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EBRI
Employee Benefit Research Institute®

Notes

DOL to Launch Savings and Pension Education Campaign

President's Note—The article that follows by Olena Berg, assistant secretary of labor for pension and welfare benefits, lays out the interests of the Department of Labor in building a savings education initiative. The National Savings and Pension Education Campaign will be greatly enhanced by strategic third-party alliances. While specific activities of "partners" may vary, they can contribute greatly to increasing the visibility and volume of the message.

In conjunction with this effort, EBRI has hosted a series of meetings with private-sector interests to develop a strategy to coordinate various initiatives aimed at drawing the attention of the American worker to the need to save for retirement. These organizations have formed a clearinghouse for this purpose, called the American Savings Education Clearinghouse (ASEC). ASEC will serve as a collection and dissemination point for information on various savings campaigns and will create a resource list of people and organizations to which interested parties could turn for information on savings issues. Participation in this umbrella organization is open to all interested parties. Contact EBRI Public Affairs Associate Kathy Stokes Murray at (202) 775-6353 for more information about joining ASEC.

—Dallas Salisbury, EBRI President

The nation's notion of retirement is transforming. When we think of retirement, many of us picture a worker rewarded for a lifetime of service with a gold watch, fond farewells, and a lifetime monthly pension check to add to Social Security benefits. Supplemented by some carefully nurtured personal savings, these sources of income assured security and leisure in retirement.

That happy picture has been true for many of our parents. And many workers assume that they, too, will live comfortably in retirement without following an especially disciplined course of personal savings during their working years.

A changing pension system, however, combined with later Social Security retirement ages and reductions in retiree medical benefits, makes personal savings increasingly important. Concurrently, the nation's personal savings rate has been on a steady decline for two decades and is now, by most analyses, the lowest among industrialized nations.

The Department of Labor's concern about this problem is twofold. Our first concern is the effect of the low personal savings on our levels of productivity and investment. Our ability to invest in the things that make our people productive—breakthrough technologies and cutting edge skills—depends in part on how much capital investors can draw from our national savings. When meager savings create a shallow investment pool, long-term living standards are at risk.

Our second concern is the effect of low personal savings on the living standards of American workers when they reach retirement age. Americans are enjoying longer life expectancies—and therefore longer retirements—than Americans of previous generations. Today's workers will need unprecedented levels of savings to maintain their living standards during those retirement years. Unless individuals save more for retirement during their working years, their chances for a secure retirement are diminished.

But to most Americans, saving for retirement is an intimidating task, filled with unfamiliar, confusing concepts and language. Many Americans make little or no provisions for their retirement security during their working years. Many of these workers have either unrealistic expectations of what they can expect from Social Security or were never alerted to the need to save for retirement until it was too late. Even those workers who have made the crucial decision to begin saving for retirement often do not know where to turn for savings and investment advice or education.

It is with this in mind that the Department of Labor is undertaking a national pension education program aimed at drawing the attention of American workers to the importance of taking personal responsibility for their retirement security. Americans know they will have to save more if they wish to enjoy a fulfilling retirement, but they need more encouragement, more investment education, and better, more understandable tools for determining how much they realistically need to save.

What will this campaign look like? First, the Pension and Welfare Benefits Administration (PWBA) is currently engaged in rewriting our basic ERISA booklet and publishing a series of pamphlets on basic pension and retirement savings issues. These pamphlets will direct individuals to sources of information independent of the government.

Second, we are developing an interpretive bulletin in response to technical questions raised by officials of 404(c) plans and providers of educational services regarding the distinction between participant education and investment recommendations. Through the interpretive bulletin, we expect to clarify the extent to which educational presentations and materials will or will not be viewed as fiduciary activities. The interpretive bulletin is intended to enable employers, plan officials, and educational providers to distinguish participant education from fiduciary activities and, thereby, encourage these individuals to institute participant education programs without fear of inadvertently incurring potential fiduciary liability.

Third, we plan to highlight our message in the media—through, for example, speeches, public service announcements, interviews, and articles. As the baby boomers start thinking about retirement, this issue has begun appearing in the business sections of papers throughout the country. Our hope is that this campaign will move the retirement savings issue from the business section to the front page.

