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SPECIAL COMMITTEE ON AGING

HEARING ON

WOMEN'S PENSION EQUITY

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STATEMENT OF*

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* The views expressed in this statement are those of the author and do not necessarily reflect the views of the Employee Benefit Research Institute, its Trustees, members, or other staff.

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INTRODUCTION

Mr. Chairman, it is a pleasure to appear before you today. I appear in my capacity as Research Director of the Employee Benefit Research Institute. EBRI is a nonprofit organization dedicated to providing research and analysis which can serve as the basis for sound policy toward employee benefits. EBRI as an institution does not take positions on public policy issues.

I am pleased to address the Committee in regard to the various legislative proposals and H.R.2090 in particular, that seek to provide more equitable treatment of women by pension programs. Before turning explicitly to these proposals, however, I will provide some general background on pensions that help set the context for my later remarks.

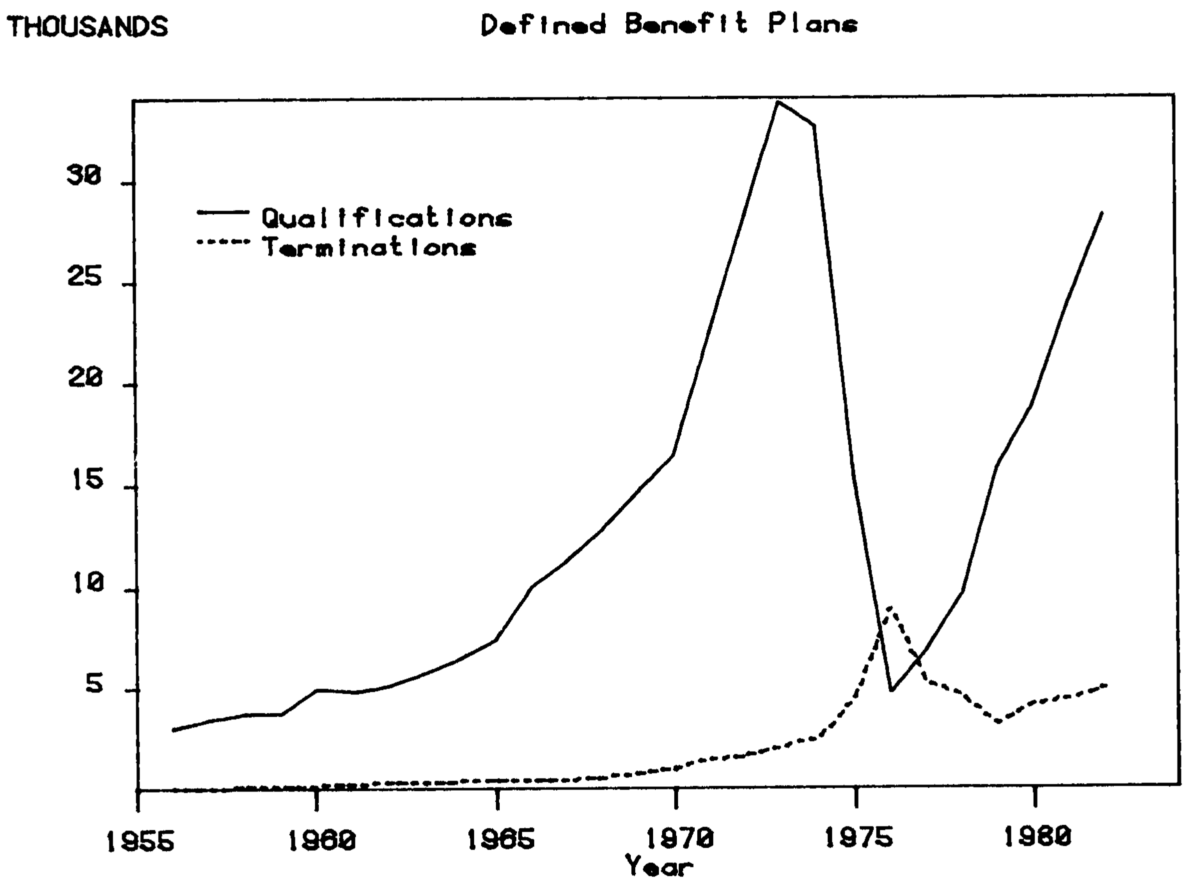
THE MACRO EFFECTS OF PENSION POLICY

Let me begin by asking you to move back in time ten years. In June 1973, the prime source of regulation of employer-sponsored welfare and pension programs was the Internal Revenue Code. The Federal Welfare and Pension Plan Disclosure Act had been enacted in 1958 and amended in 1962. In the context of 1983, however, this legislation was a cake walk. The Taft-Hartley Act of 1947 had imposed certain restrictions on collectively bargained multiemployer plans but these primarily related to joint administration of plans by labor and management.

By the end of 1973, according to Securities Exchange Commission estimates, private pension trusts held assets worth $183 billion. A few highly publicized cases of inadequate funding, poor administration and occasional embezzlement received wide publicity. To remedy these problems and to increase pension participant and beneficiary rights, Congress enacted the Employee Retirement Income Security Act in 1974. ERISA did not require employers to adopt employee pensions or welfare benefit programs. Where voluntary plans were established, however, they were required to comply with extensive reporting and fiduciary requirements and minimum standards of coverage, participation, vesting and benefit funding. ERISA created the Pension Benefit Guaranty Corporation to ensure a level of vested benefits when defined benefit plans terminate. ERISA also set limits on the amount of tax deductible contributions that a plan sponsor could make to a pension trust in a worker's behalf and established provisions for these contribution limits to increase over time to keep up with inflation.

