

# EBRI

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A Statement On

EMPLOYEE BENEFITS AND ECONOMIC SECURITY

By

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Hearing On

Employee Fringe Benefits

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\*The views expressed in this statement are solely those of the author and should not be attributed to the Employee Benefit Research Institute, its officers, trustees, sponsors, or other staff.

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## Abstract

- Tax laws favoring specific employer retirement and health insurance plans and other statutory employee benefits were enacted under the premise that extensive coverage of workers and their dependents under these plans is desirable social policy. These programs complement social programs such as Social Security and reduce long-term demands on these social programs. The growth of worker coverage by pensions and health insurance has been strongly encouraged by the tax advantages accorded these plans and by the the needs of workers and their dependents and survivors for economic security.
- Analysis of the distribution of coverage and vesting by earnings category indicates that pensions are broadly distributed among lower- and middle-income workers: 76 percent of all nonagricultural wage and salary earners covered by a pension earn \$25,000 a year or less. Similarly, 70 percent of all vested benefits belong to nonagricultural employees earning \$25,000 or less.
- May 1983 EBRI/HHS survey data also show that women are gaining pension entitlement in greater numbers than ever before. Among those women meeting ERISA standards for plan participation, coverage expanded by 2.2 million workers since 1979 and nearly 1.3 million more women became entitled to pension benefits at retirement.
- 1983 survey data also shows that the tax law has been successful in spreading health insurance coverage across the income spectrum, with

over 80 percent of those with health insurance earning less than \$25,000 in 1983.

- These benefits have carried with them a level of "tax subsidy," but that cost has produced very large benefits.
- This government policy success should be a matter of national pride. There are many different types of benefits--each must be carefully evaluated. They must be judged against both social and economic criteria--the costs and the benefits. The favorable tax treatment allowed them may not be crucial to the existence of some benefits--but it is essential to the provision of employee benefits at all income levels.
- Other nations now seek to match the success of this nation in developing a true public and private sector partnership in meeting economic security needs. Employee benefits do not cost the Treasury as much as some charge--but evaluation of whether it may be too much is a desirable and legitimate function of the Congress. Were employer-sponsored benefits to disappear, however, one could expect higher rates of elderly poverty, greater demands on social programs, heightened strife among generations, and tens of millions of surprised and disappointed Americans.
- This testimony provides the basis for answers to the questions set forth in the press release announcing the hearing:

1. Should the tax law encourage employers to provide fringe benefits; and if so, which benefits or services should be encouraged, and what type and level of tax incentive is appropriate?

The United States has always had a commitment to economic security for workers and retirees. Social Security with its income, health and disability components combines with workers compensation laws and unemployment compensation laws as an expression of public commitment. These social programs work with employer-sponsored programs to protect workers against significant health and economic risks. The government has established programs like Medicaid to take care of those without the employer protection, and it has provided tax incentives to encourage employer provision for the rest of the population.

The tax incentive approach allows programs to be designed to accommodate very different workforces, geographic conditions, and employee preferences, while still carrying out the federal government's social support agenda. Unless the nation decides to step back from its commitment to economic security, tax incentives will be essential to benefit provision. The testimony sets out nine categories that now receive favorable tax treatment that can be evaluated.

2. What conditions or restrictions are appropriate on tax incentives to encourage employers to provide fringe benefits?

As a provider and encourager of benefits and economic security the government takes steps to assure that promised benefits are delivered, that all workers have access, and that expense is defined. This suggests funding requirements, nondiscrimination provisions, and percentage or dollar limits on employee benefits to control "tax subsidies or tax expenditures". It must be stressed, however, that the present system of benefit delivery would change if tax treatment changed.

3. Are the existing rules concerning fringe benefits sufficient to ensure that all employees benefit fairly from the tax incentives?

The data presented in this testimony provides a clear yes to this question.

4. Are the existing tax incentives for benefits such as health care, life insurance, day care, educational assistance, and cafeteria plans effective in encouraging employers to provide these benefits to a broad cross section of employees at a lower total cost than if the Government provided the benefit directly, if employers provided the benefits on a taxable basis, or employees purchased these benefits on their own?

The first half of the question is easy to answer: benefits are being made available on a broad cross section basis. The second half of the question gets more complicated. And it is important

that sound benefits be incorporated into this answer as well as cost. Note: employee benefits can accommodate different workers uniquely and can accommodate different geographic sections of the country; regressive taxation would result from the taxation of benefits where benefit cost is the same across the income stream (health, etc.); coverage gaps would be created if the employer chose to drop programs when taxed or also if employees chose to not purchase coverage. Finally, all available research indicates that the present system is the most cost effective and equitable method available to deliver the form and level of benefits now being provided.

5. How will tax laws that encourage employers to provide fringe benefits affect compensation planning?

Research and experience show that economic security benefits will be provided more readily in the presence of tax incentives. The presence of these incentives, along with qualification requirements, assures provision across the income spectrum. It encourages total compensation planning.

6. Will tax incentives for employer-provided fringe benefits affect potential employees' choice of employment?

Research clearly indicates that the answer to this question is yes. The affect on behavior increases as workers grow older.

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## I. Introduction

Employee benefits have a long history in the United States as part of a national commitment to providing a base of economic security to active workers, displaced and disabled workers, retirees, and their dependents and survivors. Most American workers have come to take the presence of social and employer provided employee benefits for granted, viewing them as representative of a social contract: including the current tax treatment of primary employer provided benefits.

- Plymouth Colony settlers decreed the first recorded military retirement program in 1636.
- Gallatin Glassworks established the first recorded profit sharing plan in 1794.
- American Express Company established the first recorded private employer pension plan in 1875.
- Montgomery Ward Company established the first recorded group health, life, and accident insurance program in 1910.
- Baylor University Hospital introduced the first recorded formalized prepaid group hospitalization plan in 1929.
- Congress established the basic retirement income portion of Social Security in 1935 and the Medicare portion in 1965.

The tax treatment of these employee benefit programs has been relatively consistent over time, with health insurance being tax exempt and retirement and capital accumulation programs being tax deferred. Nearly the entire generation of current American workers have experienced the present tax treatment of primary benefits for their entire careers. The law has changed over time to include nondiscrimination requirements such that benefits now generally accrue to all workers, and minimum standards for retirement, capital accumulation and welfare programs ensure that benefit promises are kept.

The total number of plans, assets, and benefit commitments had grown to such a point by the late 1970s that the need for dedicated research activity in the employee benefits area was recognized. In 1978 the Employee Benefit Research Institute (EBRI) was formed as a non-profit, non-partisan, public policy research organization to conduct research and educational programs. EBRI is by charter committed to the premise that the nation is served positively in both social and economic terms by the existence of employee benefit programs: they can be clearly shown to improve economic security. We are aware, however, that there may be limits to what can and should be provided for both social and economic reasons. EBRI undertakes to provide the studies and the statistics that will allow informed priority decisions to be made based upon assessment of documented costs and benefits.

To design efficient long-run public policy, the growth, costs, benefits provided, and the definition of tax-favored employee benefits must be evaluated in a broad context. It is important that policy makers understand the different roles played by the various types of employee benefits--both the

traditional benefits like pensions and health, and the newer forms of benefits like Section 401(k) salary reduction and new delivery approaches like Section 125 flexible compensation plans.

This testimony reviews some of the basic questions of concern to Congress and to those interested in the future of employee benefits and the economic security they provide to over 150 million Americans: what are employee benefits; why do we have employee benefits; how much do they cost?; what social and economic objectives do they serve; how have they evolved, where are they going, and what is the role of the tax code; what is the experience of other nations; how much do they cost employers and employees; how much do they cost the Treasury; and what costs might accompany major policy changes.

## II. What Are Employee Benefits?

Employee benefits represent virtually any form of compensation that is provided in a form other than direct wages, paid for in whole or in part by the employer, even if provided by a third party. Generally, media articles, cost surveys, and reports lump all benefits together. For policy assessment purposes this should not be done. Different benefits serve different social and economic needs. For legislative policy assessment purposes benefits can be classified into at least nine categories:

1. legally required benefits (including employer contributions to Social Security, Medicare, unemployment insurance and workers' compensation insurance);
2. discretionary benefits that are fully taxable (primarily, payment for time not worked);
3. discretionary benefits that insure the employee against financial risks and are tax exempt (including employer contributions to health, life, and disability insurance plans);
4. discretionary benefits that help the employee meet special needs and are tax exempt (including employer contributions to child care and legal plans);
5. discretionary benefits that have traditionally been called fringes and are intended to meet employer needs and are tax exempt (including employer provision of purchase discounts, job site cafeterias, special bonuses and awards, van pools, clubs, and parking);
6. discretionary "reimbursement account" benefit programs that have been legally allowed since 1978 which allow employees to have reimbursement accounts--funded by the employer or through salary reduction--to pay expenses that fall into "statutory benefit" areas and are tax exempt (including health care reimbursement, child care reimbursement, etc.);

7. discretionary benefits that provide retirement income as a stream of payments and for which taxes are deferred until benefits are received (including employer contributions to defined benefit pension plans and to defined contribution plans which require payment in the form of an annuity);
8. discretionary benefits that provide for the deferral of salary until termination of employment, generally pay benefits as a lump sum, and for which taxes are deferred until benefits are received (including contributions to some profit sharing plans, to money purchase plans and ESOPs); and
9. discretionary benefits that provide for the deferral of salary until special needs arise (loans and hardship), or until termination of employment, generally pay benefits as a lump sum, and for which taxes are deferred until benefits are received (including contributions to some profit sharing plans, thrift-savings plans, and salary reduction plans).

During a time when there are no apparent limits on direct federal expenditures, or on "tax incentives," analysis may not need to focus on the diversity of employee benefits. During a time of apparent limitations, however, when priorities must be decided upon, careful analysis is required of each employee benefit: why each employee benefit exists.

### III. Why Do We Have Employee Benefits?

The Congress, public and private sector employers, and public and private sector employee representatives, have historically shown concern for the welfare of workers, their dependents, and their eventual survivors. This concern has taken the form of both social consciousness and paternalism. It has created an effective social contract between the government, employers, and American workers and their dependents and survivors.

The list of specific values of employee benefit programs that motivate benefit provision can be found in numerous books, with most industrialized nations responding to them, and nations such as Japan now striving to establish employer based programs to complement social employee benefit programs. A formal employee benefit program can meet needs arising from death, disability, medical problems, or the desire to retire, in a fair, consistent, efficient, and certain way.

The nation benefits from employee benefits in many ways:

- morale is improved if workers and their families are relieved of worry and fear over possible financial disaster from unexpected or unplanned for events. Retirement, for example, may be unplanned for in the sense that the individual will not have saved sufficiently to be able to afford retirement.

- Social Security retirement, employer based pensions that pay lifetime benefits, employer based pensions that provide for capital accumulation, and Individual Retirement Accounts, have all been established to avoid this problem while seeking to meet the national goal of allowing retirees to maintain pre-retirement life styles. Experience in this country and in other nations has shown that this "organized" savings effort is essential, particularly at low and middle income levels.
- Social Security disability, Medicare, Medicaid, employer based health, life, and disability insurance programs have been established to protect the working, the non-working, and the retired against financial disaster.
- The nation achieves work force objectives through the provision of employer based employee benefit programs. Because workers are economically able to retire, channels for promotion are kept open; voluntary early retirements can be encouraged with employer based programs if bad economic times require work force reductions; productivity and work quality are enhanced, and thus competitiveness, by strengthening worker identification with the success of the company through employer based profit sharing programs, employee stock ownership programs, and stock purchase programs.
- The nation achieves social stability and popular support for social programs that favor the poor and those with the lowest incomes through income redistribution, by allowing middle- and upper-income workers to build upon the basic level of support the social programs provide them, with employer based tax-favored employee benefit programs. Including, for example, health insurance for both active workers and retirees.

International experience has also shown that a combination of social and employer based programs is the most efficient and effective way to meet economic security needs and objectives.

As pay-as-you-go social programs such as Social Security and Medicare age, and as the "return on contributions" continues to drop, popular support will be very important. The popular support will be present, even if additional changes are made to reduce social program benefits to middle- and upper-income groups--beyond benefit taxation and higher retirement ages--if employer based benefits are available.

Employer based benefits have now been a part of the work place for the entire working lives of most of those working today for government, unionized private employers, large non-unionized private employers, and many small employers. Employee benefits are viewed by most workers as part of a social contract that should and will not be abrogated--by employers or the government. This attitude is the most likely explanation for survey results indicating that employees today take a good benefit package for granted.

#### IV. Do Tax Incentives Encourage Employee Benefit Availability?

Expanded employer pension and welfare plans over the past thirty years have significantly improved the income security of current workers and future retirees: this development has been possible due to tax incentives. Employee benefit programs are making a significant dollar contribution to the economic security of workers and retirees: at least partially due to tax treatment. The Social Security retirement program paid over \$138 billion in benefits to over 36 million beneficiaries in 1982, over 825,000 employer based pension programs provided coverage to over 50 million workers, and paid over \$76 billion in benefits to over 15 million beneficiaries in that year (Table 1). Medicare and Medicaid provided \$83.3 billion in health protection and private health insurance provided \$76.6 billion.

Table 1

##### Retirement Benefits Paid: 1982

<u>Program</u>	<u>Dollars (millions)</u>
Social Security	138,800
Employer Pensions	76,891
Federal Pensions	19,211
State/Local Pensions	15,680
Private Pensions	42,000

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business, July 1983.

##### Employer-Provided Pensions

Between 1950 and 1983, the rate of worker participation in employer pensions grew by over 23 percent; in absolute numbers, employee pension participation rose by nearly 300 percent. Econometric estimates suggest that, since 1960, 20 to 30 percent of the increase in employer pension contributions as a share of compensation can be attributed to favorable tax incentives and the growth of real marginal tax rates.

The tax deferral of employer pension contributions and individual retirement saving provides important incentives for employers and workers to provide for retirement income. The increasing importance of pensions as a source of income projected among future retirees is the direct result of past growth in pension plan participation among workers. The projected rate of pension

reciency among today's young workers (ages twenty-five to thirty-four) is nearly twice that of workers who are retiring today (see Table 2 and Figure 1).

Table 2

Estimated Percentages of Families  
Receiving Pension Benefits at Age Sixty-Five, and  
Average Real Benefits, by Current Age and Marital Status

Cohort Age in 1979	All Families		Married Couples		Single Persons	
	Percentage to Receive Benefit	Average Amount of Benefit a/	Percentage to Receive Benefit	Average Amount of Benefit a/	Percentage to Receive Benefit	Average Amount of Benefit a/
25-34	71	\$12,417	75	\$14,541	65	\$8,701
35-44	65	11,190	67	12,563	60	8,823
45-54	52	8,656	58	9,621	41	6,496
55-64	37	5,315	44	5,548	26	4,718

SOURCE: Social Security: Perspectives on Preserving the System (Washington, DC: Employee Benefit Research Institute, 1982), p. 90.

a/ Real dollars are calculated using 1982 as the base year.