Where does the investment and plan sponsor community fit in? We are looking for partners in the private sector to cooperate with us in promoting our savings message and educating people in the basic principles of retirement savings. We recognize that many of you have conducted extensive research and educational campaigns and likely have much that you can add to our efforts. There is a plethora of good information out there, if you know where to look. We want to work together to make sure that all Americans are thinking about their retirement futures.

—Olena Berg, Assistant Secretary of Labor for Pension and Welfare Benefits

Highlights of the Department of Labor's Public Education Campaign on Pensions and Retirement Savings

The planned launch events will serve as the first public notice that the effort is underway and the first call to action.

- A high-profile news event in Washington, DC on July 19 to launch the campaign, which will involve Secretary Robert Reich, Assistant Secretary Olena Berg, and campaign partners. Activities surrounding the launch news event will include a series of media activities preceding and following the event, including appearances by the secretary on network television news programs, a satellite TV tour into major media markets, and briefings of key news outlets.
- The following day, July 20, a news event is planned for New York City, featuring high-ranking DOL and PWBA officials, as well as representatives of the campaign partners, focusing on the major financial and business media.
- The development of a "National Savings Test," which might include helpful tips as well as simple worksheets that would be distributed through one or more publications and other means. (This might be unveiled at the launch events.)
- Working with partners to establish a toll-free telephone line to provide basic guidance and information to the public.
- Identifying retirement savings "success stories," Americans who have taken the necessary steps to ensure financial security in retirement, and using them as models in the media.

In constructing the campaign, the active support of interested third parties, particularly in the financial and investment communities, will be critical. Not only will campaign partners add authoritative voices, but they will also help the campaign reach a far greater percentage of the population. Campaign partners can contribute to the campaign in a wide variety of ways. Such activities could include general support and information assistance, speaking opportunities, and materials distribution, public events, and media relations. Besides participating in the activities outlined above, the campaign hopes to work with partners in the following ways:

- Provide a general public statement of support, independently and in conjunction with other partners, for use throughout the campaign.
- Highlight participation of high-profile partners at the campaign launch news event, and provide assistance with the press conference in New York City on the following day.
- Include brochures and other written materials, prepared by PWBA and/or independently, in monthly statements, quarterly reports, and other mailings to constituents, members, employees, clients, and customers.
- Provide information for trade associations, company meetings, forums, and conversations.
- Produce television, radio, and print public service announcements and/or paid advertisements.
- Produce or purchase an informational video for use with sales, marketing, and other public outreach programs.
- Launch a subcampaign that calls attention to partners that educate their employees in creative ways and highlight firms that increase employee participation rates.
- Write opinion pieces, letters to the editor, and other commentary pieces to submit to newspapers and trade publications.
- Create forums and information centers on popular on-line services such as American Online, Compuserve, and Prodigy.
- Prepare and release to the media information on savings and pension trends that affect campaign partners' constituencies and serve as spokespersons for national and local media.

Sources of Income of the Elderly Population

Introduction

Between 1974 and 1993, median income of individuals aged 65 and over increased in real terms from $8,674 to $10,519. Proportions of the elderly's income from various sources shifted, with Social Security and employment-based pensions representing a greater proportion of income and earnings and income from assets representing a smaller proportion in recent years. Elderly individuals rely on the various income sources to different degrees, depending on their income level. The higher income elderly rely more on earnings, pension and annuity income, and income from assets, while lower income individuals rely on Social Security for most of their income. The design of Social Security helps assure these results with a benefit formula that delivers larger benefits, as a percentage of final compensation, to those earning the least and a maximum salary cap for taxes and benefit calculation. For example, Social Security provides an income replacement rate of 44 percent for an individual with $20,000 in final salary and 24 percent for an individual with the maximum taxable income of $61,200.[1] Proportions of the elderly's income from various sources also vary by marital status, with married couples generally receiving a larger proportion of income from earnings and pensions and annuities and a smaller proportion from Social Security than nonmarried persons. The relative importance of various income sources in retirement may change because the Old-Age, Survivors, and Disability Insurance (OASDI) program cannot maintain current benefit levels in the future without increased OASDI tax revenue.