While ERISA has had many ramifications for the private pension system most have not been systematically measured. One notable exception is the effect of ERISA on plan formation and termination. For example, Figure 1 shows the number of defined benefit plans that were granted tax-qualification status each of the years between 1956 and 1982. The number of newly qualified plans had grown steadily over the period between 1956 and 1973. ERISA was signed into law on Labor Day of 1974 and was largely implemented during 1975, 1976 and 1977. The number of newly qualified plans declined precipitously during this period and has only approached pre-ERISA levels during the last couple of years. The figure also shows the number of plan terminations in each of the years over this period. Again the number of terminations increased markedly during the period that ERISA was being implemented. Also the number of annual terminations has remained somewhat higher in recent years than had been occurring prior to the passage and implementation of ERISA. During 1976, the number of defined benefit plans terminated exceeded the number of plans newly qualified, a phenomenon unique in the post-depression era.

FIGURE 1



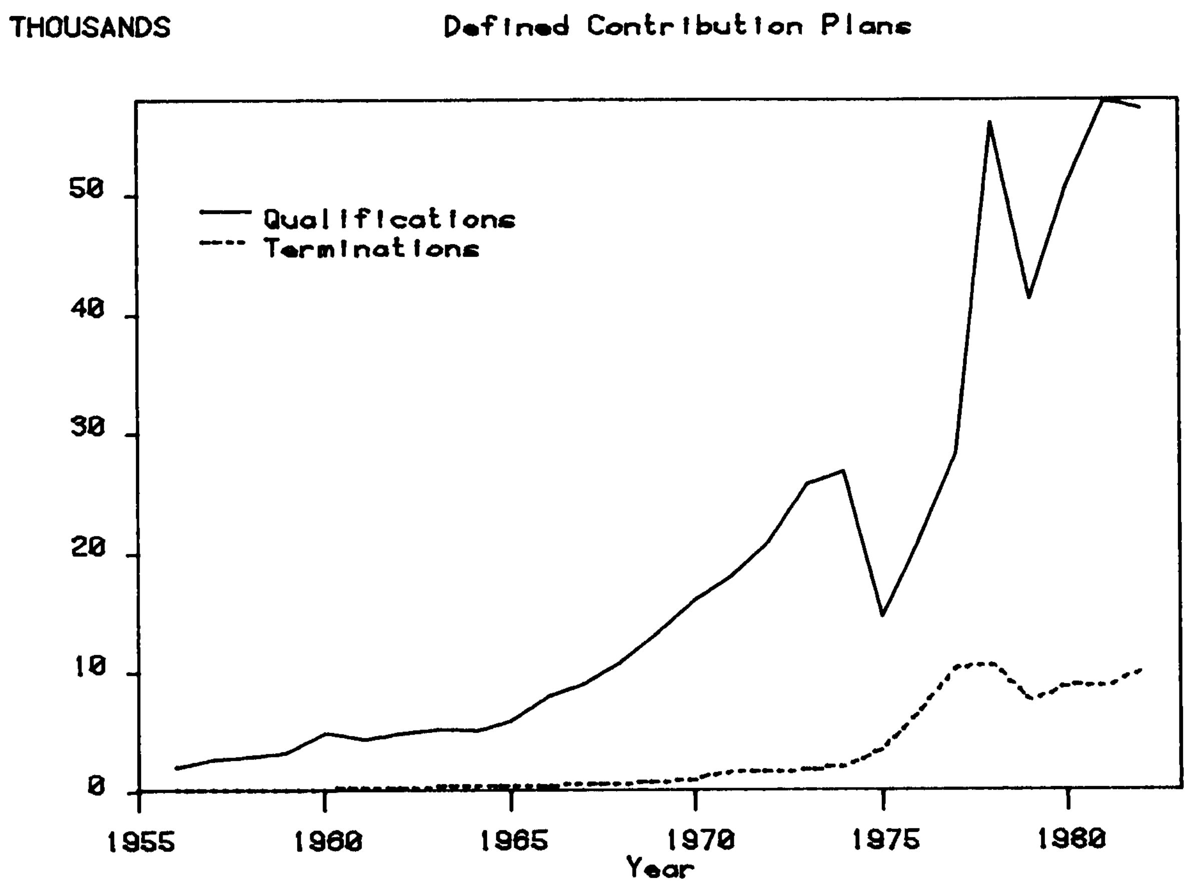
SOURCE: EBRI compilation of IRS data.

Figure 2 shows similar data for defined contribution plan qualifications and terminations. The patterns are similar to those shown for defined benefit plans. The number of plan qualifications during the period 1956-1973 showed a steady pattern of growth. There is also the precipitous decline in the number of newly qualified plans and increase in plan terminations during the implementation of ERISA. The defined contribution qualification trends differ from those shown for defined benefit plans in that defined contribution qualifications during 1977 exceeded the pre-ERISA levels. There was even a tremendous surge in plan creations during 1978 that was only exceeded by defined contribution plan creations in 1982. This spike in defined contribution plan creations was a lagged response to the number of defined benefit plan terminations that occurred during the implementation of ERISA. PBGC's studies of defined benefit plan terminations during 1976, 1977 and 1978 indicated that large numbers of these plans were replaced by newly qualified defined contribution plans.

So ERISA not only affected the levels of plan qualifications and terminations it also affected the relative balance between defined benefit and defined contribution plans. This is shown in Figure 3 which shows the net growth in both types of plans over the period being discussed. The net plan growth is defined here as the number of newly qualified plans in each year minus the number of plan terminations in that year. Prior to 1974 the net growth in defined benefit plans had consistently exceeded the growth in defined contribution plans. Since 1975, however, the opposite has been true.

