

Statement for the Record

by

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Thank you for your invitation to submit written testimony for the record of the joint hearing held by the Subcommittee on Aging and the Subcommittee on Energy, Nuclear Proliferation, and Government Processes on the subject of Statistical Policy in an Aging America. The Employee Benefit Research Institute (EBRI) is a nonprofit, nonpartisan policy research organization committed to accurate and timely research and education on a wide range of public and employer-sponsored benefits, such as retirement and health insurance, and their role within the income security system of the nation. Since EBRI's founding in 1978, we have relied upon quality data provided by the federal government through its many statistical programs. Over the years, we have provided suggestions on continuing data needs to help researchers and policy analysts study retirement and health issues. For this reason, we welcome the opportunity to share our thoughts with the Subcommittees.

Despite some very positive steps in data collection over the past decade, the availability and timeliness of federal data has not entirely met the needs of researchers. We also fear reductions in data availability may occur in the future, when information on benefits and benefit reciprocity will be even more crucial as the nation ages.

In addition, given the likely passage of tax reform legislation, we will need to know its impact on the pension and health plans upon which millions of workers and retirees depend. In the event of as far-reaching a change as basic tax reform, analysts and researchers cannot accurately foresee the future and reach reliable conclusions. Follow-up evaluation with up-to-date information will be necessary to evaluate its effect and correct for undesired impacts.

Our testimony discusses six specific areas of concern to the statistical community interested in issues related to aging in America.

I. Recent Initiatives

Two salutary new initiatives have been taken in recent years: the Survey of Income and Program Participation (SIPP) sponsored by the Census Bureau and the Survey of Consumer Finances (SCF) sponsored by the Federal Reserve Board and other federal agencies.

SIPP is a large, complex survey providing detailed information on many types of cash and in-kind income. As that survey continues, expanded technical support for the survey may also be needed. Without technical support, this complex data set is inaccessible.

While SIPP can serve many purposes, other special-purpose surveys should not be refused clearance by the Office of Management and Budget on the theory that SIPP can do everything. Some issues, such as the numbers and status of low-income elderly, the elderly in nursing homes, or the circumstances of the very old elderly, over age 85, may require separate surveys of special populations to achieve meaningful sample sizes.

The 1982 SCF is the first comprehensive survey of the assets of the

population since the 1960s, when a similar attempt was funded by the Federal Reserve Board. It provides information on the distribution of personal assets including employer-sponsored pensions. Information on pension entitlement from employees was matched to employer data, providing the most complete data available. An ongoing survey of this type, in which savings can be tracked as with the aging of the population, would be invaluable to the research and policy community. It would also provide the Congress with a more reliable picture of the real economic condition of the elderly, in the event that reforms are considered in the various public programs.

II. Supplements to the Current Population Survey

In 1972, the Bureau of Labor Statistics, the Social Security Administration, and the Department of Treasury funded a survey conducted by the Census Bureau as a supplement to the Current Population Survey collecting information on pension plan participation and benefit entitlement among full-time private-sector workers. In 1979 the Department of Labor's Office of Pension and Welfare Benefit Programs conducted a similar survey on pension coverage and individual retirement account (IRA) utilization among all workers. In 1983 EBRI joined with the Department of Health and Human Services to conduct a similar survey including information on universal IRAs and 401(k) plans. The 1983 data have been used widely to analyze the effect of retirement income provisions found in current tax reform and retirement income legislative proposals. EBRI has proposed to fund a similar survey in 1988 in concert with the Social Security Administration. While as a private-sector nonprofit institution we are happy to sponsor a CPS supplement in conjunction with the federal government, we regret that the survey is not conducted on a yearly or biannual basis as an ongoing federal statistical program. Because Congress relies on private-sector programs to supplement benefits provided through the public sector, an ongoing federal statistical program of this nature would provide vital information on the extent and adequacy of such supplementation.

III. Level of Benefits Survey

Since 1979 the Bureau of Labor Statistics has collected detailed annual data from medium and large firms on the prevalence and provisions of pension, health, and other employer-sponsored benefits. This effort, often called the Level of Benefits Survey, in part replaced the Employer Expenditure Compensation Survey which was discontinued in the mid 1970s. The new effort is the only nationally representative source of benefits information. But it does not provide data on benefits offered by small employers. Although the Bureau of Labor Statistics is considering the addition of a small-employer sample in the future, this effort is not under active consideration within the next couple of years (although a survey of state and local governments may be on a faster track). Currently more than half of all American workers are employed in small establishments. These workers are potentially the most vulnerable to changes in public policy and benefits costs. With substantial current interest in the benefits provided by small employers, the small-employer segment ought to be conducted on an accelerated schedule. These data would also enable us to track trends in plan participation on a

nationwide basis and to project those trends to the future.