Sources of the Elderly's Income

According to the Employee Benefit Research Institute (EBRI) tabulations of the March 1994 Current Population Survey (CPS), in 1993, 30.8 million individuals aged 65 and over received an average income of $15,368. The relative importance of the elderly population's various income sources has changed over time. For the typical individual aged 65 and over, employment-based pensions represented an increasing proportion of income between 1974 and 1993, rising from 14 percent to 21 percent (table 1). Social Security as a proportion of income remained relatively flat over the same period, ranging between 39 percent and 43 percent. Income from assets increased dramatically as a proportion of income between 1974 and 1984, from 18 percent to 28 percent, and decreased to 19 percent in 1993. Earnings decreased from 21 percent of income in 1974 to 15 percent in 1993. Income from other sources has remained relatively constant, contributing roughly 4 percent of the elderly's annual income.

The Elderly's Income by Income Level

Proportions of the elderly's income from various sources vary by income quintile. Earnings, income from assets, and pensions and annuities represented a larger proportion of income for higher income individuals in 1993, while Social Security benefits generally contributed more to the total income of low-income individuals. In 1993, the typical individual aged 65 or over in the lowest income quintile experienced a loss in earnings in the aggregate, while the typical individual in the highest income quintile received earnings representing 24 percent of income (table 1). Similarly, the lowest income quintile received 2 percent of income from pensions and annuities and 6 percent of income from assets, compared with the highest income quintile, which received 27 percent of income from pensions and annuities and 25 percent from assets. The typical individual aged 65 or over relied on

[1] *Calculated for normal retirement age of 65 in 1995. Calculations are based on the assumption that individuals have worked steadily and received pay raises at a rate equal to the U.S. average throughout their working careers. See William M. Mercer, Inc., 1995* Guide to Social Security and Medicare *(Louisville, KY: William M. Mercer, Inc., 1994).*

Social Security for 42 percent of income. For individuals aged 65 and over, examining these percentages by income quintile shows that individuals in the lowest income quintile received 84 percent of their income from Social Security, compared with individuals in the highest income quintile, who received 21 percent of their income from Social Security (table 1). Social Security can nearly support a continuation of the lower income group's preretirement lifestyle, while higher income individuals must supplement Social Security if they hope to maintain their current standard of living in retirement.

The Elderly's Income by Marital Status

Proportions of the elderly's income from various sources also vary substantially by marital status. Data on individual income do not provide a full picture of the elderly's income, as many elderly are married and have additional household income. According to EBRI tabulations of the March 1994 CPS, in 1993, married couples[2] in all income quintiles relied more on earnings than nonmarried persons (table 2). The typical married couple in the lowest income quintile received 4 percent of income from earnings, while the typical nonmarried person in this quintile received 0.5 percent of income from earnings in 1993.

[2] *Married couples are included if they are married and at least one is aged 65 or over.*

Table 1
U.S. Population Aged 65 and Over, by Income Quintile, Selected Years 1974–1993 Proportion of Income from Selected Sources

Year	Total Aged 65 and Over	Income Quintile: Lowest	2	3	4	Highest
		OASDI[a]				
1974	42.0%	88.6%	77.7%	74.6%	55.4%	19.9%
1979	42.7	79.1	78.7	71.9	51.9	20.5
1984	40.5	80.2	79.7	68.1	48.0	19.6
1989	38.6	81.5	78.8	65.2	45.8	17.9
1993	42.3	84.2	80.5	72.5	49.9	21.4
		Pensions and annuities[b,c]				
1974[b]	14.0	1.5	2.3	4.6	14.4	18.8
1979	14.8	1.1	2.1	5.6	15.7	20.6
1984	15.0	1.2	2.8	8.2	18.5	18.9
1989	17.5	2.0	3.8	10.6	21.1	21.6
1993	20.5	2.1	3.3	9.7	23.0	26.9
		Income from assets				
1974	18.2	3.8	4.4	7.4	14.1	25.7
1979	21.5	7.1	9.1	13.1	19.5	28.4
1984	28.2	7.4	8.5	16.5	23.5	38.6
1989	25.2	6.7	9.1	16.1	22.4	33.2
1993	18.6	6.4	7.9	11.4	15.0	24.8
		Earnings				
1974	21.3	–3.2	2.8	4.8	11.4	33.8
1979	17.3	0.3	1.6	3.9	9.9	28.8
1984	13.3	0.2	1.5	3.7	8.2	21.3
1989	15.8	0.2	1.7	5.0	8.6	25.3
1993	15.1	–0.2	1.8	4.0	8.7	24.1
		Other[b,d]				
1974[b]	4.5	9.3	12.8	8.6	4.7	1.7
1979	3.6	12.3	8.5	5.5	3.0	1.7
1984	2.9	11.0	7.5	3.6	1.8	1.7
1989	2.9	9.7	6.6	3.1	2.1	2.0
1993	3.4	7.5	6.5	2.4	3.3	2.9

Source: Employee Benefit Research Institute tabulations of the March 1975, March 1980, March 1985, March 1990, and March 1994 Current Population Surveys.