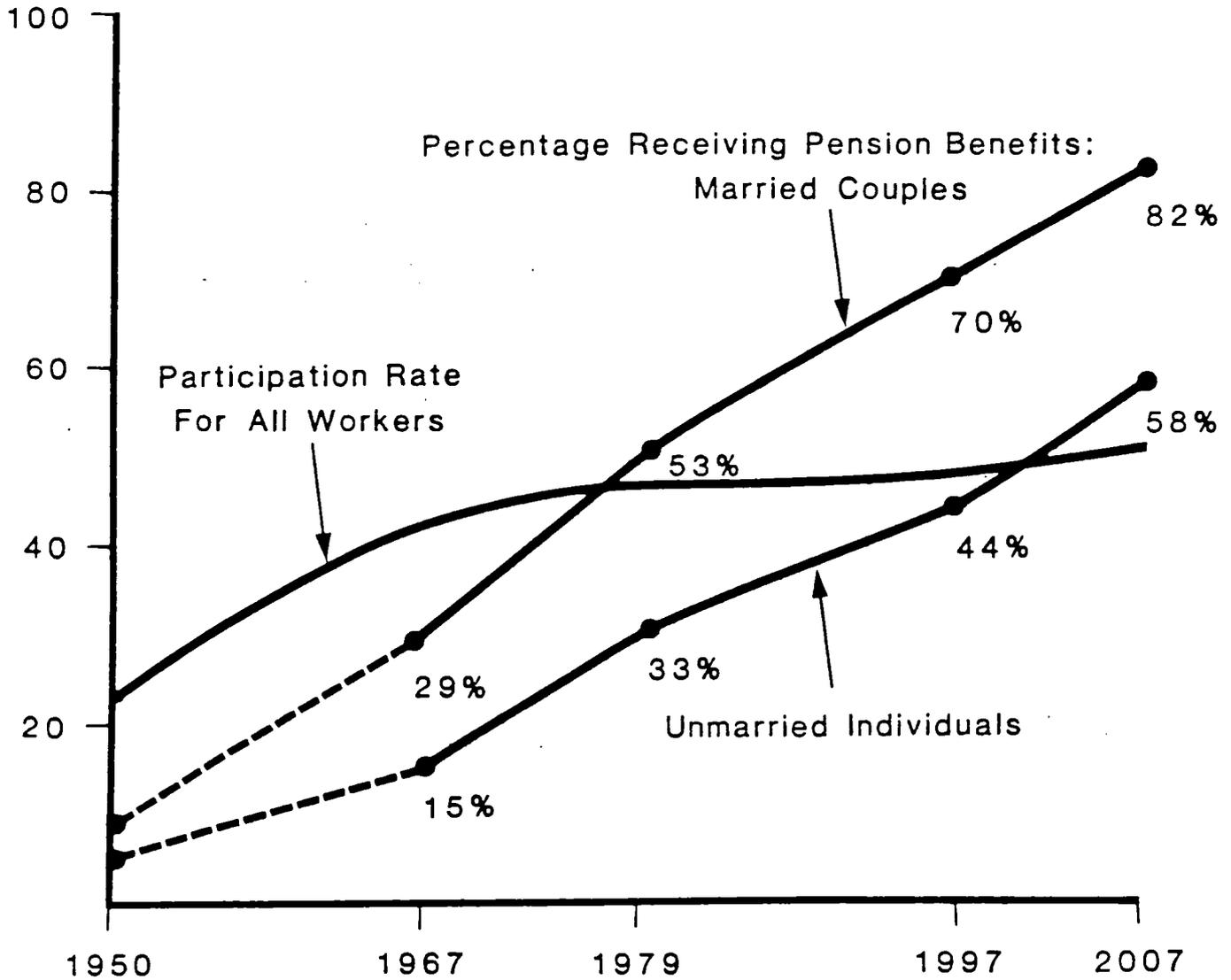
Employer-Provided Health Insurance

Growth of employer group health insurance coverage among workers and their dependents has promoted wide access to health care throughout the population. Health insurance is the most common benefit offered employees in the United States. In 1982, 76 percent of all workers, and 90 percent of full-time full-year workers, reported coverage from an employer group health insurance plan. Most workers (59 percent) have coverage from their own employer plan; however, 22 percent of workers with employer health coverage--17 percent of all workers--have coverage only as the dependent of another covered worker (see Table 3). More than half of all non-workers (52.2 percent, excluding retirees) were covered by an employer group health insurance plan. These persons included primarily non-working adults and children.

Data collected by household and insurer surveys indicate that insurance coverage for major health care expenses, and access to health care services, has risen steadily among the U.S. population since 1960. In 1983, over 66 percent of the nonagricultural wage and salary workers had health insurance coverage from their employers group health plan--nearly 59 million workers. Recent congressional concern over lack of health insurance among unemployed workers and their families suggests that Congress continues to perceive high rates of private health insurance coverage as a public policy goal.

FIGURE I

# COMPARISON OF PARTICIPATION RATES FOR ALL WORKERS AND BENEFIT RECEIPT FOR 65-69 YEAR OLDS, 1950-2007



**NOTE:** The pension plan participation rate is defined as the percentage of all public and private sector workers participating in employer sponsored retirement programs. The rates of benefit receipt are for families containing individuals age 65-69 (for 1997 and 2007, the percentage for families containing a 67 year old). These families include both individuals who work and those that have not worked. The percentage of families receiving benefits includes those eligible for benefits from public and private employer pension programs or keogh plans. It does not include IRAs.

**SOURCE:** Estimates of benefit receipt in 1967 from Social Security Administration, Demographic and Economic Characteristics of the Aged, 1975. ICF analysis of March 1980 and May 1979 Current Population Survey data for 1979 values. ICF estimates for 1997 and 2007.

Table 3  
 Percent of Workers Covered by an Employer Group  
Health Insurance Plan by Level of Workforce Activity, 1982 a/

Workforce Activity	Employer Coverage			No Employer Coverage
	Total	Direct Coverage <u>b/</u>	Indirect Coverage <u>b/</u>	
Full-time workers	84.1	75.4	8.8	15.9
Full-year	90.0	84.0	6.0	10.0
Part-year	70.0	54.6	15.4	30.0
Part-time workers	59.5	18.7	40.8	40.5
Full-year	63.4	27.6	35.8	36.6
Part-year	57.3	13.7	43.6	42.7
All workers	75.9	59.3	16.6	24.1

SOURCE: EBRI tabulations of the March 1983 Current Population Survey (U.S. Department of Commerce, Bureau of the Census).

a/ Includes only civilian nonagricultural wage and salary workers; excludes self-employed workers and civilian wage and salary workers living in families in which the greatest earner is a member of the Armed Forces or an agricultural worker.

b/ Direct coverage is defined as coverage provided by the worker's own employer plan at any time during 1982; indirect coverage is coverage received as the dependent of another worker in 1982.

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The removal of tax preferences for employer health insurance contributions might dramatically reduce rates of coverage among low-income workers and their families, among workers and their dependents who experience unemployment during the year, and among persons who are eligible for Medicaid or Medicare coverage.

An EBRI simulation of the probable pattern of coverage loss suggests that tax preferences for employer health insurance contributions strongly benefit low-income workers and their dependents, provide important economic security for workers with fragmented employment histories, and reduce the public cost of health care entitlement programs.

Tax preferences for employer health and pension contributions and individual saving for retirement are a critical factor in determining worker participation and coverage. Nondiscrimination provisions in the tax code make tax benefits contingent on the breadth of the plan's coverage, that is, both high- and low-income workers must be included in tax-qualified plans.

Conclusion: partly because of tax incentives, participation in employer pension and health insurance plans is high. Among full-time, full-year workers, rates of coverage are even higher. In 1983, more than 70 percent of full-time full-year workers were covered by an employer pension plan, and 90 percent were covered by an employer health plan.

Appendix I to this testimony presents tables that show the number of workers in each of the fifty States and the District of Columbia covered by employer pension and health programs, IRAs, and 401(k) plans. The tables also present the average incomes of those covered. Three populations are analyzed in these tables: first, the total civilian workforce; second, the "ERISA Workforce," which represents those over age 25, with one year of service, and working over 1000 hours per year; and those over age 35 meeting these criteria. For this last population, 72% are covered by a pension, 83% by a health plan, and 28% have IRAs.

V. Do Tax Incentive Nondiscrimination Criteria Assure Availability at All Earnings Levels?

Employee benefits are widely distributed among workers and their families at all income levels. Reflecting the concentration of workers at low- and middle-incomes, most workers who participate in employer pension and health insurance plans are low- or middle-income workers. In 1983, 76 percent of all wage and salary workers covered by an employer pension plan, and 80 percent of workers covered by an employer group health plan with their employer and reporting earnings, earned less than \$25,000 (see Tables 4 and 5).

The distribution of IRA savings among income groups also suggests distribution of IRA tax advantages at every income level (Table 6). In 1982, 18 percent of all IRA accounts, and 14 percent of all IRA contributions, were made by households with adjusted gross income less than \$20,000. More than a third of all IRA contributions--34 percent--were made by households with adjusted gross income of less than \$30,000. It shows that employer sponsorship does increase utilization, but there is no evidence that tax preferences for employer and employee based employee benefits favor only highly paid workers.

VI. Do Pensions Provide Savings?

Pension coverage constitutes the major source of savings for more than half of current pension participants. While 52.2 million persons, or 56.4 percent of the labor force, had little or no savings of their own in 1979, 26.8 million, or more than half, were covered by employer pensions. Since these persons had incomes just over half the size of those with some savings, pensions appear to distribute wealth more equally than would be the case in their absence. Table 7 shows that federal tax law has been effective in encouraging retirement savings at lower income levels that could not otherwise be expected.

VII. How Much Do Employee Benefits Cost in Total?

Possibly the most often-quoted figures on the level and growth of employee benefits are those compiled by the Chamber of Commerce of the United States.

Table 4

Employment Coverage and Vesting:  
Distribution by Earnings for  
Nonagricultural Wage and Salary Workers, May 1983

Earnings	Number of Workers (000's)*		
	Employment	Coverage	Total Vested Benefits
Total	80,289	47,372	27,603
\$1-4,999	10,014	2,433	358
\$5,000-9,999	15,323	5,747	2,023
\$10,000-14,999	17,827	10,328	5,484
\$15,000-19,999	13,101	9,422	5,874
\$20,000-24,999	10,283	8,159	5,641
\$25,000-29,999	5,515	4,365	3,048
\$30,000-50,000	6,611	5,547	4,072
\$50,000 and over	1,615	1,371	1,106
<u>Percentage Distribution Within Income Group</u>			
	Employment	% Covered to Employed	% Vested to Employed
Total	100.00%	59.00%	34.38%
\$1-4,999	100.00	24.29	3.57
\$5,000-9,999	100.00	37.51	13.20
\$10,000-14,999	100.00	57.93	30.76
\$15,000-19,999	100.00	71.92	44.83
\$20,000-24,999	100.00	79.34	54.85
\$25,000-29,999	100.00	79.14	55.26
\$30,000-50,000	100.00	83.91	61.57
\$50,000 and over	100.00	84.90	68.50
<u>Percentage Distribution Across Income Groups</u>			
	% Employ- ment	% of Coverage	% of Total Vesting
Total	100.00%	100.00%	100.00%
\$1-4,999	12.47	5.14	1.30
\$5,000-9,999	19.08	12.13	7.33
\$10,000-14,999	22.20	21.80	19.87
\$15,000-19,999	16.32	19.89	21.83
\$20,000-24,999	12.81	17.22	20.43
\$25,000-29,999	6.87	9.21	11.04
\$30,000-50,000	8.23	11.71	14.75
\$50,000 and over	2.01	2.89	4.01

\*Excludes workers without reported earnings

SOURCE: Employee Benefit Research Institute tabulations of May 1983 EBR1/HHS CPS pension supplement.

Table 5  
 Distribution of Workers  
 Covered by an Employer Group Health  
 Insurance Plan by Personal Earnings, 1982 a/

Personal Earnings	Workers with Employer Coverage <u>b/</u> (in millions)	Percent of Workers within Earnings Group	Percent of All Workers with Employer Coverage
Loss	1.1	41.2	0.5
\$ 1-\$ 4,999	29.5	53.3	18.4
5,000- 7,499	10.8	64.6	8.1
7,500- 9,999	9.1	74.1	7.9
10,000- 14,999	19.0	84.7	18.8
15,000- 19,999	14.3	90.0	15.1
20,000- 24,999	10.5	92.5	11.3
25,000- 29,999	6.8	93.6	7.5
30,000- 34,999	4.2	93.0	4.6
35,000- 39,999	2.3	93.0	2.5
40,000- 49,999	2.3	90.8	2.5
50,000- 59,999	1.1	91.1	1.2
60,000- 74,999	0.7	88.3	0.7
75,000 or more	0.9	86.2	0.9
Total, All Workers <u>c/</u>	112.7	75.9	100.0
<u>Summary:</u>			
Loss-\$ 9,999	50.5	59.2	34.9
\$10,000- 24,999	43.8	88.3	45.2
25,000- 39,999	13.4	93.3	14.6
40,000 or more	5.1	89.7	5.3

SOURCE: Employee Benefit Research Institute tabulations of the March 1983 Current Population Survey (U.S. Department of Commerce, Bureau of the Census).

a/ Includes all nonagricultural civilian workers who reported employer group health insurance coverage at any time during 1982, except workers in families in which the greatest earner is a member of the Armed Forces or an agricultural worker.

b/ Includes coverage from the worker's own employer group plan or from the plan of another worker.

c/ Items may not add to totals because of rounding.

Table 6

Utilization Rates for Voluntary Contribution  
Retirement Programs, Employer  
or Self-Provided ERISA Workforce, May 1983

	Employer Deferred Compensa- tion Plan	Employer Provided IRA	Own IRA: Employer Has 401(k) Plan	Own IRA: Employer Does Not Have 401(k)
TOTAL PRIVATE	60.41%	33.02%	31.36%	20.68%
Participants	63.34	33.81	32.42	22.84
Vested Workers	68.64	37.46	37.78	27.24
Noncovered Workers	54.77	37.05	28.56	18.76
Unionized	55.49	22.18	30.37	15.82
Nonunionized	61.98	36.64	31.41	22.04
Size of Firm				
less than 25	62.43	46.38	33.84	22.18
25 to 99	49.23	41.70	25.06	21.13
100 to 499	63.59	35.98	28.91	20.73
500 to 999	58.93	31.26	27.53	21.56
1000 or more	61.85	31.49	34.14	21.38

SOURCE: Employee Benefit Research Institute, preliminary tabulations of May 1983 EBRI/HHS CPS pension supplement.