IV. 5500 Annual Report Data

Since the Employee Retirement Income Security Act (ERISA) of 1974, most pension and welfare plans are required to file an annual report with the Internal Revenue Service which includes considerable financial information about these plans. No other data source provides comparable asset information. The Department of Labor receives copies of these forms under the reporting and disclosure provisions of ERISA. Since the first-year annual reports were filed (for plan year 1975), the research and policy community has hoped that the Department of Labor (or the Internal Revenue Service) would provide a statistically reliable sample of these annual report forms. Early years of data were available with a significant time lag and, despite a recent flurry of activity, the last plan year available for research use is for 1981 (although preliminary 1982 tabulations are available). These data constitute a potentially valuable resource to study the financial aspects of pension plans. Although the Federal Reserve Board is benchmarking the pension asset data in the Flow of Funds on the Department of Labor's 5500 forms, an ongoing funded statistical program is needed. Ad hoc efforts since 1974 are the result of resource limitations which forestalled an ongoing statistical program in this area. These 5500 data are gathered by imposing considerable costs and effort on the private sector. To allow these valuable data to remain underutilized is a serious and unnecessary waste of the nation's resources.

V. Access Issues

The first three statistical concerns we discussed revolve around problems of irregular data collection. Our fourth concern, the 5500-form issue, is one of access and processing; the data are collected but are not available to researchers. Researchers would also benefit from more timely or accessible information from other administrative sources, including filings with the Internal Revenue Service for plans that have terminated and plans that are starting up. Better access to Pension Benefit Guaranty Corporation data, including information on plan terminations, would be valuable as well. Once again, neither of these agencies has an ongoing statistical program in many areas of concern.

Our final concern is that other data of an ongoing or one-time nature may be collected and processed adequately but then are not released in a timely manner. Problems of timely release have plagued the 1977 National Health Care Expenditures Study (NHCES) and the 1982 Nursing Home Survey. Public access to these data is slowed when they are only provided to certain researchers under contract to the agency or when information is held for researchers within the agency to use on a monopoly basis.

The Department of Labor Survey of Private Pension Benefit Amounts is another example of a data collection effort that has suffered from these problems. The survey has been available only to a limited number of researchers under contract to the Labor Department. Outside requests for use

of the files has been systematically denied. If this valuable research file is eventually released to the public when DOL now anticipates it will be, the information on benefits will be eight years out of date.

The release of these data also has been further encumbered because of another type of access problem. The Survey of Benefit Amounts was matched to earnings records from the Social Security Administration so researchers could track earnings throughout a retiree's entire career to investigate how pensions are related to lifetime earnings. Social Security earnings records have long been linked to survey data and released as public use files after ensuring that the information is not so specific that individuals can be identified from the data. This usually has involved the deletion of identifiers and removal of other unique information to ensure that that any one individual could not be pointed out. Based on interpretations of the 1976 Tax Reform Act, however, which, in essence, specifies that tax-return information cannot be released in microdata form without extreme safeguards, the continued public-use release of survey data matched with earnings records has virtually been precluded. This anomalous situation occurred because Social Security earnings are reported on Internal Revenue Service forms. The upshot of a series of incomprehensible negotiations on the part of the Social Security Administration and the Internal Revenue Service has been that, with very few exceptions, any survey that attaches earnings records has virtually been embargoed--whether there is any technical privacy reason or not. Researchers have begged both the agencies and the Congress to return authority over the earnings records to Social Security and to the pre-1976 situation, to no avail. Also, a major pension forecasting model may soon become outdated without additional earnings record data.

VI. New Data Sources

Many fear that in today's federal budget environment few new data sources will be developed. While the Social Security Administration conducted a major study of retirees with the New Beneficiary Survey, there is no assurance that another study of that type will be funded. Their longitudinal Retirement History Study provided researchers with one of the major databases to study the retirement decision and the income of the elderly. Other longitudinal data such as the National Longitudinal Survey funded by the Department of Labor have also ended. While we do not argue that either of these surveys should be resuscitated (many technical factors would go into that decision), we do argue for the need for longitudinal data to respond to many of the policy research questions about an aging labor force and retirement--questions that more and more congressional committees are asking. In a changing society, information about individuals in the 1970s may provide little information on the behavior of workers and retirees in the 1990s.

Conclusion

We feel that all the data issues we have raised are vital to understanding an aging society. We understand data gathering is costly and that difficult decisions must be made. We have tried to be specific in our suggestions and have not presented a "wish list" of data needs without regard to importance.

Clearly, it is possible for the federal government to be penny-wise and pound-foolish in data collection. Public policy must continue to be grounded on a firm understanding of the facts; the facts are only available with a good statistical foundation and reliable research. We applaud the Subcommittee for this inquiry into this important subject and remain willing to provide further assistance if you should desire it.