[a]Old-Age, Survivors', and Disability Income; includes railroad retirement.

[b]In 1974, the percentage of income of the older population represented by pension income may be overstated, and the percentage of income represented by "other" income sources may be understated. Total private pension income of individuals aged 55 and over in 1974 was $10,451 million; however, because some sources of income in the "other" category are included in private pension income, the actual pension total is overstated by between 2 percent and 12 percent, or is between $9,221 million and $10,243 million. Similarly, public pension income in 1974 totaled $13,603 but is potentially overstated by between 7 percent and 18 percent, falling in the range of $11,226 million and $12,638 million. Income from "other" income sources is understated by the amount pension income is overstated.

[c]Includes pension, annuity, survivors,' and disability benefits.

[d]Includes public assistance, Supplemental Security Income, unemployment compensation, workers' compensation, veterans' benefits, nonpension survivors' benefits, nonpension disability benefits, educational assistance, child support, alimony, regular financial assistance from friends or relatives not living in the individual's household, and other sources of income.

Table 2
Married Couples[a] and Nonmarried Persons[b] Aged 65 and Over, by Income Quintile, 1993
Proportion of Income from Selected Sources

	Total Aged 65 and Over	Income Quintile				
		Lowest	2	3	4	Highest
Married Couples[a]						
OASDI[c]	34.9%	79.5%	71.4%	53.1%	37.1%	15.9%
Pensions and annuities[d]	20.3	4.8	12.2	22.4	27.0	20.0
Income from assets	18.0	5.6	7.4	10.8	15.1	25.0
Earnings	24.2	3.6	5.4	11.8	18.2	36.9
Other[e]	2.6	6.5	3.5	2.0	2.6	2.2
Nonmarried Persons[b]						
OASDI[c]	47.9	79.1	83.6	77.3	55.8	25.6
Pensions and annuities[d]	18.1	3.1	2.8	8.8	20.5	24.4
Income from assets	19.1	2.6	3.4	7.8	12.6	30.0
Earnings	10.1	0.5	1.5	3.2	7.1	16.1
Other[e]	4.8	14.7	8.5	2.9	4.0	3.8

Source: Employee Benefit Research Institute tabulations of the March 1994 Current Population Survey.
[a]Couples are included if they are married and at least one is aged 65 or over.
[b]Includes individuals who are widowed, divorced, or separated, as well as those who were never married.
[c]Old-Age, Survivors,' and Disability Income; includes railroad retirement.
[d]Includes pension, annuity, survivors,' and disability benefits.
[e]Includes public assistance, Supplemental Security Income, unemployment compensation, workers' compensation, veterans' benefits, nonpension survivors' benefits, nonpension disability benefits, educational assistance, child support, alimony, regular financial assistance from friends or relatives not living in the household, and other sources of income.

Similarly, for those in the highest income quintile, earnings represented 37 percent of married couples' income, compared with 16 percent of nonmarried individuals' income. This is likely due to the inclusion of younger spouses of individuals aged 65 and over, who are likely to be working.

For similar reasons, married couples, other than those in the lowest income quintile, received a smaller proportion of income from Social Security than nonmarried persons. While there was only a slight difference in Social Security as a proportion of income in the lowest income quintile, the middle 60 percent of married couples received a much lower proportion of their total income from Social Security than nonmarried persons. For example, 77 percent of income of nonmarried persons in the third income quintile was provided by Social Security, compared with 53 percent of income of married couples (table 2). Married couples generally received a greater proportion of their income from pensions and annuities than nonmarried persons. Pensions and annuities provided 9 percent of income of nonmarried persons in the middle income quintile, compared with 22 percent of married couples' income in this quintile. Nonmarried persons in the highest income quintile relied more on pensions and annuities than married couples in the highest income quintile.

