Generation Xers (born between 1965–1974, now ages 36–45). This article reports these 2010 Retirement Savings Shortfalls (RSS).
- September 2010 *Notes* article, "[Retirement Income Adequacy for Today's Workers: How Certain, How Much Will It Cost, and How Does Eligibility for Participation in a Defined Contribution Plan Help?](#)" — This analysis builds on EBRI's Retirement Security Projection Model® (RSPM) to determine how much households need to save each year until retirement to maintain a probability level they will be able to afford simulated retirement expenses for the remainder of the lifetime of the family unit.
- The following chapters of *EBRI's 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

- November 2010 *Issue Brief*, [“401\(k\) Plan Asset Allocation, Account Balances, and Loan Activity in 2009”](#) — This report is an update of EBRI and ICI’s ongoing research into 401(k) plan participants’ activity through year-end 2009. The report is divided into five sections: The first describes the EBRI/ICI 401(k) database; the second focuses on changes in participant account balances over time, analyzing a group of consistent 401(k) participants; the third presents a snapshot of participant account balances at year-end 2009; the fourth looks at participants’ asset allocations, including analysis of 401(k) participants’ use of target-date funds (also called “lifecycle” funds); and the fifth focuses on participants’ 401(k) loan activity.
- The following chapters of [EBRI’s Databook on Employee Benefits](#) provide further detail on income in retirement.
  - [Chapter 13 — Sec. 401\(k\) Plans](#)

### Retirement Confidence Survey

This year marked the 21<sup>th</sup> anniversary of the Retirement Confidence Survey (RCS). The 2011 RCS was fielded in January and released on Tuesday, March 15, 2011. [The survey had 26 underwriters](#). The full report and fact sheets are available on [the 2011 RCS Web site](#).

### Media Coverage of the 2011 RCS

- From March 15, 2011, to April 15, 2011, partial tracking found the 2011 RCS mentioned in 61 newspapers, 34 Web-based outlets, 21 blogs, 17 broadcast outlets (such as NPR, CNBC.com, and CNNMoney.com), 13 periodicals, 12 newswire services, and four newsletters.
- March 2011 Notes article, [“The Impact of Modifying the Exclusion of Employee Contributions to Retirement Savings Plans from Taxable Income: Results from the 2011 Retirement Confidence Survey”](#)— In recent years, proposals have surfaced to reform the 401(k) system based on the assumption that higher-income individuals receive more tax-related benefits from these programs than do individuals in lower marginal tax brackets (as well as those who may pay no federal income taxes in a particular year). Some of these proposals have included modifications of the current federal income taxation treatment that excludes some or all of the contributions employees make to tax-qualified defined contribution plans.

### Labor Force Trends

- February 2011 Notes article, [“Labor Force Participation Rates of the Population Age 55 and Older: What Did the Recession Do to the Trends?”](#) —For those age 55 and older, the labor-force participation rate continued to increase even after the economic downturn of 2008–2009. For those ages 55–64, this is being driven almost exclusively by the increase in women in the work force; the male participation rate is flat to declining. But among those ages 65 and older, labor-force participation increased for both males and females. Education is a big factor: Those with higher levels of education are more likely to stay at work.
- December 2010 Notes article, [“Employee Tenure Trends Lines, 1951-2010”](#) —The median (mid-point) tenure for all wage and salary workers age 25 or older was slightly higher in 2010, at 5.2 years, compared with 5.0 years in 1983. However, the median tenure for male wage and salary workers declined from 5.9 years in 1983 to 5.3 years in 2010. In contrast, the median tenure for female wage and salary workers increased from 4.2 years in 1983 to 5.1 years in 2010. Consequently, the increase in the median tenure of female workers more than offsets the decline for male workers, leaving the overall level slightly higher.

### Defined Benefit Plans

- January 2011 Notes article, [“Self-Reported Benefit Accrual Rates of Defined Benefit Plans: An analysis of the 2004 and 2007 Survey of Consumer Finances”](#) —The Survey of Consumer Finances (SCF) measures respondents’ self-reported expected benefits from defined benefit (DB) pension

plans. As a percentage of final pay, the mean annual benefit accrual rates in 2004 and 2007 are estimated to have been 2.06 percent and 2.48 percent, respectively. These rates are higher than the average annual accrual rate of 1.59 percent reported by the U.S. Department of Labor's 2005 National Compensation Survey (NCS), which is based on official plan documents. This suggests that the 2004 and 2007 SCF respondents overestimated their expected pension benefits at retirement, unless they had more generous accrual formulas than plan participants in the 2005 NCS.

## **Research—Health Care**

### Health Confidence Survey

The 2010 HCS was fielded in mid-May through mid-June 2010. [Results of the 2010 HCS](#) were released in September 2010 *Notes*.

### Media Coverage of the 2010 HCS

- From September 15, 2010, to April 15, 2011, partial tracking found the 2010 HCS mentioned in nine Web-based outlets, six newspapers, five periodicals, 10 press releases, three blogs, and two newsletters.
- February 2011 *Notes* article, [“Who Tries to Find Objective Information on Health Care? Findings from the 2010 Health Confidence Survey”](#)—This analysis looks at who currently uses information on health cost, quality, and outcomes. Data comes from the EBRI/MGA 2010 Health Confidence Survey (HCS), a survey that examines a broad spectrum of health care issues, including Americans' satisfaction with health care today, their confidence in the future of the health care system and the Medicare program, and their attitudes toward health care reform.
- December 2010 *Notes* article, [“Who Might Respond to Financial Incentives that Use Lower Cost Sharing to Change Behavior? Findings from the 2010 Health Confidence Survey”](#)— Understanding how individuals respond to financial incentives in their health coverage is crucial to the design of plans that are effective in steering them to high-quality, cost-effective providers. This article uses data from the EBRI/MGA 2010 Health Confidence Survey to examine whether health care consumers would be interested in, or might find useful, financial incentives that are aimed at changing an individual's health behavior.