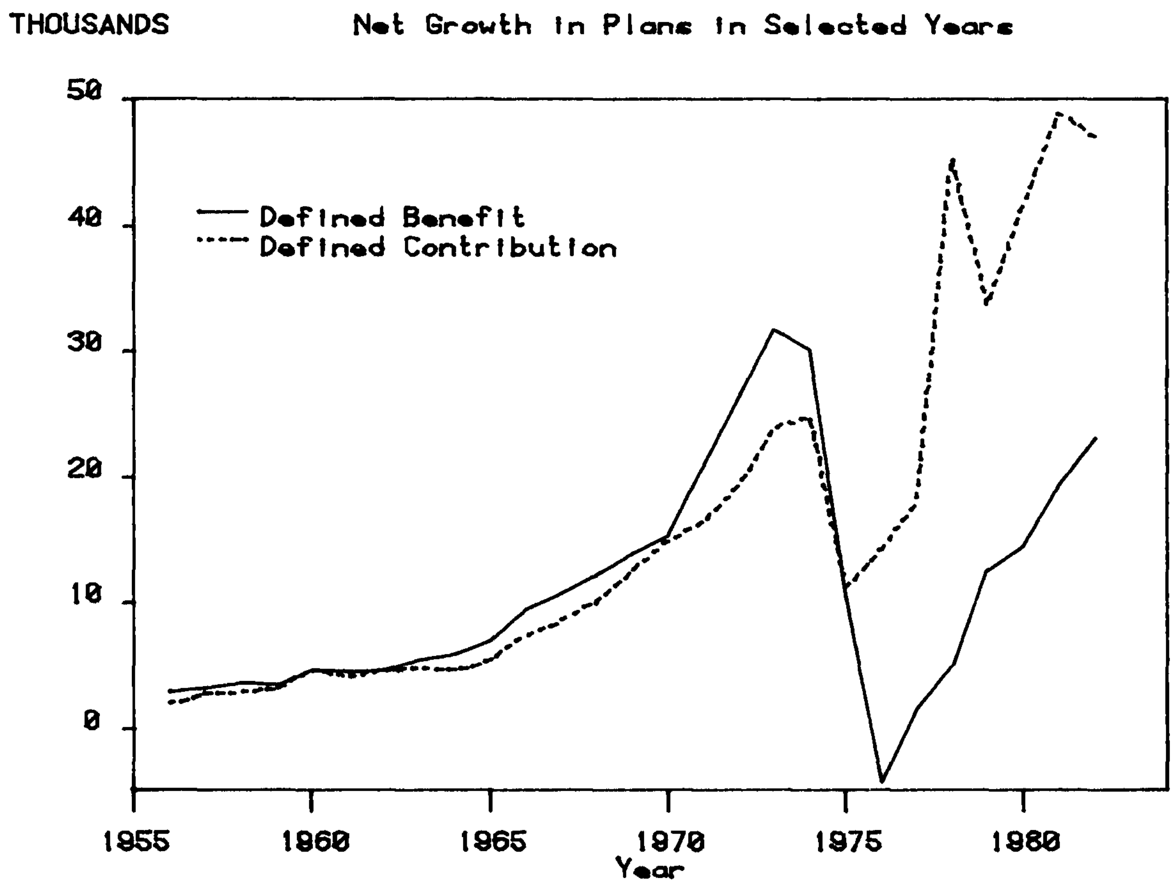
Figure 4 shows the pattern of net total plans created over the 1956 to 1982 period. The net total plans created includes the net growth in both defined benefit and defined contribution plans. The aggregation of plans in

FIGURE 2



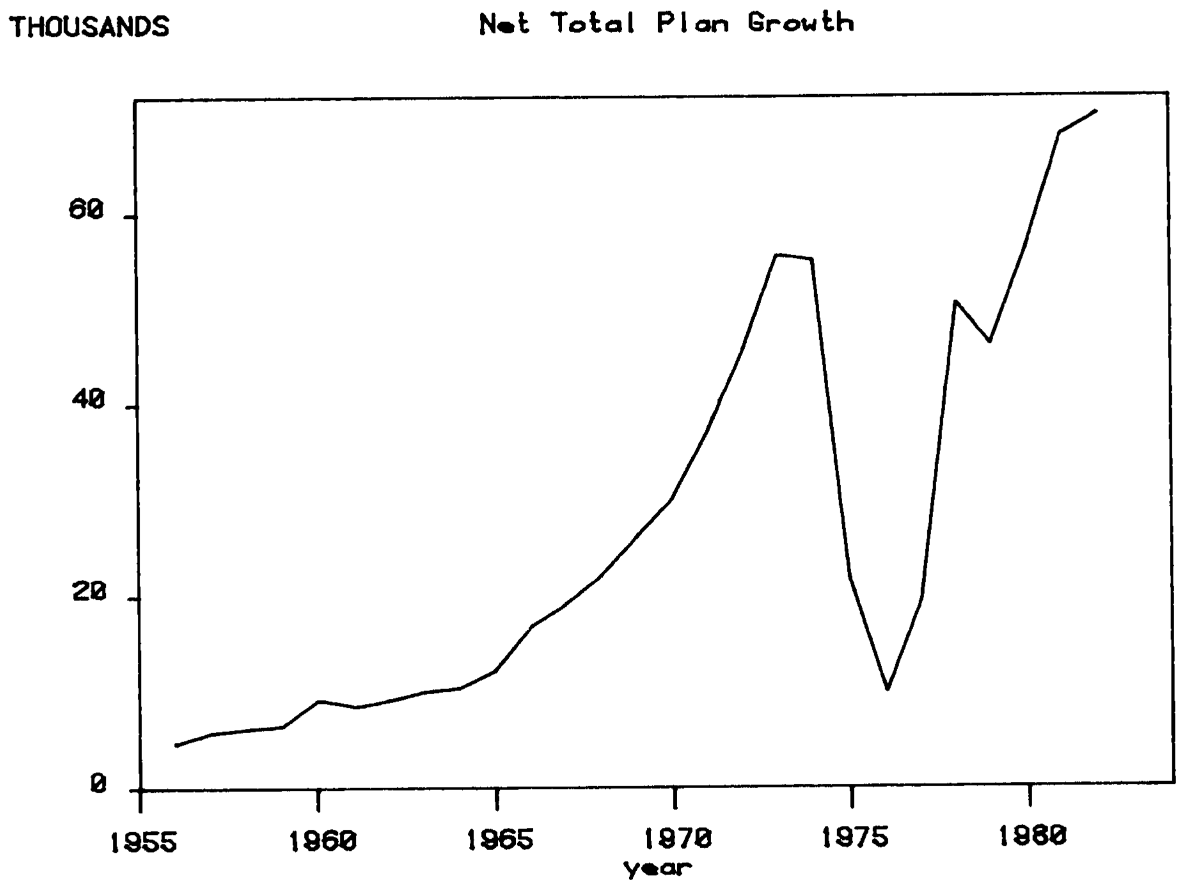
SOURCE: EBRI compilation of IRS data.