Table 7

Savings, Pension Coverage, and Income, 1979

Savings Status <u>a/</u>	Covered <u>b/</u> (in millions)		Not Covered (in millions)		Average Annual Income	
No savings <u>c/</u>	26.8	29.0%	25.4	27.4%	\$ 7,672	56.4%
Some savings	25.9	28.0	14.4	15.6	13,914	43.6
Total	52.7	57.0	39.8	43.0	11,193	100.0

SOURCE: Employee Benefit Research Institute calculations based on Bureau of the Census, Current Population Survey (May 1979).

- a/ Persons are classified as having some savings or no savings according to whether or not they reported any asset income in the survey. Asset income includes interest, dividends, rents, and royalties.
- b/ Coverage refers to employer plans only both in the public and in the private sector and does not include holders of IRA and Keogh accounts.
- c/ Includes persons reporting negative asset income.

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 The figures are based on responses to an annual survey of a small number of employers (fewer than 1,000); the employer sample is not scientifically selected, and it is not weighted to be representative of true national totals. Nevertheless, estimates based on these data capture a picture of the general distribution of employee benefits among: (1) legally required employer payments; (2) fully taxable employee benefits; and (3) tax-favored employee benefits. Disaggregating the total level of employee contributions reported in the Chamber of Commerce data among these three groups clarifies the magnitude of tax-base erosion that can be attributed to the growth of employee benefits.

According to the Chamber of Commerce data, employer contributions to fully taxable, tax-exempt and tax-deferred employee benefits exceeded 32 percent of wages and salaries in 1982. Nearly three-fourths of this figure (23.5 percent of wages and salaries) represented either legally required employer payments (9.5 percent of wages and salaries) or discretionary employer payments (13.9) percent of wages and salaries) that are fully taxable. Legally required employer payments include contributions for Social Security, unemployment compensation insurance, workers' compensation insurance, and a variety of smaller public insurance programs. Discretionary employer contributions to benefits in the Chamber of Commerce data represented 23.0 percent of wages and salaries in 1982. Of this amount, nearly two-thirds (60.4 percent) were fully taxable both by Social Security and by the individual income tax. The fully taxable benefits reported in the Chamber of Commerce data include employer payments for time not worked (paid vacations, holidays, and sick leave) as well as paid rest periods, lunch periods, and other paid employee time not

directly spent in production. Less than one-third of the total level of employee benefits reported in the Chamber of Commerce data (27.7 percent) represent discretionary tax-favored benefits paid by employers. In 1982, tax-favored benefits totaled 9.0 percent of wages and salaries.

The Size of Tax-Favored Benefits--Employer contributions to tax-favored benefits--those that are not taxed as current income to the employee--can be divided into two groups: benefits on which taxes are deferred and benefits that are tax exempt.

- Tax-deferred benefits include primarily employer contributions to retirement income and capital accumulation plans. These constituted about 4.0 percent of wages and salaries in 1982. Taxation of these benefits is deferred until the employee withdraws funds from the plan.
- Tax-exempt benefits include employer contributions to group health insurance and a variety of smaller benefits that include dental insurance, child care, merchandise discounts, and employer-provided meals. These benefits constituted 4.6 percent of wages and salaries in 1982.

Failure to distinguish among the growth of legally required employer payments, fully taxable employee benefits, tax-deferred benefits, and tax-exempt benefits has greatly distorted the perception of the tax-base erosion that can be attributed to tax-favored and tax-exempt benefits. This common misperception was highlighted by Secretary of the Treasury Donald Regan; his May 22, 1983, statement to ABC News included the following comment:

"I think that when you look at the way our pension systems, our medical systems and the like are...running at full throttle, and are increasing year after year, that sooner or later they're going to have to be slowed down or else we'll never get these deficits under control."

The size of tax-favored benefits as a proportion of wages and salaries, however, is much smaller than such statements suggest. Tables 8 summarizes the distribution of tax-favored benefits by tax-deferred and tax-exempt status.

#### VIII. How Much Have Tax-Favored Employee Benefit Costs Grown?

Over the past thirty years, tax-favored employee benefits have grown more rapidly than wages and salaries, and slightly faster than either legally required employer payments or fully taxable employee benefits. Consequently, tax-favored benefits have absorbed a rising share of total compensation. In the context of strong and increasing tax incentives for employees to demand a greater share of compensation in the form of tax-deferred or tax-exempt benefits, however, the growth of these benefits as a share of total compensation has been remarkably slow. Additionally, the cost of tax-favored benefits appears to be slowing as employers work to ration scarce resources.

The National Income and Product Accounts data compiled by the Department of Commerce indicate that employer contributions to major tax-favored benefits as

Table 8

Composition of Employee Benefits by Benefit Group, 1982

Benefit Group	Employer Payments as a Percentage of Wages and Salaries	Employer Payments as a Percentage of All Benefits
<u>Total Benefit Payments</u>	<u>32.5</u>	<u>100.0</u>
<u>Legally Required Employer Payments:</u>	<u>9.5</u>	<u>29.2</u>
Social Security (FICA)	5.2	16.0
Unemployment Compensation	1.1	3.4
Workers' Compensation	0.9	2.8
Other Legally Required Payments <u>a/</u>	2.3	7.1
<u>Discretionary Taxable Benefits:</u>	<u>13.9</u>	<u>42.8</u>
Time not worked <u>b/</u>	9.8	30.2
Rest Periods	3.8	11.7
Other Taxable Benefits <u>c/</u>	0.3	0.9
<u>Discretionary Tax-Favored Benefits:</u>	<u>9.0</u>	<u>27.7</u>
Contributions to pension and Profit-Sharing Plans <u>d/</u>	4.0	12.3
Group Health, Life, Short-Term Disability Insurance	4.4	13.5
Other Tax-Favored Benefits <u>e/</u>	0.6	1.8
<u>Summary:</u>		
Legally Required Employer Payments and Discretionary Taxable Benefits	23.5	72.0
All Discretionary Benefits	23.0	61.5
Fully Taxable Benefits	13.9	42.8
Tax-Favored Benefits	9.0	27.7

SOURCE: EBRI tabulations of estimates produced by the U.S. Chamber of Commerce, Employee Benefits 1982 (1983), pp. 11 and 28.

- a/ Includes government employee retirement, Railroad Retirement Tax, Railroad Unemployment and Cash Sickness Insurance, and state sickness benefits insurance.
- b/ Includes paid vacations and payments in lieu of vacation; payments for holidays not worked; paid sick leave; payments for State or National Guard duty; jury, witness, and voting pay allowances; and payments for time lost because of death in family or other personal reasons.
- c/ EBRI estimate based on Chamber of Commerce report of amount of Christmas or other special bonuses, service awards, suggestions awards, special wage payments ordered by courts, and payments to union stewards.
- d/ EBRI estimate of Chamber of Commerce report of employer contributions to profit-sharing plans.
- e/ EBRI estimate of Chamber of Commerce report of employer-paid dental premiums, merchandise discounts, employee meals furnished by company, payments for vision care and prescription drugs, moving expenses, and contributions to employee thrift plans and employee education expenditures. Tax-preferred benefits are overstated by the amount of separation or termination pay received by employees but not distinguishable from other tax-favored benefits in the Chamber of Commerce estimates.

a fraction of total compensation increased at an average annual rate of 12.8 percent between 1960 and 1982. The long-term growth of tax-favored benefits relative to total compensation growth is presented in Table 9.

The growth in the early 1970s reflects several factors: the slow growth of wages both before and during economic recession; employer efforts to improve

Table 9

Average Annual Growth Rates of Major Employee  
Benefits as a Share of Total Compensation, 1950-1983

Employee Benefit	<u>Average Annual Rate of Growth (in percents)</u>		
	1950-1980	1970-1980	1980-1983
<u>Total Benefits</u>	2.5	1.8	2.2
Legally Required Benefits	2.6	2.1	3.0
Discretionary Fully Taxable Benefits a/	1.4	1.2	1.2
Discretionary Tax-Favored Benefits	4.4	3.0	3.0
Government Pensions	2.1	0	0
Private Pensions and Profit-Sharing	4.9	4.5	1.9
Group Health	6.3	4.5	6.1
Group Life	2.3	-2.2	0

SOURCE: EBRI calculations based on U.S. Chamber of Commerce, Employee Benefits 1982 (Washington, D.C.: Chamber of Commerce, 1983).

a/ Vacation time and other time not worked. Calculations based on interpolations from Chamber of Commerce data for 1980 and 1982.

pension funding in anticipation of the enactment of the Employee Retirement Income Security Act (ERISA) and in response to ERISA; net growth in pension and health plan participation; and sudden increases in the employer cost of group health insurance benefits. The recent slower growth of employer pension contributions appears to be likely to continue, according to the most recent employer surveys. The slower growth between 1980 and 1982 of employer health insurance contributions as a share of total compensation may reflect the maturation of group health coverage and benefits, as well as employer efforts to contain the cost of private health insurance plans.

Employer contributions to group health insurance are the fastest growing component of employee benefits. The expansion of worker and dependents' coverage under employer group plans, the enhancement of benefits under these plans, and persistent high inflation in health care costs have all contributed to the growth of employer contributions to health insurance as a share of compensation. Between 1950 and 1980, employer health insurance contributions as a percent of total compensation have risen at an average annual rate of 6.3 percent. Reflecting continued high inflation in health care costs since 1980, employer contributions to health insurance have continued to grow at an average annual rate of 6.1 percent more than the growth of compensation.

The growth of employee benefits as a form of employee compensation has attracted increasing attention in recent years chiefly because of a concern that the growth of benefits occurs at the expense of growth in wage and salary income. Slower growth of wages and salaries, in turn, implies slower growth of the tax base. Erosion of the tax base affects the public sector's ability to finance government programs in general and the Social Security system in particular. In addition, growth of nontaxable benefits may generate an important redistribution of the tax burden across the population. These effects of growth in employee benefits, and in tax-exempt benefits in particular, merit careful attention.

#### IX. How Much Do Costs Vary by employer?

The cost of discretionary employee benefits varies significantly from employer to employer. During 1982 total expense ranged from 12.5 to 29.0 percent of total compensation among Fortune 500 firms, and the expenditure would be lower for very young and small businesses. Table 10, presenting data for the Fortune 500 and for twelve different industry groups, shows that significant variation is also found in industries. Analysis of industry by industry wage and salary levels vary to offset employee benefit cost variation.

#### X. How Much Do Costs Vary by Employee Age?

Employee benefits such as defined-benefit pensions and health insurance are almost always discussed as a flat dollar cost per employee or as a level percentage of pay per employee. Employee representatives, employees, and employers have been content with this approach since the actual distribution of cost does not affect either the taxes to be paid by the employee or the

Table 10

Low, Average and High Employer Contributions to Discretionary  
Employee Benefits as a Percent of Total Compensation, 1982

Industrial Classifications <sup>1/</sup>	Total Worker Retirement <sup>2/</sup>			Total Worker Insurance Benefits <sup>3/</sup>			Total Retiree Dis. & Health <sup>4/</sup>			Grand Total		
	Low	Avg.	High	Low	Avg.	High	Low	Avg.	High	Low	Avg.	High
Petroleum & Refining	8.6	11.2	13.9	6.9	9.0	11.2	.7	.9	1.1	16.2	21.1	26.2
Electronics (Appliances)	6.0	7.6	9.2	7.2	9.0	10.9	.5	.6	.7	13.8	17.2	20.8
Office Equipment (includes computers)	5.1	6.5	7.7	7.6	9.6	11.3	.6	.7	.8	13.3	16.8	19.8
Industrial and Farm Equipment	7.5	9.7	13.6	7.8	10.1	14.1	.7	.9	1.3	15.9	20.7	29.0
Pharmaceuticals	7.4	8.8	9.8	8.1	9.7	10.8	.8	.9	1.0	16.3	19.4	21.5
Chemicals	10.1	11.6	15.0	8.5	9.8	12.6	.8	.9	1.2	19.4	22.3	28.8
Paper, Fiber and Wood Products	7.5	9.2	10.3	8.0	9.9	11.1	.9	1.1	1.2	16.4	20.2	22.6
Food	8.3	10.0	11.6	8.2	9.9	11.5	.7	.9	1.0	17.3	20.8	24.1
Utilities	7.4	10.1	12.6	6.9	9.5	11.9	1.1	1.5	1.9	15.4	21.1	26.4
Life Insurance	8.1	12.5	15.0	6.0	9.1	11.1	1.0	1.6	2.0	15.1	23.2	28.3
Banks	11.4	13.9	15.0	7.2	8.8	10.0	.7	.8	.9	19.3	23.5	26.8
Retailing	6.0	7.1	7.8	6.2	7.4	8.1	.3	.4	.4	12.5	14.9	16.4
Fortune 500	5.1	9.8	15.0	6.0	9.8	14.1	.3	1.1	2.0	12.5	20.6	29.0

Source: EBRI calculations of data provided by Hewitt Associates.

<sup>1/</sup> Based on Fortune magazine's industrial classifications.

<sup>2/</sup> Total worker retirement includes employer contributions to defined benefit and defined contribution pension plans, and profit sharing plans.

<sup>3/</sup> Total worker insurance benefits includes employer outlays to group life and survivor plans, long- and short-term disability plans, and health insurance (including medical, dental and vision plans).

<sup>4/</sup> Total retiree disability and health includes employer contributions to health insurance and disability income for retirees.

employer. As a result, the only attention given to date to actual per employee cost variation has been undertaken very recently to assess (1) approaches to health care cost containment and (2) possible disincentives to hiring or keeping on older workers. These recent studies show very significant cost variation by age (Table 11).

Does this cost variation matter as a matter of tax policy? I would suggest that the answer would be yes if employee benefits were to be subjected to income tax or FICA tax. Yet, it is an issue that has been ignored in all analysis undertaken to date. For example, during testimony before this Committee on June 22, 1983, the Administration's witness analyzed the proposed health care tax cap only as an issue of income levels, not of age. When asked by Senator Bentsen if it would not have an age discrimination effect, Assistant Secretary Rubin responded: "No, because those costs are spread over the entire company. So it amounts to somewhat inconsequential in terms of dollars-per-worker over the entire company."

Yet, let us assume that the Bradley-Gephardt "Fair Tax Act" is adopted and these benefits are fully taxable to the employee. Will the young worker be willing to pay tax on an average amount when it is known that the actual cost for him or her is only 70% of that amount and that for an older low paid worker it may be nearly 225% of the average? Will this form of tax "inequity" be allowed to exist? If it does will any young people want health insurance? And, if it doesn't, will older workers be able to afford to have health insurance?