### Consumerism in Health Care

- March 2011 *Notes* article, [“Employer and Worker Contributions to Account-Based Health Plans, 2006-2010”](#)—This report presents findings from the 2010 EBRI/MGA Consumer Engagement in Health Care Survey, as well as earlier surveys, examining the availability of health reimbursement arrangement (HRA) and health savings account (HSA)-eligible plans (consumer-driven health plans, or CDHPs). It also looks at employer and individual contribution behavior.
- January 2011 *Issue Brief*, [“Health Savings Accounts and Health Reimbursement Arrangements: Assets, Account Balances and Rollovers, 2006-2010”](#)—This Issue Brief examines HSA and HRA assets, account balances, and rollover amounts. It examines the types of individuals likely to have a consumer-driven health plan (CDHP). It then examines differences in account balances by demographics, income, contribution levels, and engagement in an individual's own health care, using a regression equation. Rollover amounts are then examined.
- January 2011 *Notes* article, [“Employer and Employee Reactions to Health Care Reform: Findings from the 2010 EBRI/MGA Consumer Engagement in Health Care Survey and SHRM Organizations' Response to Health Care Reform Poll”](#)—Employers are uncertain regarding changing benefits in response to health reform, but they are likely to pass along any cost increases to workers. Workers are mostly expecting such cost increases. Employers are evenly split as to whether they will change health coverage as a result of health reform while workers are split between thinking their benefits will remain the same or erode. While few workers expect employers to drop coverage after 2014, and very few employers plan to drop coverage, employers are evenly split between having decided to

continue to offer coverage and being undecided about the future of employment-based health coverage.

- December 2010 *Issue Brief*, [“Findings from the 2010 EBRI/MGA Consumer Engagement in Health Care Survey”](#)—This Issue Brief presents findings from the 2010 EBRI/MGA Consumer Engagement in Health Care Survey. This study is based on an online survey of 4,508 privately insured adults ages 21–64 to provide 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.
- November 2010 *Notes* article, [“Variation in Public Opinion About Health Care Reform, by Plan Type: Findings from the 2010 EBRI/MGA Consumer Engagement in Health Care Survey”](#) —The 2010 EBRI/MGA Consumer Engagement in Health Care Survey finds that relatively few people with private health insurance consider themselves knowledgeable about the PPACA, the federal health insurance reform law enacted earlier this year. Roughly half say they are somewhat, not very, or not at all knowledgeable about the law.

#### Health Care Plan Participant Demographics

- April 2011 Issue Brief, [“The Impact of the 2007-2009 Recession on Workers’ Health Coverage”](#) — The 2007–2009 recession has taken its toll on the percentage of the population with employment-based health coverage. While, since 2000, there has been a slow erosion in the percentage of individuals under age 65 with employment-based health coverage, 2009 was the first year in which the percentage fell below 60 percent, and marked the largest one-year decline in coverage.
- September 2010 *Issue Brief*, [“Sources of Health Insurance and Characteristics of the Uninsured: Analysis of the March 2010 Current Population Survey”](#) —This Issue Brief provides historic data through 2009 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 2010 Current Population Survey (CPS), it reflects 2009 data. It also discusses trends in coverage for the 1994–2009 period and highlights characteristics that typically indicate whether an individual is insured.
- The following chapters of [EBRI’s Databook on Employee Benefits](#) provide further detail on health care plan participant demographics.
  - [Chapter 26—Health Insurance Coverage of the Nonelderly](#)
  - [Chapter 27—Health Insurance Coverage of Workers](#)

#### Retiree Health Care

- December 2010 *Issue Brief*, [“Funding Savings Needed for Health Care Expenses for Persons Eligible for Medicare”](#)—This report updates earlier modeling by EBRI on the level of savings needed for health care expenses in retirement. Some prior estimates have been significantly revised down as a result of changes to Medicare Part D cost sharing that will be phased in by 2020 due to recently enacted health reform. However, the research indicates that retirees will continue to need a substantial amount of savings to cover their health care expenses in retirement, and that uncertainty related to health care use, prescription drug use, and longevity will still play a major role in planning for retiree health care.
- The following chapters of [EBRI’s Databook on Employee Benefits](#) provide further detail 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](#)

Employment-Based Health Plans

- April 2011 *Notes* article, “Innovations in Employment-Based Health Plans” —Nearly a hundred health policy experts, senior private-sector HR representatives, and insurance and health officials examined some innovative employer-driven programs during a daylong policy forum held by the nonpartisan Employee Benefit Research Institute (EBRI) in Washington, DC, on Dec. 9, 2010. The discussion also considered the future of employment-based health programs in the wake of the November election results and enactment of the Patient Protection and Affordable Care Act (PPACA). This article summarizes the presentations and debate during that forum.
- October 2010 *Notes* article, “The Impacts of the COBRA Premium Subsidy on Coverage” —The American Recovery and Reinvestment Act of 2009 included a provision for the federal government to pay 65 percent of the premium for individuals who were covered under COBRA and who incurred an involuntary job loss between Sept. 1, 2008, and Dec. 31, 2009. The subsidy was made available for up to nine months, and was extended by Congress three times, with the last extension occurring in April 2010. This article examines trends in coverage through a former employer to analyze the impact of the COBRA subsidy.

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

The Spring 2011 ASEC Partners Meeting was held on April 13, 2011: [agenda for the Spring 2011 Meeting](#). The next ASEC Partners Meeting will be Wednesday October 19, 2011. For an update on the activities of ASEC and Choose to Save,<sup>®</sup> please see [the Spring 2011 ASEC Update](#).

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