FIGURE 3



SOURCE: EBRI compilation of IRS data.

FIGURE 4



SOURCE: EBRI compilation of IRS data.

this fashion distills out the all of the decreases in qualification, increases in terminations and shifts from one type of plan to another. It shows simply that policy shifts do effect the the pension system in this country. This does not mean that policy changes should not be considered or even passed and implemented. It does suggest that policy changes should be deliberated and considered with care so as to not unduly destabalize the positive accomplishments of the private pension system.

Since the passage of ERISA in 1974, the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982 contains the most significant changes for employer-sponsored retirement plans. The changes included in TEFRA will affect plans both substantively and administratively. Since parts of TEFRA have not been fully implemented, it is premature to assume that the full ramifications of this legislation are yet understood. In fact, any quantified assessment of TEFRA at this point in time is an exercise in the fine art of crystal ball gazing. Some elements of the new law have not yet been implemented. Even if there have been adjustments in anticipation of TEFRA, there are not data yet available for assessing those adjustments. This does not mean, however, that certain directional implications cannot be hypothesized. Lowering the Section 415 contribution limits will reduce the pension contribution and benefit relative to salary for some highly compensated executives and professionals. If these reductions occur, some pension plans may be modified to keep pension contribution rates for middle and lower income workers in line with the lower rates that would result for the highly compensated.

None of the federal agencies that regulate or monitor pension programs have ever identified and evaluated the factors that promote pension plan creations. While simple economic theory suggests that lower incentives will result in less response, it is impossible to evaluate the significance of tax code modifications without undertaking substantive, empirical research.

The two year freeze of the contribution limits grew out of a concern that the automatic CPI indexation of Social Security benefits would be eliminated as part of the policies to resolve the Social Security financing situation. This was a matter of grave concern during the deliberations on TEFRA during 1982. There is now some concern in the pension community that the contribution limit freeze may extend beyond the two year period specified in TEFRA. Any extended freeze in the contribution limits will mean that the capacity of pension programs to maintain pre-retirement living standards will be diminished markedly over time. The linkage of the freeze in TEFRA to the potential freeze in post-entitlement indexation of Social Security benefits was inconsistent in the first place.

What many people do not understand is that there are four elements of Social Security that are indexed. First, the maximum taxable income levels (the contribution limits, if you will) are indexed by wage growth each year. There has never been any discussion of freezing the Social Security contribution limits. Second, a worker's earnings are indexed at retirement to account for wage growth over his or her career. These indexed wages are used to compute the initial benefit entitlement under Social Security. Third, the Social Security benefit formula is itself indexed by wage growth. This is accomplished through the indexing of what are often referred to as the formula bend points. Finally, the benefits themselves are indexed to account for price increases.

While the 1983 Social Security Amendments did include a six month delay in benefit indexation, none of the other indexing components were touched. Among private pensions and even state and local plans, full CPI indexation of post retirement benefits does not exist today for all practical purposes. Any proposal or policy to freeze pension contribuion limits indefinitely will result in the direct dimunition of the private pension system over time in both absolute terms and relative to Social Security.

The reduction of the 140 percent combined contribuion limits when multiple plans are offered may cause a reduction in some benefits, but it is highly unlikely that the 125 percent limit will lead to a large elimination of plans. In fact, the lower limits for single plans may encourage some sponsors to set up secondary plans where they had only one in the past.

The withholding provisions have apparently caused a lot of problems and concern among the recipient population. The provisions in TEFRA that require the benefit payors to annually notify beneficiaries that they can change their withholding status may make the recent confusion an annual affair.

The private pension system today is in turmoil. In large measure, the plan creation data indicates that over the last couple of years the system had recovered from the initial shock of ERISA and had begun to expand again. The economics of high inflation during the latter 1970s and the extended recession of the early 1980s have caused problems that have been largely handled. The shock of TEFRA is being applied to a system that has been buffetted for most of the last ten years. The system has been extremely resilient until now and may survive TEFRA relatively unscathed. Then again, it may not.

Among plan sponsors ERISA was seen as the inevitable result of the policy process establishing new rules to resolve problems in the pension game. Perhaps the most significant lesson of TEFRA is the changed perception that plan sponsors have on the way that pension policy is being made. TEFRA is broadly perceived as a tax revenue enhancement charade being played by policy advisors who do not understand the pension system or its problems. Furthermore, the discussions of radical reform to the federal tax system and continuing federal debt situation have led many to conclude that TEFRA was a precursor to more tax law changes affecting pensions. With the publication of the 1984 Federal Budget there is new evidence that the pension system may again become a target of the budget process.

This concern arises because of the precipitous increase in the related "tax expenditure" estimate in the 1984 budget. Table 1 shows the tax expenditure estimates due to the treatment of employer sponsored plans included in the last four federal budgets.

TABLE 1

FEDERAL REVENUE LOSS ESTIMATES FOR "TAX EXPENDITURES" DUE TO NET EXCLUSION OF PENSION CONTRIBUTIONS AND EARNINGS PRESENTED IN SELECTED FEDERAL BUDGETS

Budget	FISCAL YEAR (in millions)				
	1980	1981	1982	1983	1984
1981 Budget	$ 12,925	$ 14,740			
1982 Budget	19,785	23,605	$ 27,905		
1983 Budget		23,390	25,765	$ 27,500	
1984 Budget			45,280	49,700	$ 56,560

SOURCES: Special Analysis G of the Budget of the United States Government for Fiscal Years 1981-1984 (Washington, D.C.: Office of Management and Budget).