The present approaches to health insurance pricing and delivery were developed in the tax environment that we have today. A major change in that environment will have a major affect on those approaches and structures. Nearly all of the government and academic research done on this subject to date assumes that these factors will in no way change and that human behavior will not change. This assumption is contrary to over seventy years of experience with employee benefits under the tax code.

Does this say that the tax treatment of employee benefits should not be changed? Not necessarily, but it does say that we must do far more--and far more complete--analysis than has generally been done thus far.

#### XI. Tax Preferences and Federal Revenue Losses: The Concept of Tax Expenditures

Since enactment of the Congressional Budget Act of 1974, the Treasury Department has been required to compile annual estimates of tax expenditures resulting from "exceptions to the normal structure" of the tax code.

Deferred taxation on pension contributions and investment earnings and tax exemption of other employee benefits produces what the law defines to be a tax expenditure. These estimates are important to an employee benefits policy discussion because they are frequently used as estimates of the revenue the government could raise if particular provisions of the law were changed.

Table 11

Summary of Cost Factors by Age for Use in Costing Benefit Plans

<u>Age Group</u>	<u>Medical Cost Factor as % of Average Cost</u>	<u>Defined Benefit Cost Factor as % of Average Cost</u>	<u>Life Insurance Cost as % of Pay for One Times Pay</u>
Under 30	80.0%	23.0%	0.1%
30-34	80.0%	33.0%	0.1%
35-39	80.0%	48.0%	0.2%
40-44	80.0%	69.0%	0.3%
45-49	100.0%	100.0%	0.6%
50-54	112.5%	146.0%	1.0%
55-59	125.0%	216.0%	1.5%
60-64	160.0%	323.0%	2.3%
65-69	225.0%	*	2.3%

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SOURCE: The Costs of Employing Older Workers (Washington, DC: U.S. Special Committee on Aging and the Employee Benefit Research Institute, forthcoming).

Note: Same life insurance cost is assumed for 65-69 as for 60-64 because it is assumed that the benefits will be reduced to equal cost; regulations allow a 30% reduction.

If benefits are not reduced, assume costs at 65-69 are about 30% higher.

Defined contribution costs are the same by age.

Pension costs are determined on the basis that retirements are at age 65 or current age is greater.

The government recognizes the shortcomings of these estimates and publishes warnings about the use of tax expenditure numbers:

- Estimates assume no other changes in the tax laws.
- Estimates assume no change in taxpayer behavior if the law is changed--even if this is the only provision changed.

Economists refer to this as "partial equilibrium" analysis. This means that most of the real world is assumed away so that rough estimates are possible. As a result, these estimates suffer as guides to policy. Therefore, they must be used with great care. Analysts cannot, for example, legitimately use the numbers to indicate that elimination of favorable employee benefit tax provisions would produce \$X of additional revenue for the fisc or \$X for the use of such programs as Social Security, health insurance for the unemployed, or Medicare.

#### XII. How Much Do Benefit Plans Cost the Treasury?

The total estimate of tax expenditures for employee benefit programs--social and employer sponsored--totaled 91.4 billion dollars in FY 1983. IRAs and plans for the self employed added another 10.3 billion. Appendix II provides a full list of the tax expenditure estimates.

Because of the tax-deferred status of pensions, estimates of how much they cost the Treasury--how big the tax expenditure is--are wide ranging: from \$28 billion to \$56.9 billion for FY 1983.

The wide variation in these estimates and in year to year OMB estimates can be attributed to the following:

- Frequent changes by Treasury in assumed tax rates.
- Recent changes in the universe of plans included in the estimates.
- Differences in the methodology used to calculate the partial-equilibrium tax expenditure estimates.

As noted, all of the available estimates overstate what could be gained by the fisc if all tax preferences for pensions were eliminated:

- Part of all pension tax expenditure estimates is the deferral of tax on the full value of contributions. Yet, if these amounts were paid as direct compensation, some portion of it might still be sheltered from tax under other code provisions.
- Part of all pension tax expenditure estimates is the deferral of tax on investment earnings. Yet, investment of these funds in tax-exempt municipal bonds would lead to no tax revenue ever, and investments in real estate, equities, or bonds would allow the deferral of tax for very long periods. In fact, if invested in housing, an increasingly

large portion might escape tax altogether due to the capital gains exclusion for those over age 55.

- Recent contributions to the literature debate methodology. New methods which use a lifetime estimation approach are better than the traditional cross-section approach. But to be comparable to other tax expenditure categories, these lifetime estimates cannot count future interest on what some have classified as the tax free loan from the Treasury.

Numerous other shortcomings of using tax expenditures as a basis for decision making have been pointed out by various economists, politicians, and actuaries.

Private retirement program tax expenditures form the single largest category of tax expenditures in the federal budget. They arise from the deferral of taxes paid on: (1) pension and retirement saving contributions; and (2) earnings on these contributions. Tax deferral of pension and retirement saving contributions represents deferral of current revenue; taxes are paid on withdrawals from the funds after the worker retires. In a lifetime context, however, gross federal revenue losses are significantly lower than current revenue deferrals. As much as 72 percent of the real (i.e., inflation-adjusted) value of taxes deferred during pension participants' working careers is ultimately repaid in retirement income taxes (Table 12).

Treasury tax expenditure statistics overstate the proportion of current tax deferrals permanently lost to the Treasury. Treasury statistics imply that 83 cents out of every deferred dollar is permanently lost, with the other 17 cents accounted for by current tax payments by retirees. When examined in a lifetime context, the proportion of deferred taxes lost to the Treasury ranges from 14 cents out of every dollar to 40 cents, depending on whether or not one adjusts for inflation and interest on deferred taxes and the interest factor used.

Employer contributions to group health insurance are the fourth largest tax expenditure in the 1985 budget. These contributions are exempt from Social Security, corporate income and individual income taxation.

Tax expenditure estimates are a poor guide for setting either federal tax policy or federal retirement or health policy. Nevertheless, the high tax expenditure estimates for pension and group health insurance plans continue to attract public attention and critical appraisal of these plans' tax-favored status. Measurement of current versus lifetime tax revenue losses, however, is only part of the task of evaluating tax preferences for employer pension contributions, retirement saving, and employer-sponsored health insurance.

Tax laws favoring employer retirement and health insurance plans and statutory provisions for other benefits were enacted under the premise that the broad coverage of workers and their dependents under these plans is desirable social policy. Employment practices have developed surrounding these programs--principally retirement, savings, health, life, and disability--for

Table 12

How Much of Pension-Related Tax Deferrals is Lost to the Treasury?

Method Used	Taxes Lost	Taxes Deferred
Treasury Method	83%	0%
<u>Lifetime Method:</u>		
Nominal dollars <u>a/</u>	14	86
Real dollars <u>b/</u>	28	72
Discounted for interest: <u>c/</u>		
at pension rate	40	60
at federal rate	36	64

SOURCE: Sophie M. Korczyk, Retirement Security and Tax Policy (Washington, DC: Employee Benefit Research Institute, forthcoming).

a/ Before adjusting for inflation.

b/ After adjusting for inflation.

c/ Interest rate used to discount taxes paid in retirement to the year of retirement.

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 decades. Further, workers and their families have come to depend upon them and to expect them. A change in the tax treatment of these programs must be recognized as a fundamental change in the social contracts of our society.

While this does not say change is impossible; it clearly argues for a public and well informed debate. Few of the over 150 million Americans who depend on these programs have any awareness that change is even being discussed. And all in the government must recognize that enactment of basic tax reform proposals would include fundamental change in the tax treatment of employee benefits.

### XIII. New Forms of Employee Benefits

The growth of new tax-favored employee benefits has come under close scrutiny due to concern that they might represent further erosion of the tax base. In fact, employers often have independent motivations for setting up these plans. The growth of new benefits--in particular, Section 401(k) salary reduction plans and Section 125 cafeteria plans--generally represents an effort by employers to contain the employer cost of tax-favored employee benefits. Introduction of child-care programs is an accommodation to the growing number of working mothers, particularly single heads of households. For the latter group, this benefit may be the only thing that makes working

possible. If they couldn't work, a direct public social expenditure would be more likely.

Rising employer pension costs have prompted several innovations in the design of retirement income plans. Section 401(k) plans, authorized by the Revenue Act of 1978, have become an increasingly popular tool for controlling employer pension costs. Employees are able to supplement employer contributions to a Section 401(k) plan with tax-deferred contributions of their own.

This allows employers to contain their retirement plan costs. In general, Section 401(k) plans probably represent a net reduction in employer pension contributions relative to the level that would be required to ensure adequate retirement income with lower employee retirement saving.

Section 401(k) plans also reduce the employer's projected cost of indexing retirement benefits. Although pension benefit increases are seldom automatic, most employers provide ad hoc cost-of-living adjustments for current retirees. Under current law, sponsors of defined-benefit pension plans cannot reserve funds against future ad hoc cost-of-living increases, even in cases where the plan has a clear history of providing those increases. Ad hoc increases, therefore, are funded from current contributions, or offset against actuarial gains, or added to the plan's unfunded liability.

Section 401(k) plans--and other defined contribution plans--represent a way to provide employees with some inflation protection in retirement at substantially lower cost to employers. Defined contribution plans are automatically indexed, since the asset value of the plan generally rises with inflation. Inflation reserves, therefore, accumulate automatically.

Section 401(k) plans also meet the demand for retirement income security among mobile workers and workers with intermittent labor force participation. Employee contributions to Section 401(k) plans are, by law, fully and immediately vested. Short-tenure workers, therefore, may be better served by 401(k) plans than by more traditional plans. These workers, and workers with intermittent labor force participation, are protected because they can "roll over" the accumulated contributions and earnings of the plan into a tax-deferred Individual Retirement Account. As a result, Section 401(k) plans may particularly benefit young workers with high labor-force mobility and women who may leave the labor force for protracted periods.

The growth of cafeteria (or Section 125) plans also reflects employers' efforts to control the cost of employee benefits. Generally, the primary motive of employers in establishing a cafeteria plan is the containment of employer contributions to health insurance and to make workers more sensitive to health costs. "Mature" cafeteria plans can be characterized as those which have broken the automatic link between inflated health care costs and employer support for health insurance coverage. Cafeteria plans encourage employees to elect less generous health insurance coverage and substitute other benefits--both tax-favored and fully taxable benefits--for generous health insurance coverage. Like Section 401(k) plans, cafeteria plans enable employers to meet the benefit needs of an increasingly diverse work

force--including young workers and women--while controlling total benefits costs.

Cafeteria plans have emerged and matured despite the fact that regulations were only recently promulgated. Alleged abuses in the design of some cafeteria plans have recently been dramatized. Cafeteria or flexible compensation plans may include a reimbursement account or flexible spending account; but broad based plans are not synonymous with, or dependent on, flexible spending accounts. Where the government believes abuses exist, limits or guidelines for the use of benefits within cafeteria plans have been set on at least a proposed basis. Examples of possible abuses within cafeteria plans should not obscure the overall efficiency of these plans and their cost advantages for both employers and employees.

#### XIV. Revenue Implications of New Forms of Employee Benefits

Many observers of the emerging changes in employee benefit plans have claimed that the development of new forms of employee benefits merely represents further tax-base erosion. These claims, however, have often been made with little or no supporting evidence. There are several reasons to believe that the growth of nontraditional benefits--in particular, Section 401(k) plans and cafeteria plans--may actually reduce further erosion of the payroll and individual income tax bases.

While employer contributions to traditional pension plans are entirely tax deferred, employee contributions to Section 401(k) plans are taxable by Social Security. Employers have favored Section 401(k) plans as a means of reducing the level of contributions they might have to make if they offered only a traditional pension plan. If the growth of Section 401(k) plans does, in fact, substitute for the growth of more traditional pension benefits, they would represent an addition to the current payroll tax base.

The growth of cafeteria plans also implies potential growth of the payroll and income tax bases. Cafeteria plans typically include a menu of taxable and tax-favored benefits. Cafeteria plans encourage employees to elect less generous health insurance coverage, and substitute spending for other benefits--both taxable and tax-favored--for tax-exempt health insurance spending. As a result, these plans do not necessarily represent erosion of the tax base.

#### XV. Conclusion

Tax laws favoring specific employer retirement and health insurance plans and other statutory employee benefits were enacted under the premise that extensive coverage of workers and their dependents under these plans is desirable social policy. The growth of worker coverage by pensions and health insurance has been strongly encouraged by the tax advantages accorded these plans and by the needs of workers and their dependants and survivors for economic security.

Analysis of the distribution of coverage and vesting by earnings category indicates that pensions are broadly distributed among lower and middle income workers: 76 percent of all nonagricultural wage and salary earners covered by a pension earn \$25,000 a year or less. Similarly, 70 percent of all vested benefits belong to nonagricultural employees earning \$25,000 or less.

May 1983 EBRI/HHS survey data also show that women are gaining pension entitlement in greater numbers than ever before. Among those women meeting ERISA standards for plan participation, coverage expanded by 2.2 million workers since 1979 and nearly 1.3 million more women became entitled to pension benefits at retirement.

1983 survey data also shows that the tax law has been successful in spreading health insurance coverage across the income spectrum, with over 80 percent of those with health insurance earning less than \$25,000 in 1983.

This government policy success should be a matter of national pride. There are many different types of benefits--each must be carefully evaluated. They must be judged against both social and economic criteria--the costs and the benefits. The favorable tax treatment allowed them may not be crucial to the existence of some benefits--but it is essential to the provision of employee benefits at all income levels.

Other nations now seek to match the success of this nation in developing a true public and private sector partnership in meeting economic security needs. Employee benefits do not cost the Treasury as much as some charge--but evaluation of whether it may be too much is a desirable and legitimate function of the Congress. Were employer-sponsored benefits to disappear, however, one could expect higher rates of elderly poverty, greater demands on social programs, heightened strife among generations, and tens of millions of surprised and disappointed Americans.

APPENDIX I

EMPLOYEE PENSION AND HEALTH PLAN COVERAGE BY STATE

SOURCE: EBRI tabulations of 1983 EBRI/HHS Current Population Survey May Pension Supplement.