The 1981 Budget estimate of this particular tax expenditure for fiscal year 1981 was $14.7 billion. The 1982 Budget estimated the 1981 fiscal year tax expenditure for the identical category of plans at $23.6 billion -- a 60 percent increase. There was absolutely no explanation in the budget documents explaining the changed estimate from one budget to the next. The only explanation that we have found for the 1980 and 1981 Budget differences is by Alicia Munnell who writes that the "Revised estimates employ higher, and therefore move realistic, marginal tax rate assumptions. These indicate a substantially larger tax expenditure for private plans."1/ The explanation that higher marginal rates were used to generate the 1982 Budget estimates is plausible. What is interesting is that there is absolutely no published documentation on the actual rates used to generate either the 1981 or 1982 Budget estimates. Not only does Munnell ignore this completely throughout her book on private pensions but she also fails to explain her conclusion that the higher tax rate assumptions used in the 1982 Budget estimate are "therefore more realistic." There is certainly no *a priori* reason to believe that any set of assumptions is more realistic than another without an analytical basis on which to evaluate them. Such analysis was not available to compare the 1981 and 1982 Budgets. There is also a lack of analysis explaining even greater discrepancies between the 1983 and 1984 Budgets. The estimated fiscal 1982 tax expenditure due to net exclusion of employer pension contributions and trust fund earnings was 75.7 percent higher in the 1984 Budget than in the 1983 Budget. The projected growth in this category of tax expenditure was 254.8 percent higher in the 1984 Budget than in the

1/ Alicia H. Munnell, *The Economics of Private Pensions* (Washington, D.C.: The Brookings Institution, 1982) p. 44.

prior year's estimate. Again, none of the Budget materials or other public documents explain the revised estimates.2/

EXPANDING POTENTIAL OF THE PENSION SYSTEM

For many policy analysts the most frustrating aspect of the perceived cost of pension to the public fisc is that these balooning cost estimates are not matched by comparable increases in the numbers of beneficiaries. Not only is the unreliability of the tax expenditure estimates ignored, considerations of the effectiveness of retirement programs often overlook the relative state of maturity of the pension system. A retirement program becomes mature when the relationship between the percentage of workers participating stabilizes over time relataive to the percentage of the elderly receiving benefits.

For example, consider Social Security and the relative rates of worker participation and recipiency among the elderly. Table 2 shows that worker participation rate in 1940 was about twenty-five times the percentage of elderly receiving benefits in that year. As the program matured, this difference declined to less than four times in 1950 and then gradually moved toward and reached equality in the mid-1970s. It took Social Security about thirty-five years until beneficiaries made up a segment of the retired population that was comparable to the segment of the workforce that was contributing to the program.

2/ For a complete discussion of underlying reasons for the increase in this tax expenditure estimate see EBRI Issue Brief No. 17, "Retirement Program Tax Expenditures: A Case of Unsubstantiated, Undocumented, Arbitrary Numbers," April 1983.

TABLE 2

PERCENT OF WORKERS PARTICIPATING IN SOCIAL SECURITY AND PERCENT OF POPULATION OVER AGE 65 RECEIVING BENEFITS BY SELECTED YEARS

Year	Workers Participation	Population over 65 Receiving Benefits
1940	57.8%	2.3%
1950	64.5	17.0
1960	88.9	62.3
1970	89.5	85.5
1975	89.8	90.4
1980	91.0	89.8

SOURCE: Coverage data for 1940-1970, from U.S. Bureau of the Census, Historical Statistics of the United States (Washington, D.C., 1975), p. 348.; for 1975 from U.S. Bureau of the Census, Statistical Abstract of the United States 1981 (Washington, D.C., 1982), p. 326. Beneficiary data for 1940-1960, from U.S. Bureau of the Census, Historical Statistics of the United States (Washington, D.C., 1975), p. 357; for 1970, from Social Security Bulletin (March 1981), p. 73; for 1975-80 from Social Security Bulletin (March 1983), p. 105.

There is not comparable time series data on pensions but there is pension plan data shown in Table 3 that indicates a similar maturation phenomenon. Among all defined benefit plans with more than 100 particpants in 1977 that had been set up within the prior five years, 69 percent had more than ten active workers for each beneficiary and 56 percent had more than twenty active participants for each beneficiary. For plans that were five to ten years old in 1977, 59 percent had ten or more active participants for each beneficiary.3/

Among older plans the situation was significantly different. Two out of three of those plans that were twenty-one to twenty-five years old in 1977

3/ Sylvester J. Schieber, Social Security: Perspectives on Preserving the System, (Washington, D.C.: The Employee Benefit Research Institute, 1982) p. 55.

TABLE 3

WORKING PARTICIPANTS PER BENEFICIARY IN DEFINED BENEFIT PENSION PLANS WITH MORE THAN 100 ACTIVE PARTICIPANTS DURING 1977 BY PLAN AGE

		Plan Age						
	Total	Less Than 5 Years	5-10 Years	11-15 Years	16-20 Years	21-25 Years	Over 25 Years	Unknown
Total Plans (number)	22,467	4,092	5,418	3,839	3,008	2,258	3,628	224
Working Participants Per Beneficiary	Percentage of Plans							
Two or less	5.5	1.9	2.1	3.4	7.0	10.5	12.0	7.6
More than 2, up to 5	19.8	7.5	10.2	17.2	27.9	31.3	36.9	21.9
More than 5, up to 10	20.1	10.7	17.4	23.5	25.9	24.9	23.1	21.9
More than 10, up to 20	15.4	13.1	19.6	19.3	15.7	12.1	9.4	12.5
More than 20	30.0	55.5	39.7	26.7	16.9	14.4	10.8	26.3
Unknown a/	9.3	11.3	10.9	9.9	6.7	6.7	7.7	9.8

SOURCE: EBRI tabulations of 1977 plan disclosure data submitted to IRS in compliance with ERISA.

a/ Includes plans with no beneficiaries reports.

had fewer than 10 active workers for each beneficiary. For plans over twenty-five years old in 1977 nearly half, 49 percent, had fewer than five active participants for each beneficiary. The evidence clearly indicates that as the universe of pension plans ages, the relative number of recipients will increase.4/

The future potential of the pension system hinges on its current level of maturity. Among defined benefit plans, which cover two out of three private pension participants, 38 percent of the tax-qualified plans in operation at the end of 1982 were less than five years old and 73 percent were less than ten years old. Among the universe of tax-qualified defined contribution plans at the end of 1982, 39 perent had been qualified in the last five years and 56 percent had been qualified since 1972. The pension system in this country today is quite young but it is poised to make a major contribution to the retirement income security of the elderly in coming years.

If the maturing of the pension system is leading to higher recipiency rates more of the young elderly, those recently reaching retirement age, should be receiving pensions than the old elderly. In fact during 1979, according to the March 1980 Current Population Survey, 37 percent of elderly families were receiving at least one pension where the family head was between the ages of sixty-five and sixty-nine. Among the elderly families where the head was over seventy years of age 30 percent were receiving a pension.

It should also be noted that most of this difference is attributable to higher private pension receipt among the young elderly. The older public

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4/ Ibid., p. 52, 56.

plans have already reached maturity as reflected by the fact that 12.5 percent of the young elderly families received a public pension in 1979 compared with 11.2 percent of the old elderly. By comparison, 26.0 percent of the young elderly families received a private pension while 19.6 percent of the old elderly were receiving a private pension benefit.

Finally, defined-contribution plans, which are most prevalent in the private sector, may be contributing more to the elderly's retirement income security than the statistics suggest. Most defined-contribution plans are not themselves annuity programs; at withdrawal or retirement, vested participants are generally given a lump-sum distribution. In many instances the employer will arrange for conversion of the distribution into an annuity program, but the plan itself seldom pays pension benefits in the traditional sense. There is strong evidence that these plans do not report themselves as paying retirement benefits in many instances because they provide lump sum distributions.5/

This lump-sum distribution phenomenon also results in undercounting the number of pension beneficiaries on population surveys. For example, the Census Bureau's annual March Income Supplement to their Current Population Survey gathers information on the prevalence of the receipt of pensions and the annual levels of benefits. Interviewers' instructions and training specifically direct that only regular income is to be recorded in the interview; one-time income is to be ignored. Unless defined-contribution plan lump-sum distributions are converted to an annuity, they never show up on the survey as retirement program benefits.

5/ *Ibid.*, p. 56.

While the evidence on the level of benefit receipt may be incomplete it conclusively shows that the pension system is becoming increasingly effective in providing for the elderly's retirement income security. The pension coverage and participation data suggest that this situation should continue to improve in the future. In the next section of this testimony we look at the potential implication of these improvements for women.

PROPOSALS TO MODIFY PRIVATE PENSION PROVISIONS

The antidiscrimination provisions in the U.S. tax code and the participation, vesting and other provisions in ERISA explicitly prohibit discrimination against women in the design and administration of pension plans. Yet it is clear that elderly men are much more likely to receive a pension than their female counterparts, and that they receive larger benefits, on average, then women. These differences in the pension experiences of men and women have created some concern about the equitable treatment of pensions on the basis of sex.

One issue that remains to be resolved is whether the pension system, as it is currently configured, can adequately meet the challenge of providing meaningful income security for women or if there are particular adjustments that need to be made to assure the equitable treatment of women. There are a series of issues that have been discussed for some time that are now finding their way into a host of legislative initiatives. While it is clear that the pension situation is improving, bills such as H.R.2090 suggest that at least some policymakers feel more needs to be done. Under the general rubric of pension equity issues, we are now seeing efforts to reduce mandatory participation standards, provide shorter vesting schedules, move to unisex tables, and enhance the protections for survivors and divorced spouses. In certain of these instances the altruistic or political motivations that suggest them as policy options have not been submitted to the litmus test of practicality.

Reducing Pension Participation Ages to 21

The proposals to reduce the ERISA participation standard of age from twenty-five to twenty-one, in theory, will affect a significant segment of the workforce. In May 1979 there were 11.1 million workers between the ages of twenty-one and twenty-four in the United States. Of these, 5.1 million, or 46.4 percent were working for an employer who did not have a pension plan as shown in Table 4. Another 2.6 million or 23.4 percent were already participating in a plan but had not yet vested. Slightly more than 1.1 million or 10.3 percent had already vested in their current employer's plan. That leaves about 2.2 million workers or 19.9 percent of the twenty-one to twenty-four-year-olds working for an employer with a pension in which they

TABLE 4

PENSION STATUS OF WORKERS AGED 21 TO 24 IN 1979

	Number (millions)	Percent
Total Workers1/	11.1	100.0
Not Covered	5.1	46.4
Participants		
Not Vested	2.6	23.4
Vested	1.1	10.3
Nonparticipants	2.2	19.9

SOURCE: EBRI Tabulations of the May 1979 Current Population Survey.

1/ Totals may not sum exactly because of rounding error.

were not yet participating who could potentially benefit from the reduced participataion provisions.