1983 EBRI/IBS CURRENT POPULATION SURVEY MAY PENSION SUPPLEMENT  
EMPLOYEE BENEFIT UTILIZATION

	CIVILIAN WORKFORCE	AVERAGE INCOME	PENSION COVERAGE	% COVERED	AVERAGE INCOME
Total.....	98,963,821	\$15,960.27	51,530,197	52.07%	\$19,499.17
STATE					
ALABAMA.....	1,412,800	14,604.37	674,932	47.77	17,904.26
ALASKA.....	169,352	23,868.26	81,745	48.27	26,994.26
ARIZONA.....	1,229,314	16,141.70	594,602	48.73	19,706.17
ARKANSAS.....	892,638	11,562.23	330,421	37.02	14,386.59
CALIFORNIA.....	10,552,286	18,168.23	5,408,747	51.26	21,965.81
COLORADO.....	1,461,703	17,061.65	714,540	48.88	21,705.48
CONNECTICUT.....	1,514,791	18,858.37	881,211	58.17	22,258.68
DELAWARE.....	277,260	16,710.20	173,691	62.65	19,541.73
DISTRICT OF COLUMBIA	262,714	17,389.46	136,984	52.14	19,247.80
FLORIDA.....	4,506,621	13,487.39	1,793,325	39.79	16,031.38
GEORGIA.....	2,432,688	13,829.38	1,176,805	48.37	17,193.57
HAWAII.....	470,799	16,031.15	257,399	54.67	19,334.15
IDAH0.....	366,862	15,263.51	184,927	50.41	19,431.39
ILLINOIS.....	4,867,743	17,600.74	2,706,505	55.60	21,340.21
INDIANA.....	2,304,353	14,765.10	1,266,161	54.95	17,871.50
IOWA.....	1,228,463	14,388.88	644,368	52.45	16,929.30
KANSAS.....	1,049,375	14,713.55	507,713	48.38	17,910.71
KENTUCKY.....	1,345,239	13,924.41	708,125	52.64	17,178.53
LOUISIANA.....	1,528,105	14,758.59	673,063	44.05	18,454.00
MAINE.....	530,634	13,192.55	251,164	47.33	16,221.57
MARYLAND.....	2,009,861	18,461.43	1,211,853	60.30	21,824.03
MASSACHUSETTS.....	2,653,158	16,368.66	1,489,831	56.15	18,944.66
MICHIGAN.....	3,834,438	16,089.18	2,186,788	57.03	19,764.13
MINNESOTA.....	2,044,271	14,320.60	948,847	46.41	18,175.15
MISSISSIPPI.....	905,415	14,388.70	463,077	51.15	17,580.60
MISSOURI.....	2,180,437	14,619.46	1,067,493	48.96	18,384.10
MONTANA.....	341,499	13,983.09	129,654	37.97	18,329.36
NEBRASKA.....	705,704	12,567.07	313,802	44.47	15,943.55
NEVADA.....	465,231	16,656.75	226,453	48.68	20,054.66
NEW HAMPSHIRE.....	418,775	14,984.99	222,973	53.24	18,468.86
NEW JERSEY.....	3,321,398	17,770.43	1,833,111	55.19	21,997.13
NEW MEXICO.....	538,119	15,028.49	252,578	46.94	18,053.48
NEW YORK.....	7,007,157	16,719.06	4,033,309	57.56	19,916.23
NORTH CAROLINA.....	2,657,459	13,560.47	1,325,530	49.88	16,608.67
NORTH DAKOTA.....	273,672	13,694.05	105,164	38.43	18,372.76
OHIO.....	4,660,579	16,162.00	2,836,462	60.86	19,416.11
OKLAHOMA.....	1,384,765	15,899.90	529,199	38.22	20,406.19
OREGON.....	1,212,738	15,787.53	623,292	51.40	19,517.86
PENNSYLVANIA.....	4,857,542	15,178.87	2,815,101	57.95	17,983.65
RHODE ISLAND.....	411,074	13,213.83	216,608	52.69	16,162.88
SOUTH CAROLINA.....	1,350,111	12,063.77	557,461	41.29	15,666.63

1983 EBRI/HHS CURRENT POPULATION SURVEY MAY PENSION SUPPLEMENT  
EMPLOYEE BENEFIT UTILIZATION-Continued

	CIVILIAN WORKFORCE	AVERAGE INCOME	PENSION COVERAGE	% COVERED	AVERAGE INCOME
STATE					
SOUTH DAKOTA.....	306,577	\$13,324.42	140,708	45.90%	\$16,091.66
TENNESSEE.....	1,917,291	16,095.64	1,104,164	57.59	19,933.13
TEXAS.....	6,790,184	17,068.25	3,138,359	46.22	20,709.91
UTAH.....	625,403	14,830.72	307,062	49.10	19,041.73
VERMONT.....	232,956	12,807.08	118,869	51.03	15,845.11
VIRGINIA.....	2,610,484	16,924.21	1,563,969	59.91	20,143.66
WASHINGTON.....	1,696,329	16,319.99	819,390	48.30	20,892.39
WEST VIRGINIA.....	669,238	13,918.09	378,752	56.59	17,175.54
WISCONSIN.....	2,275,370	14,492.64	1,304,692	57.34	18,593.45
WYOMING.....	211,770	15,701.05	99,234	46.86	20,557.27

1983 EBRI/HHS CURRENT POPULATION SURVEY MAY PENSION SUPPLEMENT  
EMPLOYEE BENEFIT UTILIZATION

	CIVILIAN WORKFORCE	AVERAGE INCOME	TOTAL IRA'S	% WITH IRA'S	AVERAGE INCOME	TOTAL 401K'S	% WITH 401K'S	AVERAGE INCOME
Total.....	98,963,821	\$15,960.27	16,712,837	16.89%	\$23,346.05	2,703,440	2.73%	\$25,036.96
STATE								
ALABAMA.....	1,412,880	14,604.37	107,536	7.61	22,279.26	8,537	.60	11,713.00
ALASKA.....	169,352	23,868.26	26,874	15.87	28,945.15	5,829	3.44	31,849.83
ARIZONA.....	1,220,314	16,141.70	152,956	12.53	25,260.42	38,538	3.16	26,759.42
ARKANSAS.....	892,638	11,562.23	90,517	10.14	18,783.76	11,490	1.29	22,023.24
CALIFORNIA.....	10,552,286	18,168.23	1,786,278	16.93	25,244.46	331,730	3.14	27,128.62
COLORADO.....	1,461,783	17,061.65	276,187	18.89	23,465.61	44,470	3.04	23,900.26
CONNECTICUT.....	1,514,791	18,858.37	295,304	19.49	26,132.23	46,428	3.06	29,661.70
DELAWARE.....	277,260	16,710.20	41,595	15.00	29,856.75	5,043	1.82	29,791.74
DISTRICT OF COLUMBIA.....	262,714	17,309.46	27,959	10.64	27,457.17	3,573	1.36	28,639.87
FLORIDA.....	4,506,621	13,487.39	474,814	10.54	19,254.70	80,017	1.78	22,655.31
GEORGIA.....	2,432,688	13,829.38	331,599	13.63	22,821.50	50,976	2.10	18,151.35
HAWAII.....	470,799	16,031.15	75,566	16.05	23,493.51	3,993	.85	19,483.09
IDaho.....	366,862	15,263.51	67,468	18.39	21,905.92	5,279	1.44	12,616.00
ILLINOIS.....	4,867,743	17,600.74	1,022,473	21.01	23,794.43	194,640	4.00	25,131.31
INDIANA.....	2,304,353	14,765.10	344,508	14.95	19,642.88	71,400	3.10	25,294.72
IOWA.....	1,228,463	14,300.88	191,078	15.55	18,595.11	27,345	2.23	23,056.51
KANSAS.....	1,049,375	14,713.55	190,253	18.13	19,652.47	24,674	2.35	23,263.85
KENTUCKY.....	1,345,239	13,924.41	181,877	13.52	21,568.29	16,936	1.26	29,126.96
LOUISIANA.....	1,528,105	14,750.59	174,551	11.42	18,763.94	29,176	1.91	22,867.65
MAINE.....	530,634	13,192.55	65,829	12.41	19,113.43	7,204	1.36	24,711.62
MARYLAND.....	2,009,861	18,461.43	477,258	23.75	27,879.02	63,476	3.16	25,513.59
MASSACHUSETTS.....	2,653,158	16,368.66	437,206	16.48	23,212.18	94,821	3.57	21,500.27
MICHIGAN.....	3,834,438	16,089.18	747,014	19.48	22,012.57	100,526	2.62	25,000.69
MINNESOTA.....	2,044,271	14,320.60	357,921	17.51	21,034.23	60,562	2.96	19,757.98
MISSISSIPPI.....	905,415	14,300.70	107,028	11.82	26,371.96	16,534	1.83	18,916.00
MISSOURI.....	2,100,437	14,619.46	354,243	16.25	21,419.62	80,011	3.67	25,249.10
MONTANA.....	341,499	13,983.09	37,341	10.93	24,937.63	9,069	2.66	20,205.73
NEBRASKA.....	785,704	12,567.07	98,337	13.93	15,314.26	22,066	3.13	16,392.85
NEVADA.....	465,231	16,656.75	61,405	13.20	21,033.74	10,495	2.26	21,946.88
NEW HAMPSHIRE.....	418,775	14,904.99	74,374	17.76	20,145.51	7,627	1.82	28,494.14
NEW JERSEY.....	3,321,398	17,770.43	719,946	21.68	26,040.26	89,288	2.69	29,898.31
NEW MEXICO.....	530,119	15,028.49	77,171	14.34	20,132.01	16,203	3.01	22,554.19
NEW YORK.....	7,007,157	16,719.06	1,420,700	20.27	23,775.35	168,275	2.40	27,958.85
NORTH CAROLINA.....	2,657,459	13,560.47	354,711	13.35	21,588.04	41,097	1.55	24,136.16
NORTH DAKOTA.....	273,672	13,694.05	36,359	13.29	18,853.60	8,492	3.10	29,648.24
OHIO.....	4,660,579	16,162.00	1,030,452	22.11	22,197.11	143,216	3.07	24,847.68
OKLAHOMA.....	1,304,765	15,099.90	113,212	8.18	21,890.48	31,089	2.25	17,541.46
OREGON.....	1,212,738	15,787.53	229,909	18.96	22,321.71	34,088	2.81	27,729.54
PENNSYLVANIA.....	4,857,542	15,178.87	957,112	19.70	21,016.48	144,799	2.98	22,891.52
RHODE ISLAND.....	411,074	13,213.83	79,230	19.28	18,598.71	14,600	3.55	24,570.79

1983 EBRI/HHS CURRENT POPULATION SURVEY RAY PENSION SUPPLEMENT  
 EMPLOYEE BENEFIT UTILIZATION-Continued

STATE	CIVILIAN WORKFORCE	AVERAGE INCOME	TOTAL IRA'S	% WITH IRA'S	AVERAGE INCOME	TOTAL 401K'S	% WITH 401K'S	AVERAGE INCOME
SOUTH CAROLINA.....	1,350,111	\$12,063.77	71,790	5.32%	\$19,113.04	20,454	1.52%	\$17,789.18
SOUTH DAKOTA.....	306,577	13,324.42	43,539	14.20	17,118.49	5,770	1.88	23,285.21
TENNESSEE.....	1,917,291	16,095.64	240,166	12.53	26,854.56	38,094	1.99	24,545.47
TEXAS.....	6,790,184	17,068.25	1,144,859	16.86	26,904.09	231,132	3.40	29,621.73
UTAH.....	625,403	14,830.72	79,750	12.75	21,314.97	26,754	4.28	23,181.79
VERMONT.....	232,956	12,807.08	31,791	13.65	18,481.94	5,993	2.57	14,179.93
VIRGINIA.....	2,610,484	16,924.21	573,143	21.96	25,963.12	55,129	2.11	24,412.44
WASHINGTON.....	1,696,329	16,319.99	259,121	15.28	21,965.30	75,902	4.47	22,947.09
WEST VIRGINIA.....	669,238	13,918.09	58,694	8.77	18,144.50	12,906	1.93	17,460.04
WISCONSIN.....	2,275,370	14,492.64	482,315	21.20	22,642.09	58,703	2.58	23,278.79
WYOMING.....	211,770	15,701.05	31,511	14.88	25,746.75	9,071	4.28	26,087.40

1983 EBRI/HHS CURRENT POPULATION SURVEY MAY PENSION SUPPLEMENT  
 EMPLOYEE BENEFIT UTILIZATION

	CIVILIAN WORKFORCE	AVERAGE INCOME	PRIMARY HEALTH PLAN	% WITH HEALTH PLAN	AVERAGE INCOME
Total.....	98,963,821	\$15,960.27	59,041,441	59.66%	\$19,332.44
STATE					
ALABAMA.....	1,412,880	14,604.37	774,513	54.82	17,364.00
ALASKA.....	169,352	23,868.26	93,161	55.01	27,349.61
ARIZONA.....	1,220,314	16,141.70	684,885	56.12	20,435.16
ARKANSAS.....	892,638	11,562.23	431,437	48.33	13,866.56
CALIFORNIA.....	10,552,286	18,168.23	6,399,558	60.65	21,763.25
COLORADO.....	1,461,703	17,061.65	766,589	52.44	21,251.12
CONNECTICUT.....	1,514,791	18,858.37	955,953	63.11	22,539.62
DELAWARE.....	277,260	16,710.20	183,034	66.02	20,215.84
DISTRICT OF COLUMBIA	262,714	17,309.46	158,379	60.29	19,001.31
FLORIDA.....	4,506,621	13,487.39	2,336,052	51.84	15,964.23
GEORGIA.....	2,432,688	13,829.38	1,450,845	59.64	16,423.64
HAWAII.....	470,799	16,031.15	293,912	62.43	18,862.92
IDAH0.....	366,862	15,263.51	216,208	58.93	18,584.26
ILLINOIS.....	4,867,743	17,600.74	3,201,410	65.77	20,617.00
INDIANA.....	2,304,353	14,765.10	1,414,632	61.39	18,273.29
IOWA.....	1,228,463	14,300.88	610,163	49.67	18,852.15
KANSAS.....	1,049,375	14,713.55	576,934	54.98	18,483.55
KENTUCKY.....	1,345,239	13,924.41	806,543	59.96	16,486.96
LOUISIANA.....	1,528,105	14,750.59	866,594	56.71	18,587.14
MAINE.....	530,634	13,192.55	301,677	56.85	15,917.77
MARYLAND.....	2,009,861	18,461.43	1,247,904	62.09	22,370.62
MASSACHUSETTS.....	2,653,158	16,368.66	1,670,139	62.95	19,420.26
MICHIGAN.....	3,834,438	16,089.18	2,338,736	60.99	20,457.46
MINNESOTA.....	2,044,271	14,320.60	1,046,086	51.17	19,166.23
MISSISSIPPI.....	905,415	14,300.70	517,032	57.10	16,346.60
MISSOURI.....	2,180,437	14,619.46	1,223,691	56.12	18,143.32
MONTANA.....	341,499	13,983.09	128,520	37.63	19,409.95
NEBRASKA.....	705,704	12,567.07	347,126	49.19	16,592.04
NEVADA.....	465,231	16,656.75	308,700	66.35	18,825.06
NEW HAMPSHIRE.....	418,775	14,894.99	247,532	59.11	18,653.86
NEW JERSEY.....	3,321,398	17,770.43	2,136,953	64.34	21,064.10
NEW MEXICO.....	538,119	15,028.49	275,217	51.14	18,401.10
NEW YORK.....	7,007,157	16,719.06	4,592,845	65.55	19,731.58
NORTH CAROLINA.....	2,657,459	13,560.47	1,675,203	63.04	16,272.13
NORTH DAKOTA.....	273,672	13,694.05	112,634	41.16	19,120.32
OHIO.....	4,660,579	16,162.00	2,987,830	64.11	19,354.30
OKLAHOMA.....	1,384,765	15,899.90	666,091	48.10	19,910.57
OREGON.....	1,212,738	15,787.53	718,674	59.26	18,962.51
PENNSYLVANIA.....	4,857,542	15,178.87	3,134,437	64.53	18,062.63
RHODE ISLAND.....	411,074	13,213.83	246,593	59.99	15,820.60
SOUTH CAROLINA.....	1,350,111	12,063.77	792,912	58.73	14,540.03