Note, that the word "potentially" should be stressed in this context. Of this 2.2. million nonparticipants 48.5 percent had been on their current job less than one year, and 13.6 percent worked less than 1,000 hours per year as shown in Table 5. Among workers in this age category who had been

TABLE 5

WORKERS AGED 21 TO 24 IN 1979 NOT PARTICIPATING IN THEIR EMPLOYERS' PENSION PLANS BY TENURE AND HOURS WORKED

	Number (millions)	Percent
Total Non-participants	2.2	100.5
Less than one year on current job	1.1	48.5
Working less than 1000 hours per year	0.3	12.6

SOURCE: EBRI Tabulations of the May 1979 Current Population Survey.

with their employer one or more years, 978,000 were working at least 1,000 hours per year. So it is less than one million workers, or 8.9 percent of the twenty-one to twenty-four age group (see Table 6) that would become pension participants under H.R.2090. This would raise the pension participation rate by one percentage point across the total work force.

The total number of new pension participants that would have resulted if the participation age had been reduced to age twenty-one in 1979 would have been less than 1 million. By comparison, there were 1.1 million participants in defined contribution plans newly qualified during 1979. There were another 1.0 million participants in newly qualified defined benefit plans. Newly qualified plans during 1980 and 1981 had 3.6 times as many participants as those established in 1979. Newly qualified defined contribution plans in 1982 had 1.4 million participants, and their defined benefit counterparts qualified last year had 1.3 million participants. The newly qualified plans have affected more than twice as many people, both men and women, in each of the last four years, as would be affected by reducing the pension participation standard to age twenty-one.

TABLE 6

WORKERS AGED 21 TO 24 IN 1979 WITH THEIR EMPLOYERS LESS THAN ONE YEAR AND IN THEIR EMPLOYERS' PENSION PLANS BY HOURS WORKED

	TOTAL	
	Number (thousands)	Percent
Total	1,136	100.0
Hours Worked per Year Less Than 1,000	158	13.9
1,000 or more	978	86.1

SOURCE: EBRI Tabulations of the May 1979 Current Population Survey.

The mere fact that reducing pension participation standards to age twenty-one would raise overall pension participation rates by 1 percent does not mean that there will be a commensurate increase in the ultimate receipt of pension benefits or benefit levels. ERISA already provides that years of service beyond age twenty-two are to be counted for vesting purposes, regardless of a pension plan's actual participation standard. Among many defined benefit plan sponsors it is common practice that once a worker reaches age twenty-five that retroactive service credits are granted under the plan. They often are not granted prior to that time partly because funding of the credit can be delayed, but mostly because of the high turnover rates among younger workers.

Again, turning to the analysis of twenty-one to twenty-four-year-olds in 1979, the numbers are instructive. We had reached the point that 978,000 of them would have become participants under the H.R.2090 participation provision. If one half of these workers ultimately vest under their current plan then about 489,000 would get benefits. If only one quarter vest then about 245,000 would receive benefits. If one looks at the vesting rates among the thirty-one to thirty-five year old pension participants in 1979, between 30 and 40 percent were vested under their pension plan. This is probably an outside estimate of the percentage of the twenty-one to twenty-four-year-old nonparticipants that could be expected to vest in their 1979 employer's plan by 1989. But the ones who will vest under H.R.2090 will likely vest under current ERISA standards anyway. In other words, somewhere between one-quarter and one-half million, or 2 to 4 percent of the twenty-one to twenty-four-year-olds might get slightly higher benefits under H.R.2090. This represents about .1 percent of all pension participants. The basic question that policymakers should consider is whether it is worth substantially increasing pension administration burdens for such a small benefit gain.

One of the most difficult aspects of putting this issue in context is explaining that benefit accruals under defined benefit plans are heavily weighted toward the end of the career -- thus minimizing the effects of the unstable early parts of most worker's careers. Under defined contribution plans, benefit accruals are somewhat more proportional. However, there is virtually no evidence to suggest that mobile workers covered under defined contribution plans devote early career accruals to their ultimate retirement income security. In fact, there is casual evidence that suggest that the opposite is the case. In the near future there will be solid empirical evidence to investigate this question.

Joint and Survivor Changes

If reducing the participation standard will not result in significantly greater pension benefits to most women then what options can be pursued? In the process of seeking out potential measures, policymakers should understand that various groups of women will be affected differently. Our analyses at EBRI have substantiated the widely known fact that the work patterns of older women were significantly different than those of today's younger working age women. Because older women have already reached or are nearing retirement, virtually nothing can be done to offset the lack of early career accruals for these women.

Certainly better communication and utilization of joint and survivor options can improve the retirement income security of older women. While the information on current utilization rates of joint and survivor options is scanty the general impression is that many widows are being left in old age without benefits. The prevalence of life insurance coverage among pension participants as part of a diversified benefits package may make the low rates of joint and survivor selection a smaller problem than it seems on its surface. Increasing the tax deductibility limits on employer provided life insurance might go further in providing retirement income security for surviving widows than any of the joint and survivor provisions in any of the equity bills now under consideration.

A 1982 survey by the Department of Labor focused on the benefits provided by medium and large firms. The survey was limited to firms employing at least 100 or 250 workers depending on the industry. The results of their survey, included in Table 7, shows that the combination of welfare benefits provided by employers, over and above pensions, may make the singular focus on joint and survivor selection overly simplistic. Group life insurance, either purchased through or provided by the employer is more prevalent than even pensions. Pensions are to provide income security at retirement. Life insurance is to provide money to a survivor in the event of a worker's death, expecially prior to retirement. Since life insurance pays immediately many survivors are better off with the lump sum life benefit than a deferred annuity under the pension program. This is not to suggest that instances do not arise where erroneous decisions are made by pension participants. It does suggest the prevalence of the problem may be more rare than often assumed.