1983 EBRI/HMS CURRENT POPULATION SURVEY MAY PENSION SUPPLEMENT  
 EMPLOYEE BENEFIT UTILIZATION-Continued

	CIVILIAN WORKFORCE	AVERAGE INCOME	PRIMARY HEALTH PLAN	% WITH HEALTH PLAN	AVERAGE INCOME
STATE					
SOUTH DAKOTA.....	306,577	\$13,324.42	140,853	45.94	\$17,122.76
TENNESSEE.....	1,917,291	16,095.64	1,201,478	62.67	18,499.87
TEXAS.....	6,790,184	17,068.25	3,905,203	57.51	20,123.29
UTAH.....	625,403	14,830.72	335,463	53.64	19,147.81
VERMONT.....	232,956	12,007.08	132,438	56.85	15,662.30
VIRGINIA.....	2,610,484	16,924.21	1,598,847	61.25	20,417.09
WASHINGTON.....	1,696,329	16,319.99	896,364	52.84	20,872.24
WEST VIRGINIA.....	669,238	13,918.09	407,751	60.93	17,056.45
WISCONSIN.....	2,275,370	14,492.64	1,382,599	60.76	18,650.03
WYOMING.....	211,770	15,701.05	103,112	48.69	20,896.87

1983 EBRI/IBHS CURRENT POPULATION SURVEY MAY PENSION SUPPLEMENT  
 EMPLOYEE BENEFIT UTILIZATION

	CIVILIAN WORKFORCE	AVERAGE INCOME	ERISA WORKFORCE				
			ERISA WORKFORCE	AVERAGE INCOME	PENSION COVERAGE	% COVERED	AVERAGE INCOME
Total.....	98,963,821	\$15,960.27	54,362,744	\$19,378.80	38,057,537	70.01%	\$21,166.48
STATE							
ALABAMA.....	1,412,880	14,604.37	774,339	16,868.74	484,539	62.57	19,016.61
ALASKA.....	169,352	23,868.26	81,300	27,071.54	57,594	70.84	28,669.82
ARIZONA.....	1,220,314	16,141.70	667,093	19,921.34	459,219	68.84	21,292.00
ARKANSAS.....	892,638	11,562.23	363,465	15,202.54	223,798	61.57	15,739.10
CALIFORNIA.....	10,552,286	18,168.23	5,484,205	21,969.84	3,778,985	68.91	23,951.62
COLORADO.....	1,461,703	17,061.65	772,081	20,730.85	513,164	66.47	23,304.89
CONNECTICUT.....	1,514,791	18,858.37	952,482	22,325.71	718,773	75.46	23,737.50
DELAWARE.....	277,260	16,710.20	171,231	20,628.45	140,699	82.17	21,063.43
DISTRICT OF COLUMBIA	262,714	17,309.46	167,508	18,097.93	110,027	65.69	19,491.42
FLORIDA.....	4,506,621	13,487.39	2,234,232	16,020.31	1,202,502	53.82	17,901.98
GEORGIA.....	2,432,688	13,829.38	1,289,109	16,502.99	877,787	68.09	17,896.62
HAWAII.....	470,799	16,031.15	292,597	19,426.50	210,950	72.10	20,580.43
IDAH0.....	366,862	15,263.51	178,440	19,445.77	133,701	74.93	21,270.81
ILLINOIS.....	4,067,743	17,600.74	2,963,784	20,549.69	2,126,014	71.73	22,491.38
INDIANA.....	2,304,353	14,765.10	1,327,223	17,983.85	972,379	73.26	19,039.07
IOWA.....	1,228,463	14,380.88	526,866	18,618.23	405,260	76.92	19,866.17
KANSAS.....	1,049,375	14,713.55	533,153	18,457.64	339,157	63.61	20,147.28
KENTUCKY.....	1,345,239	13,924.41	782,846	16,536.73	546,837	69.85	18,327.52
LOUISIANA.....	1,528,105	14,750.59	821,887	18,058.14	489,681	59.58	20,208.92
MAINE.....	530,634	13,192.55	296,315	16,035.19	186,154	62.82	17,892.38
MARYLAND.....	2,009,861	18,461.43	1,248,909	22,206.18	938,236	75.12	24,146.18
MASSACHUSETTS.....	2,653,158	16,368.66	1,532,262	19,765.88	1,106,403	72.21	20,980.19
MICHIGAN.....	3,834,438	16,089.18	2,219,312	20,331.03	1,681,127	75.75	22,077.82
MINNESOTA.....	2,044,271	14,320.60	1,053,306	18,612.43	682,003	64.75	20,881.53
MISSISSIPPI.....	905,415	14,380.70	489,501	16,078.43	338,417	69.14	17,793.62
MISSOURI.....	2,100,437	14,619.46	1,181,647	18,334.42	797,335	67.48	20,434.97
MONTANA.....	341,499	13,983.09	122,143	19,309.33	85,956	70.37	21,165.51
NEBRASKA.....	705,704	12,567.07	335,143	16,086.79	223,303	66.63	17,829.30
NEVADA.....	465,231	16,656.75	267,494	19,543.12	173,975	65.04	20,466.71
NEW HAMPSHIRE.....	418,775	14,984.99	239,522	18,078.63	173,512	72.44	19,791.96
NEW JERSEY.....	3,321,398	17,770.43	1,889,361	22,216.54	1,333,437	70.58	24,222.86
NEW MEXICO.....	538,119	15,028.49	299,378	17,987.14	206,446	68.96	18,952.68
NEW YORK.....	7,007,157	16,719.06	4,194,111	19,802.31	3,046,319	72.63	21,591.80
NORTH CAROLINA.....	2,657,459	13,560.47	1,557,778	16,345.64	1,046,607	67.19	17,556.03
NORTH DAKOTA.....	273,672	13,694.05	114,533	17,975.88	66,176	57.78	20,275.66
OHIO.....	4,660,579	16,162.00	2,756,113	19,517.18	2,134,179	77.43	21,125.85
OKLAHOMA.....	1,384,765	15,899.90	613,565	20,159.71	381,158	62.12	22,351.84

1983 EBRI/HHS CURRENT POPULATION SURVEY MAY PENSION SUPPLEMENT  
 EMPLOYEE BENEFIT UTILIZATION-Continued

STATE	CIVILIAN WORKFORCE	AVERAGE INCOME	ERISA WORKFORCE				
			ERISA WORKFORCE	AVERAGE INCOME	PENSION COVERAGE	% COVERED	AVERAGE INCOME
OREGON.....	1,212,738:	\$15,787.53	656,610:	\$19,189.44	474,721:	72.30%	\$20,878.66
PENNSYLVANIA.....	4,857,542:	15,178.87	2,890,330:	18,099.61	2,164,065:	74.87	19,454.68
RHODE ISLAND.....	411,074:	13,213.83	205,439:	17,358.68	146,356:	71.24	18,997.60
SOUTH CAROLINA.....	1,350,111:	12,063.77	751,038:	14,301.93	438,610:	58.40	16,094.06
SOUTH DAKOTA.....	306,577:	13,324.42	136,198:	16,586.57	95,060:	69.80	18,262.97
TENNESSEE.....	1,917,291:	16,095.64	1,097,406:	18,704.91	828,443:	75.49	20,569.37
TEXAS.....	6,790,184:	17,068.25	3,352,688:	20,325.04	2,131,402:	63.57	22,323.02
UTAH.....	625,403:	14,830.72	275,742:	19,393.78	192,724:	69.89	21,503.34
VERMONT.....	232,956:	12,807.08	125,188:	15,904.30	83,681:	66.84	17,506.07
VIRGINIA.....	2,610,484:	16,924.21	1,528,784:	20,398.92	1,155,838:	75.61	22,414.55
WASHINGTON.....	1,696,329:	16,319.99	848,408:	21,075.30	630,601:	74.33	22,315.29
WEST VIRGINIA.....	669,238:	13,918.09	377,200:	17,176.74	302,197:	80.12	18,286.70
WISCONSIN.....	2,275,370:	14,492.64	1,228,703:	18,775.41	955,833:	77.79	20,246.15
WYOMING.....	211,770:	15,701.05	94,775:	20,325.34	66,193:	69.84	22,437.38

1983 EBRI/HHS CURRENT POPULATION SURVEY RAY PENSION SUPPLEMENT  
EMPLOYEE BENEFIT UTILIZATION

	CIVILIAN WORKFORCE	AVERAGE INCOME	ERISA WORKFORCE					
			TOTAL IRA'S	% WITH IRA'S	AVERAGE INCOME	TOTAL 401K'S	% WITH 401K'S	AVERAGE INCOME
Total.....	98,963,821	\$15,960.27	11,899,903	21.89%	\$24,730.26	2,418,230	4.45%	\$25,570.30
STATE								
ALABAMA.....	1,412,880	14,604.37	62,239	8.04	24,503.17	4,311	.56	13,000.00
ALASKA.....	169,352	23,868.26	19,516	24.01	28,907.22	4,396	5.41	33,129.21
ARIZONA.....	1,220,314	16,141.70	98,831	14.82	27,590.15	38,538	5.78	26,759.42
ARKANSAS.....	892,630	11,562.23	52,638	14.48	19,598.01	11,490	3.16	22,023.24
CALIFORNIA.....	10,552,286	18,168.23	1,223,514	22.31	27,472.77	310,121	5.65	26,856.78
COLORADO.....	1,461,703	17,061.65	189,779	24.58	24,037.56	38,475	4.98	25,109.40
CONNECTICUT.....	1,514,791	18,858.37	210,491	22.10	27,335.37	46,428	4.87	29,661.70
DELAWARE.....	277,260	16,710.20	37,061	21.64	31,064.76	5,043	2.95	29,791.74
DISTRICT OF COLUMBIA	262,714	17,309.46	19,578	11.69	26,308.06	3,573	2.13	28,639.87
FLORIDA.....	4,506,621	13,487.39	354,631	15.87	19,389.87	69,902	3.13	22,655.31
GEORGIA.....	2,432,680	13,829.38	222,043	17.22	22,591.46	37,042	2.87	18,384.84
HAWAII.....	470,799	16,031.15	63,457	21.69	24,644.33	2,576	.88	24,908.00
IDAH0.....	366,862	15,263.51	52,636	29.50	22,824.15	4,263	2.39	12,697.97
ILLINOIS.....	4,867,743	17,600.74	761,609	25.70	24,054.17	180,199	6.08	25,766.51
INDIANA.....	2,304,353	14,765.10	245,069	18.53	21,596.30	71,400	5.38	25,294.72
IOWA.....	1,228,463	14,300.88	111,167	21.10	22,528.14	27,345	5.19	23,056.51
KANSAS.....	1,049,375	14,713.55	134,658	25.26	20,424.40	24,674	4.63	23,263.85
KENTUCKY.....	1,345,239	13,924.41	112,325	14.35	21,052.34	16,936	2.16	29,126.96
LOUISIANA.....	1,520,105	14,750.59	113,822	13.85	20,903.47	14,218	1.73	25,198.09
MAINE.....	530,634	13,192.55	47,040	16.14	19,326.47	6,036	2.04	27,624.20
MARYLAND.....	2,009,861	18,461.43	305,468	30.86	29,234.62	59,590	4.77	26,431.34
MASSACHUSETTS.....	2,653,150	16,368.66	335,667	21.91	25,420.08	74,569	4.87	21,718.81
MICHIGAN.....	3,834,430	16,089.18	536,910	24.19	23,920.84	100,526	4.53	25,000.69
MINNESOTA.....	2,044,271	14,320.60	256,754	24.38	23,960.28	51,620	4.90	20,517.10
MISSISSIPPI.....	905,415	14,300.70	59,741	12.20	26,069.91	9,005	1.84	24,777.30
MISSOURI.....	2,100,437	14,619.46	265,882	22.50	23,166.40	72,189	6.11	25,885.96
MONTANA.....	341,499	13,983.09	21,538	17.63	24,908.65	8,252	6.76	21,998.00
NEBRASKA.....	705,704	12,567.07	66,314	19.79	16,606.00	16,769	5.00	17,317.50
NEVADA.....	465,231	16,656.75	49,501	18.51	21,305.21	10,495	3.92	21,946.80
NEW HAMPSHIRE.....	418,775	14,984.99	55,670	23.24	21,573.82	7,627	3.18	28,494.14
NEW JERSEY.....	3,321,390	17,770.43	542,075	28.69	27,838.04	95,330	4.52	29,898.31
NEW MEXICO.....	538,119	15,028.49	59,661	19.93	21,155.33	16,203	5.41	22,554.19
NEW YORK.....	7,007,157	16,719.06	975,712	23.26	25,552.01	163,718	3.90	28,478.00
NORTH CAROLINA.....	2,657,459	13,560.47	265,814	17.06	23,393.37	41,097	2.64	24,136.16
NORTH DAKOTA.....	273,672	13,694.05	21,348	18.64	19,716.78	6,664	5.82	25,748.62
OHIO.....	4,660,579	16,162.00	785,502	29.50	22,667.82	120,777	4.30	25,066.15
OKLAHOMA.....	1,304,765	15,899.90	77,993	12.71	24,417.97	27,372	4.46	17,452.02