EXPANDING IRA PROVISIONS TO NONWORKING SPOUSES

The expansion of full IRA eligibility to nonworking spouses is a potential means of expanding the retirement income security of women. The Congress should be aware that the utilization of IRAs is strongly correlated with family income. Among families with annual incomes below $20,000 per year only about 5 percent participate in IRAs. In families with incomes between $20,000 and $50,000, about one-quarter contribute to an IRA. About 55 percent of families whose income is over $50,000 contribute to an IRA. The expansion of IRAs for nonworking spouses might ultimately benefit those

TABLE 7

PERCENT OF FULL-TIME EMPLOYEES PARTICIPATING IN SELECTED EMPLOYEE BENEFIT PROGRAMS, MEDIUM AND LARGE ESTABLISHMENTS, UNITED STATES,1/ 1982

Employee Benefit Program	All Employees	Professional and Administrative Employees	Technical and Clerical Employees	Production Employees
Sickness and accident insurance --	51	30	35	68
Noncontributory2/ -----------	41	22	26	58
Long-term disability insurance ---	43	63	53	28
Noncontributory2/ -----------	33	47	40	24
Health insurance for employee ----	97	98	95	97
Noncontributory2/ -----------	71	68	61	77
Health insurance for dependents --	93	96	91	93
Noncontributory2/ -----------	46	43	36	52
Life insurance ------------------	96	98	96	96
Noncontributory2/ -----------	82	81	80	83
Private pension plan -------------	84	87	86	82
Noncontributory2/ -----------	78	80	80	76

1/ The survey excludes data for executive management and traveling operating employees, as well as for Alaska and Hawaii.
2/ Provided at no cost to employee.

couples the most who benefit disproportionately, in an economic return sense, from the spouse benefits provided by Social Security.

FORMULATING PENSION POLICY WITH INFORMATION VOIDS

One of the most important elements in the deliberations of the National Commission on Social Security Reform was the availability and use of good information. Because of this information the Commissioners could all agree on the nature of the current situation. Chairman Greenspan repeatedly came back to the point in the early deliberations that until the Commissioners could agree on the facts of the present dilemma that it would be impossible to discuss reasonable policy options. And before the Commission began their serious and difficult deliberations on the policy options they did agree on the facts.

One of the single most frustrating elements of the pension policy process is dealing with the insufficient information on which to analyze current policies or alternative options. To a certain extent, more information exists than is brought to bear on analysis of the relevant policy issues. We can cite two specific examples where information is being or has been collected but has not been available or is not available in a meaningful form for policy analysis.

First, ERISA requires extensive disclosure of information by private pensions. It also requires detailed statements on the levels of liabilities and the funding status of these plans. Finally, the reports require detailed disclosures of the types of assets held in pension portfolios. Our estimates are that it may cost private sector employers as much as $100 million per year to file these reports. If these reports were sampled on a statistical basis, edited and made available to the public, the evolution of the U.S.

pension system could be traced over time. Long-term trends as well as the effects of cylical variations and structural changes in the economy on plan participation and funding levels could be monitored. The implications of financial market variations, inflation and other economic variations on the financial health of plans could be understood.

Yet these data are not made available in a readily usable fashion. A couple of years ago IRS developed a sampling and editing system to provide annual files of these data on a timely basis. They developed a public use file of the 1977 plan year reports which we have used extensively for analytic purposes. No subsequent annual files are yet available to the public nor does IRS have any funding to implement the ongoing statistical program they developed.

Second, Arthur Young and Company, under contract to the Department of Labor, collected program data from a sample of roughly 400 private pension plans during 1978 with approximately 600,000 beneficiaries. The data from the pension beneficiaries was matched to Social Security administration record data. While no research reports have been released by DOL utilizing these data they would show average pension benefits in 1978 based on actual program data in comparison to actual Social Security benefits on the basis of administrative record data. Similar data are available on survey data sets but it is well known that underreporting is a serious problem in these data.

These matched data are the richest known source of program information showing combined Social Security and pension income streams. These data could provide a more comprehensive and accurate picture of pension recipients' income levels than any of the clearly flawed survey data on which we now must depend. While the DOL research staff and various analysts under contract have analyzed this information over the last two years these data are not available for public use. The DOL staff is concerned that since the data have been matched to the Social Security data that they cannot be made available to private analysts. It makes no difference that the Social Security data is basically of identical nature to that matched to the 1978 Current Population Survey which is publicly available and which we have used extensively in analysis of pension issues. In effect, although information that could effectively improve our understanding of private pension policy has been collected at public expense it is not and will not be generally available to the pension policy analysis community. The Congress could improve this situation by clarifying the restrictions in the Tax Act of 1976 that limits the use of these data for research purposes.

As a result of the informational gliches in the pension area, policy deliberations often are colored by misstated or misleading information. For example, Senator Mark O. Hatifeld in his remarks introducing S.918 on March 24, 1983 stated: "In fact, only 21 percent of women workers are covered by pension plans compared to 49 percent of men."6/ The May 1979 Current Population Survey conducted by the Census Bureau found that 15.0 million women were participating in a pension plan at that time out of 39.2 million working women. Stated alternatively, 38 percent of working women were participating in a plan in 1979. Another 5.6 million or 14 percent of working women were covered by a plan but not yet participants. Among women between the ages of twenty-five and sixty-four in wage or salary positions who had been with their employer for one year or more, 61.8 percent were

6/ Bureau of National Affairs, BNA Pension Reporter, Vol. 607 (April 4, 1983) p. 607.

participating in a pension plan in 1979. In other words, Senator Hatfield's estimate of the portion of working women covered by a pension was off by 81 percent if he was talking about participation, or 148 percent if he was talking about coverage. Looking at that segment of the female workforce for whom pension accruals might actually be meaningful the picture is even better yet. As the Senate concerns itself with pension policy issues it may want to address the extremely serious problem of informational voids that now exist in this critical area.

CONCLUSION

This concern about the availability and interpretation of pension data is central to EBRI's charter and goes beyond the deliberations on any bills now before the Senate. The problem that we are concerned about is that policy is being deliberated without the benefit of the facts. We are convinced that without the facts, policy deliberations will be misleading with the potential that ill-advised or ineffectual but expensive policies will be the ultimate result. This result could end up harming the intended beneficiaries and the entire nation by increasing the cost of our products and decreasing competitiveness of U.S. companies, ultimately costing Americans jobs, reducing tax revenues, and increasing social program expenditures.