1993 EBRI/HHS CURRENT POPULATION SURVEY MAY PENSION SUPPLEMENT  
 EMPLOYEE BENEFIT UTILIZATION-Continued

STATE	CIVILIAN WORKFORCE	AVERAGE INCOME	ERISA WORKFORCE					
			TOTAL IRA'S	% WITH IRA'S	AVERAGE INCOME	TOTAL 401K'S	% WITH 401K'S	AVERAGE INCOME
OREGON.....	1,212,738	\$15,787.53	170,675	25.99%	\$24,466.57	34,088	5.19%	\$27,729.54
PENNSYLVANIA.....	4,857,542	15,178.87	668,398	23.13	22,710.14	136,248	4.71	23,336.41
RHODE ISLAND.....	411,074	13,213.83	57,518	28.00	21,305.65	11,174	5.44	26,299.41
SOUTH CAROLINA.....	1,350,111	12,063.77	52,475	6.99	18,112.72	17,456	2.32	20,362.53
SOUTH DAKOTA.....	306,577	13,324.42	29,192	21.43	17,749.91	5,011	3.68	22,874.38
TENNESSEE.....	1,917,291	16,095.64	170,812	15.57	25,448.82	24,674	2.25	24,144.81
TEXAS.....	6,790,184	17,068.25	745,744	22.24	27,501.41	186,600	5.57	30,540.40
UTAH.....	625,403	14,830.72	47,622	17.27	23,259.68	20,169	7.31	26,162.58
VERMONT.....	232,956	12,807.08	18,973	15.16	19,515.40	5,993	4.79	14,179.93
VIRGINIA.....	2,610,484	16,924.21	440,871	28.84	28,429.78	55,129	3.61	24,412.44
WASHINGTON.....	1,696,329	16,319.99	185,601	21.88	23,919.44	58,665	6.91	25,534.55
WEST VIRGINIA.....	669,238	13,918.09	44,890	11.90	21,086.94	10,556	2.80	20,340.49
WISCONSIN.....	2,275,370	14,492.64	352,761	28.71	24,022.83	55,656	4.53	23,272.16
WYOMING.....	211,770	15,701.05	19,117	20.17	26,054.86	8,023	8.47	26,087.40

1983 EBRI/HHS CURRENT POPULATION SURVEY MAY PENSION SUPPLEMENT  
EMPLOYEE BENEFIT UTILIZATION

	CIVILIAN WORKFORCE	AVERAGE INCOME	ERISA WORKFORCE		
			PRIMARY HEALTH PLAN	% WITH HEALTH PLAN	AVERAGE INCOME
Total.....	98,963,821:	\$15,960.27	45,160,894:	83.07%	\$20,734.21
STATE					
ALABAMA.....	1,412,880:	14,604.37	569,747:	73.58	18,510.95
ALASKA.....	169,352:	23,860.26	66,549:	81.86	29,024.20
ARIZONA.....	1,220,314:	16,141.70	531,496:	79.67	21,493.62
ARKANSAS.....	892,638:	11,562.23	291,268:	80.14	15,757.42
CALIFORNIA.....	10,552,286:	18,160.23	4,588,340:	83.66	23,495.02
COLORADO.....	1,461,703:	17,061.65	572,568:	74.16	23,094.96
CONNECTICUT.....	1,514,791:	18,858.37	801,456:	84.14	23,732.12
DELAWARE.....	277,260:	16,710.20	143,008:	83.52	22,301.50
DISTRICT OF COLUMBIA:	262,714:	17,309.46	124,251:	74.18	19,558.34
FLORIDA.....	4,506,621:	13,487.39	1,721,981:	77.07	17,119.02
GEORGIA.....	2,432,688:	13,829.38	1,092,468:	84.75	17,506.45
HAWAII.....	470,799:	16,031.15	232,651:	79.51	20,692.45
IDAH0.....	366,862:	15,263.51	156,292:	87.59	20,153.56
ILLINOIS.....	4,867,743:	17,600.74	2,569,753:	86.71	21,792.42
INDIANA.....	2,304,353:	14,765.10	1,128,763:	85.05	19,045.13
IOWA.....	1,228,463:	14,380.88	409,750:	77.77	20,891.32
KANSAS.....	1,049,375:	14,713.55	425,599:	79.83	20,211.46
KENTUCKY.....	1,345,239:	13,924.41	664,969:	84.94	17,290.11
LOUISIANA.....	1,528,105:	14,750.59	656,890:	79.93	20,022.05
MAINE.....	530,634:	13,192.55	242,288:	81.77	17,168.03
MARYLAND.....	2,009,861:	18,461.43	1,011,979:	81.03	23,892.17
MASSACHUSETTS.....	2,653,158:	16,368.66	1,311,252:	85.58	20,909.50
MICHIGAN.....	3,834,438:	16,089.18	1,893,761:	85.33	21,740.95
MINNESOTA.....	2,044,271:	14,320.60	929,189:	78.72	20,546.37
MISSISSIPPI.....	905,415:	14,300.70	398,493:	81.41	17,347.59
MISSOURI.....	2,180,437:	14,619.46	957,189:	81.00	19,798.14
MONTANA.....	341,499:	13,983.09	92,714:	75.91	21,376.07
NEBRASKA.....	705,704:	12,567.07	250,316:	74.69	17,905.66
NEVADA.....	465,231:	16,656.75	229,172:	85.67	19,943.17
NEW HAMPSHIRE.....	418,775:	14,984.99	196,420:	82.00	19,895.89
NEW JERSEY.....	3,321,398:	17,770.43	1,612,508:	85.35	23,202.26
NEW MEXICO.....	538,119:	15,028.49	223,424:	74.63	19,664.96
NEW YORK.....	7,007,157:	16,719.06	3,535,500:	84.30	21,118.30
NORTH CAROLINA.....	2,657,459:	13,560.47	1,387,002:	89.04	17,085.83
NORTH DAKOTA.....	273,672:	13,694.05	83,320:	72.75	20,552.64
OHIO.....	4,660,579:	16,162.00	2,325,871:	84.39	20,950.42
OKLAHOMA.....	1,384,765:	15,899.90	479,661:	78.18	21,990.53
OREGON.....	1,212,738:	15,787.53	546,769:	83.27	20,536.83

1983 EBRI/HHS CURRENT POPULATION SURVEY MAY PENSION SUPPLEMENT  
 EMPLOYEE BENEFIT UTILIZATION-Continued

	CIVILIAN WORKFORCE	AVERAGE INCOME	ERISA WORKFORCE		
			PRIMARY HEALTH PLAN	% WITH HEALTH PLAN	AVERAGE INCOME
STATE					
PENNSYLVANIA.....	4,857,542	\$15,178.87	2,494,876	86.32%	\$19,161.81
RHODE ISLAND.....	411,074	13,213.83	171,511	83.49	18,506.04
SOUTH CAROLINA.....	1,350,111	12,063.77	607,919	80.94	15,091.02
SOUTH DAKOTA.....	306,577	13,324.42	102,602	75.33	10,678.21
TENNESSEE.....	1,917,291	16,095.64	926,510	84.43	20,273.86
TEXAS.....	6,790,184	17,068.25	2,761,028	82.35	21,599.85
UTAH.....	625,403	14,830.72	234,396	85.01	20,749.61
VERMONT.....	232,956	12,807.08	104,022	83.09	16,726.53
VIRGINIA.....	2,610,484	16,924.21	1,268,598	82.98	21,779.91
WASHINGTON.....	1,696,329	16,319.99	696,516	82.10	22,068.97
WEST VIRGINIA.....	669,238	13,918.09	320,642	85.01	18,411.75
WISCONSIN.....	2,275,370	14,492.64	1,042,606	84.85	20,472.94
WYOMING.....	211,770	15,701.05	75,030	79.17	21,951.81

1983 EBRI/HHS CURRENT POPULATION SURVEY MAY PENSION SUPPLEMENT  
EMPLOYEE BENEFIT UTILIZATION

	CIVILIAN WORKFORCE	AVERAGE INCOME	AGES 35 AND OVER, ONE YEAR, 1000 HOURS				
			THIS POPULATION	AVERAGE INCOME	PENSION COVERAGE	% COVERED	AVERAGE INCOME
Total.....	98,963,821	\$15,960.27	34,720,408	\$20,271.45	24,991,033	71.90%	\$22,176.86
STATE							
ALABAMA.....	1,412,880	14,604.37	502,285	17,207.02	324,531	64.61	19,430.12
ALASKA.....	169,352	23,868.26	50,275	27,695.78	37,696	74.98	29,002.00
ARIZONA.....	1,220,314	16,141.70	433,172	20,523.41	323,286	74.63	22,398.86
ARKANSAS.....	892,638	11,562.23	230,821	15,173.72	144,782	62.72	16,162.46
CALIFORNIA.....	10,552,286	18,168.23	3,528,116	23,196.08	2,544,358	72.12	24,908.20
COLORADO.....	1,461,703	17,061.65	416,076	20,834.25	296,067	71.16	22,580.03
CONNECTICUT.....	1,514,791	18,858.37	622,263	23,687.12	496,155	79.73	24,329.44
DELAWARE.....	277,260	16,710.20	126,821	21,555.99	101,943	80.38	21,907.82
DISTRICT OF COLUMBIA	262,714	17,309.46	104,718	18,292.11	66,829	63.82	19,891.37
FLORIDA.....	4,506,621	13,487.39	1,414,294	16,323.27	789,561	55.83	18,453.44
GEORGIA.....	2,432,688	13,829.38	873,583	17,417.72	606,976	69.48	18,923.94
HAWAII.....	470,799	16,031.15	202,124	21,152.35	147,641	73.04	22,544.63
IDAHO.....	366,862	15,263.51	105,662	20,995.99	85,082	80.52	22,003.45
ILLINOIS.....	4,867,743	17,600.74	1,765,041	21,325.27	1,276,571	72.33	23,574.83
INDIANA.....	2,304,353	14,765.10	938,979	18,754.74	697,069	74.24	20,151.89
IOWA.....	1,228,463	14,300.88	345,872	20,120.87	264,177	76.38	21,639.21
KANSAS.....	1,049,375	14,713.55	326,655	18,646.49	212,068	64.92	20,811.07
KENTUCKY.....	1,345,239	13,924.41	469,554	17,089.48	339,101	72.22	19,093.93
LOUISIANA.....	1,528,185	14,750.59	450,630	18,902.30	268,005	59.65	21,163.78
MAINE.....	530,634	13,192.55	176,945	16,670.56	117,916	66.64	18,417.96
MARYLAND.....	2,009,861	18,461.43	850,451	23,713.60	639,352	75.18	25,932.76
MASSACHUSETTS.....	2,653,158	16,368.66	1,034,160	20,838.98	782,904	75.70	21,709.08
MICHIGAN.....	3,834,438	16,089.18	1,395,324	21,613.37	1,085,557	77.80	23,296.97
MINNESOTA.....	2,044,271	14,320.60	595,218	20,110.93	392,354	65.92	22,877.66
MISSISSIPPI.....	905,415	14,300.70	328,611	16,393.17	230,570	70.17	18,434.29
MISSOURI.....	2,180,437	14,619.46	740,145	19,256.90	503,559	68.04	21,804.47
MONTANA.....	341,499	13,983.09	70,739	19,094.21	54,124	76.51	20,734.12
NEBRASKA.....	705,704	12,567.07	204,985	16,026.01	131,156	63.98	17,964.26
NEVADA.....	465,231	16,656.75	170,442	20,318.32	112,768	66.16	21,305.89
NEW HAMPSHIRE.....	418,775	14,984.99	167,626	18,562.49	121,793	72.66	20,602.47
NEW JERSEY.....	3,321,398	17,770.43	1,294,859	22,776.07	936,232	72.30	24,727.54
NEW MEXICO.....	538,119	15,028.49	184,795	17,997.60	129,215	69.92	19,152.00
NEW YORK.....	7,007,157	16,719.06	2,896,600	20,543.00	2,151,639	74.28	22,701.11
NORTH CAROLINA.....	2,657,459	13,560.47	1,007,223	17,172.42	689,749	68.48	18,486.72
NORTH DAKOTA.....	273,672	13,694.05	61,730	18,988.94	34,909	56.54	23,077.14
OHIO.....	4,660,579	16,162.00	1,833,127	20,495.52	1,441,353	78.63	22,235.25
OKLAHOMA.....	1,384,765	15,899.90	333,086	21,175.50	216,876	65.11	24,285.70

1983 EBRI/HHS CURRENT POPULATION SURVEY MAY PENSION SUPPLEMENT  
 EMPLOYEE BENEFIT UTILIZATION-Continued

STATE	CIVILIAN WORKFORCE	AVERAGE INCOME	AGES 35 AND OVER, ONE YEAR, 1000 HOURS				
			THIS POPULATION	AVERAGE INCOME	PENSION COVERAGE	% COVERED	AVERAGE INCOME
OREGON.....	1,212,738	\$15,787.53	421,043	\$19,175.97	306,891	72.89%	\$20,941.41
PENNSYLVANIA.....	4,857,542	15,178.87	1,851,699	18,358.57	1,397,116	75.45	19,717.24
RHODE ISLAND.....	411,074	13,213.83	126,288	18,747.09	92,477	73.23	20,038.99
SOUTH CAROLINA.....	1,350,111	12,063.77	412,751	14,390.78	254,914	61.76	15,725.45
SOUTH DAKOTA.....	306,577	13,324.42	78,535	17,325.19	51,474	65.54	19,917.10
TENNESSEE.....	1,917,291	16,095.64	678,094	19,275.61	521,567	76.92	21,314.51
TEXAS.....	6,790,184	17,068.25	2,006,993	21,547.81	1,330,921	66.31	24,099.46
UTAH.....	625,403	14,830.72	163,099	19,789.04	115,527	70.83	22,075.77
VERMONT.....	232,956	12,807.08	74,678	15,992.95	49,988	66.94	17,970.59
VIRGINIA.....	2,610,484	16,924.21	1,059,463	21,634.57	813,418	76.78	23,777.79
WASHINGTON.....	1,696,329	16,319.99	536,948	22,579.17	421,968	78.59	23,569.30
WEST VIRGINIA.....	669,238	13,918.09	252,559	17,583.40	198,346	78.53	18,899.16
WISCONSIN.....	2,275,370	14,492.64	754,736	20,793.81	603,060	79.90	22,265.94
WYOMING.....	211,770	15,701.05	50,427	21,091.62	38,639	76.62	22,296.08

1983 EBRI/HHS CURRENT POPULATION SURVEY MAY PENSION SUPPLEMENT  
EMPLOYEE BENEFIT UTILIZATION

	CIVILIAN WORKFORCE	AVERAGE INCOME	AGES 35 AND OVER, ONE YEAR, 1000 HOURS					
			TOTAL IRA'S	% WITH IRA'S	AVERAGE INCOME	TOTAL 401K'S	% WITH 401K'S	AVERAGE INCOME
Total.....	98,963,821	\$15,960.27	9,589,828	27.622	\$25,266.43	1,736,916	5.002	\$26,837.48
STATE								
ALABAMA.....	1,412,880	14,604.37	47,528	9.46	25,267.90	4,311	.86	13,000.00
ALASKA.....	169,352	23,868.26	14,985	29.81	28,775.49	3,211	6.39	34,480.06
ARIZONA.....	1,220,314	16,141.70	91,386	21.10	27,122.84	24,728	5.71	31,978.04
ARKANSAS.....	892,638	11,562.23	43,968	19.05	19,977.13	11,490	4.98	22,023.24
CALIFORNIA.....	10,552,286	18,168.23	999,931	28.34	28,340.94	236,585	6.71	28,268.15
COLORADO.....	1,461,703	17,061.65	130,255	31.31	24,299.77	19,986	4.78	26,104.83
CONNECTICUT.....	1,514,791	18,858.37	166,892	26.82	26,500.92	41,159	6.61	29,751.02
DELAWARE.....	277,260	16,710.20	33,355	26.30	32,150.05	3,787	2.99	32,636.60
DISTRICT OF COLUMBIA	262,714	17,309.46	12,433	11.87	28,389.91	1,822	1.74	35,779.86
FLORIDA.....	4,586,621	13,487.39	287,376	20.32	20,473.65	56,757	4.01	24,566.88
GEORGIA.....	2,432,688	13,829.38	203,597	23.31	22,625.79	21,998	2.52	17,161.88
HAWAII.....	470,799	16,031.15	58,516	28.95	25,544.82	-	-	-
IDaho.....	366,862	15,263.51	38,303	36.25	24,770.98	1,742	1.65	11,879.68
ILLINOIS.....	4,867,743	17,600.74	576,314	32.65	24,120.74	104,686	5.93	28,030.81
INDIANA.....	2,304,353	14,765.10	193,715	20.63	23,672.32	59,598	6.35	25,621.17
IOWA.....	1,220,463	14,300.88	94,631	27.36	22,980.41	14,752	4.27	30,201.46
KANSAS.....	1,049,375	14,713.55	109,681	33.58	20,176.87	21,167	6.48	22,810.59
KENTUCKY.....	1,345,239	13,924.41	94,695	20.17	22,161.18	3,545	.76	51,948.00
LOUISIANA.....	1,528,105	14,750.59	81,975	18.19	22,943.08	9,273	2.06	31,703.31
MAINE.....	530,634	13,192.55	31,161	17.61	20,704.34	5,199	2.94	25,861.47
MARYLAND.....	2,009,861	18,461.43	306,688	36.06	30,855.67	48,933	5.75	27,577.27
MASSACHUSETTS.....	2,653,158	16,368.66	280,810	27.15	25,980.68	46,792	4.52	21,706.28
MICHIGAN.....	3,834,438	16,089.18	402,991	28.88	24,310.22	77,457	5.55	26,385.57
MINNESOTA.....	2,044,271	14,320.60	201,701	33.89	25,396.17	32,955	5.54	21,860.16
MISSISSIPPI.....	965,415	14,300.70	49,251	14.99	28,639.20	3,801	1.16	29,320.53
MISSOURI.....	2,100,437	14,619.46	215,290	29.09	23,512.10	52,487	7.09	26,468.03
MONTANA.....	341,499	13,983.09	15,674	22.16	23,293.15	5,390	7.62	24,067.17
NEBRASKA.....	705,704	12,567.07	51,949	25.34	18,901.61	10,110	4.93	21,040.93
NEVADA.....	465,231	16,656.75	40,012	23.48	22,230.41	7,811	4.58	22,395.84
NEW HAMPSHIRE.....	418,775	14,904.99	46,392	27.68	21,351.33	6,177	3.68	30,056.87
NEW JERSEY.....	3,321,398	17,770.43	440,933	34.05	28,228.00	68,826	5.32	31,036.11
NEW MEXICO.....	530,119	15,028.49	47,715	25.82	20,234.77	11,955	6.47	23,232.73
NEW YORK.....	7,007,157	16,719.06	822,854	28.41	25,209.28	118,987	4.11	27,158.85
NORTH CAROLINA.....	2,657,459	13,560.47	228,582	22.69	24,161.03	37,306	3.70	24,475.23
NORTH DAKOTA.....	273,672	13,694.05	15,496	25.10	19,283.44	5,218	8.45	27,867.46
OHIO.....	4,660,579	16,162.00	676,468	36.90	23,031.92	101,275	5.52	25,688.57
OKLAHOMA.....	1,384,765	15,899.90	49,964	15.00	25,839.50	27,372	8.22	17,452.02

1983 EBRI/HHS CURRENT POPULATION SURVEY MAY PENSION SUPPLEMENT  
 EMPLOYEE BENEFIT UTILIZATION-Continued

STATE	CIVILIAN WORKFORCE	AVERAGE INCOME	AGES 35 AND OVER, ONE YEAR, 1000 HOURS					
			TOTAL IRA'S	% WITH IRA'S	AVERAGE INCOME	TOTAL 401K'S	% WITH 401K'S	AVERAGE INCOME
OREGON.....	1,212,738	\$15,787.53	133,009	31.59%	\$24,793.69	26,017	6.18%	\$29,680.49
PENNSYLVANIA.....	4,857,542	15,178.87	531,437	28.70	22,785.24	56,180	3.03	22,116.25
RHODE ISLAND.....	411,074	13,213.83	39,985	31.66	22,408.40	8,585	6.80	29,028.35
SOUTH CAROLINA.....	1,350,111	12,063.77	35,424	8.58	17,382.18	9,545	2.31	26,778.09
SOUTH DAKOTA.....	306,577	13,324.42	21,549	27.44	17,912.01	4,106	5.23	22,185.32
TENNESSEE.....	1,917,291	16,095.64	133,341	19.66	24,366.48	19,463	2.87	23,592.40
TEXAS.....	6,790,184	17,068.25	574,757	28.64	28,539.88	129,479	6.45	33,926.64
UTAH.....	625,403	14,830.72	41,103	25.20	24,336.86	16,122	9.98	24,959.32
VERMONT.....	232,956	12,807.08	17,121	22.93	19,589.85	5,445	7.29	14,262.03
VIRGINIA.....	2,610,484	16,924.21	353,729	33.39	30,070.56	46,917	4.43	25,201.84
WASHINGTON.....	1,696,329	16,319.99	151,292	28.18	24,767.89	45,624	8.50	27,781.50
WEST VIRGINIA.....	669,238	13,918.09	40,017	15.84	21,900.30	10,556	4.18	20,340.49
WISCONSIN.....	2,275,370	14,492.64	297,182	39.38	23,988.48	45,811	6.07	24,872.66
WYOMING.....	211,770	15,701.05	16,412	32.55	26,654.31	4,500	8.92	27,374.18

- Data not available.

1983 EBRI/HHS CURRENT POPULATION SURVEY PAY PENSION SUPPLEMENT  
EMPLOYEE BENEFIT UTILIZATION

	CIVILIAN WORKFORCE	AVERAGE INCOME	AGES 35 AND OVER, ONE YEAR, 1000 HOURS		
			PRIMARY HEALTH PLAN	% WITH HEALTH PLAN	AVERAGE INCOME
Total.....	98,963,821:	\$15,960.27	28,870,473:	83.15%	\$21,754.88
STATE					
ALABAMA.....	1,412,888:	14,604.37	361,015:	71.87	19,286.88
ALASKA.....	169,352:	23,868.26	41,645:	82.83	30,107.92
ARIZONA.....	1,220,314:	16,141.70	344,345:	79.49	22,615.93
ARKANSAS.....	892,638:	11,562.23	184,849:	80.08	15,768.15
CALIFORNIA.....	10,552,286:	18,168.23	3,038,355:	86.12	24,627.89
COLORADO.....	1,461,703:	17,061.65	310,990:	74.74	23,568.06
CONNECTICUT.....	1,514,791:	18,858.37	515,323:	82.81	25,473.07
DELAWARE.....	277,260:	16,710.20	101,655:	80.16	23,763.38
DISTRICT OF COLUMBIA:	262,714:	17,309.46	76,729:	73.27	20,459.50
FLORIDA.....	4,506,621:	13,487.39	1,007,341:	76.88	17,298.87
GEORGIA.....	2,432,688:	13,829.38	737,926:	84.47	18,564.65
HAWAII.....	470,799:	16,031.15	161,522:	79.91	22,349.07
IDAH0.....	366,862:	15,263.51	91,465:	86.56	22,060.84
ILLINOIS.....	4,867,743:	17,600.74	1,527,121:	86.52	22,947.09
INDIANA.....	2,304,353:	14,765.10	790,009:	84.13	19,990.20
IOWA.....	1,228,463:	14,300.88	282,636:	81.72	22,104.99
KANSAS.....	1,049,375:	14,713.55	247,769:	75.85	21,321.01
KENTUCKY.....	1,345,239:	13,924.41	398,415:	84.85	17,582.33
LOUISIANA.....	1,528,105:	14,750.59	357,487:	79.33	21,095.56
MAINE.....	530,634:	13,192.55	150,131:	94.85	17,815.54
MARYLAND.....	2,009,861:	18,461.43	681,923:	80.18	25,513.92
MASSACHUSETTS.....	2,653,158:	16,360.66	893,228:	86.37	22,058.44
MICHIGAN.....	3,834,438:	16,089.18	1,194,134:	85.58	23,020.27
MINNESOTA.....	2,044,271:	14,320.60	473,369:	79.53	22,279.36
MISSISSIPPI.....	905,415:	14,300.70	260,239:	79.19	17,900.48
MISSOURI.....	2,100,437:	14,619.46	596,352:	80.57	21,060.23
MONTANA.....	341,499:	13,983.09	50,063:	70.77	21,248.26
NEBRASKA.....	705,704:	12,567.07	140,304:	68.45	18,010.69
NEVADA.....	465,231:	16,656.75	140,812:	82.62	20,851.22
NEW HAMPSHIRE.....	418,775:	14,904.99	138,139:	82.41	20,333.64
NEW JERSEY.....	3,321,398:	17,770.43	1,106,467:	85.45	23,806.55
NEW MEXICO.....	538,119:	15,028.49	133,765:	72.39	20,105.23
NEW YORK.....	7,007,157:	16,719.06	2,487,846:	85.89	21,766.88
NORTH CAROLINA.....	2,657,459:	13,560.47	886,266:	87.99	18,189.10
NORTH DAKOTA.....	273,672:	13,694.05	46,860:	75.90	21,695.36
OHIO.....	4,660,579:	16,162.00	1,545,476:	84.31	21,925.36
OKLAHOMA.....	1,384,765:	15,899.90	258,377:	77.57	22,838.36
OREGON.....	1,212,738:	15,787.53	338,772:	80.46	21,330.90

1983 EBRI/HHS CURRENT POPULATION SURVEY NET PENSION SUPPLEMENT  
 EMPLOYEE BENEFIT UTILIZATION-Continued

	CIVILIAN WORKFORCE	AVERAGE INCOME	AGES 35 AND OVER, ONE YEAR, 1000 HOURS		
			PRIMARY HEALTH PLAN	% WITH HEALTH PLAN	AVERAGE INCOME
STATE					
PENNSYLVANIA.....	4,857,542:	\$15,178.87	1,549,466:	83.682	\$19,622.84
RHODE ISLAND.....	411,074:	13,213.83	105,410:	83.47	19,794.83
SOUTH CAROLINA.....	1,350,111:	12,063.77	354,167:	85.81	14,912.72
SOUTH DAKOTA.....	306,577:	13,324.42	58,057:	73.92	20,149.86
TENNESSEE.....	1,917,291:	16,095.64	563,347:	83.08	20,991.29
TEXAS.....	6,790,184:	17,068.25	1,626,733:	81.05	23,175.31
UTAH.....	625,403:	14,830.72	136,325:	83.58	21,272.60
VERMONT.....	232,956:	12,007.08	59,064:	79.09	16,962.39
VIRGINIA.....	2,610,484:	16,924.21	974,369:	82.53	23,223.86
WASHINGTON.....	1,696,329:	16,319.99	462,829:	86.20	23,245.00
WEST VIRGINIA.....	669,238:	13,918.09	214,434:	84.90	18,862.79
WISCONSIN.....	2,275,370:	14,492.64	646,871:	85.71	22,629.25
WYOMING.....	211,770:	15,701.05	40,281:	79.88	22,261.84

APPENDIX II

Employer Benefit Tax Expenditures in the Administration's

Budget by Budget Function, Fiscal Years 1983-1985

(In millions of dollars) a/

<u>Provision</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
<u>Commerce and Housing Credit:</u>			
Exclusion of interest on life insurance savings	\$4,335	\$4,720	\$5,180
<u>Education, Training, Employment, and Social Services:</u>			
Employer educational assistance	40	20	--
Exclusion of employer provided child care	20	40	70
Exclusion of employee meals and lodging (other than military)	680	725	795
Exclusion of contributions to pre-paid legal services plans	40	40	45
Investment credit for ESOPs	1,250	1,375	1,875
<u>Health:</u>			
Exclusion of employer contributions for medical insurance premiums and medical care	15,270	17,625	20,165
<u>Social Security and Medicare:</u>			
<u>Exclusion of Social Security benefits:</u>			
OASI benefits for retired workers	14,035	13,895	12,975
Benefits for dependents and survivors	3,775	3,755	3,765
Disability insurance benefits	1,310	1,225	1,105
<u>Income Security:</u>			
Exclusion of railroad retirement system benefits	780	615	450
Exclusion of workman's compensation benefits	1,885	2,020	2,215
Exclusion of special benefits for disabled coal miners	160	155	155
Exclusion of untaxed unemployment insurance benefits	2,960	2,305	1,800
Exclusion of disability pay	120	75	--
<u>Net exclusion of pension contributions and earnings:</u>			
Employer plans	46,585	50,535	56,340
Individual Retirement Accounts	8,855	9,190	9,840
Keoghs	1,460	1,475	1,530
<u>Exclusion of other employee benefits:</u>			
Premiums on group term life insurance	2,040	2,170	2,380
Premiums on accident and disability insurance	120	120	125
Income of trusts to finance supplementary unemployment benefits	20	20	20
<u>Veterans benefits and services:</u>			
Exclusion of veterans disability compensation	1,815	1,810	1,855
Exclusion of veterans pensions	345	335	340
<u>Total</u>	<u>107,950</u>	<u>114,295</u>	<u>123,125</u>

SOURCE: Special Analysis G, Budget of the United States Government, Fiscal Year 1985.

a/ Budget functions are groups of federal programs or activities that address a common national need. There are 18 budget functions.