Conclusion

The relative importance of various income sources in retirement may change because the OASDI program cannot maintain current benefit levels in the future without raising taxes, increasing the retirement age, reducing benefits for those with high incomes, or even privatizing all or a portion of Social Security. The program is projected to reach a point where benefit payments exceed tax revenue in 2013 and become insolvent in 2029, according to the 1994 annual report of the board of trustees of the Social Security program. Maintenance of the Social Security program will require increased OASDI tax revenue or reduced benefit payments. Current law provides for changes in this direction. Social Security will provide a smaller benefit for the same amount of lifetime earnings for the elderly in the future, because the age at which full retirement benefits will be paid is scheduled to rise gradually from the current age of 65 to 67 for those attaining this age in 2027 and later. In addition, the Omnibus Budget Reconciliation Act of 1993 (OBRA '93) increased the amount of Social Security benefits that are subject to taxation from 50 percent to 85 percent for single individuals with incomes above $34,000 ($44,000 for married individuals filing jointly). It should be noted that on April 5, as part of the House Republican Contract With America, the House of Representatives passed a bill (H.R. 1215) that includes a provision to repeal the OBRA '93 tax increase. Action in the Senate is pending. Additional changes to Social Security should not be expected in the near term because of lawmakers' promises, during the 1994 elections, that they would not enact any changes that may further decrease Social Security benefits. These issues are of greatest income significance to the lowest income elderly, who currently receive over 80 percent of their income from Social Security, and to nonmarried persons, who receive a greater proportion of income from Social Security than married couples. They are of the greatest tax burden significance to those still working and to retirees, who will have to pay back a greater portion of benefits in income taxes.

—Sharyn Campbell, EBRI

Washington Update

Federal Budget—The House May 18 passed its federal budget blueprint (HConRes 67), an effort designed to lead to a balanced budget in seven years by reducing the growth of government spending by $1.4 trillion (*Notes*, 5/95). The plan also includes a $354 billion tax cut over the same period. The Senate passed its budget plan May 25 (SConRes 13), which is designed to lead to a balanced budget by 2002 through a nearly $1 trillion reduction in spending from an inflation-adjusted baseline. Senators May 23 rejected an amendment that would have added most of the House-passed tax cuts to the Senate's budget plan. However, language was inserted into the resolution that would earmark for unspecified tax cuts $170 billion in unallocated funds expected to result from balancing the budget.

Lawmakers left town May 26 for a week-long Memorial Day break. House and Senate conferees are expected to meet shortly after Congress returns to forge a unified budget resolution to be voted on in both the House and Senate. A key sticking point during conference will be the amount of tax cuts that should be included in the package.

Outlook: The final budget will set out aggregate levels of spending and revenues that will be sent to the authorizing and appropriations committees. These committees will be charged with making the policy decisions that will achieve the budget-specified spending levels. The committees are expected to report back to the budget committees in mid-July (the House gave committees until mid-September to report back Medicare reforms). President Clinton has indicated his intention to offer a "counter budget" once the House and Senate have agreed on a unified resolution. Administration sources say the president is working on a proposal to wrap changes in Medicare into an overall health reform plan within the context of his forthcoming budget proposal. No details are yet available. A process of budget reconciliation is likely in the fall, leading to one massive, or omnibus, bill. Reconciliation efforts in the past have led to many benefit law changes being added in at the last minute: keep a sharp eye.

Economically Targeted Investments—The Joint Economic Committee held a hearing May 18 on the subject of economically targeted investments (ETIs). Rep. Jim Saxton (R-NJ) introduced a bill (H.R. 1594) May 9 that states it is the "sense of the Congress" that ETIs violate ERISA's prudence clause (*Notes,* 5/95). The bill states fiduciaries shall determine whether a particular investment complies with ERISA's fiduciary standards without regard to guidance issued by the Department of Labor, such as the interpretive bulletin on ETIs issued last year (*Notes,* 7/94). Rep. Saxton contended at the hearing that the administration's ultimate goal is to establish an ETI quota for private pension plans. Olena Berg, assistant labor secretary for the Pension and

Welfare Benefits Administration, testified that the administration has no plans to mandate any form of pension investing and has no intention of taxing pension funds.

Outlook: Sen. Connie Mack (R-FL) introduced companion legislation in the Senate (S. 774) May 9. Rep. Saxton had introduced a similar ETI bill in 1994 that saw no substantive action. However, his legislation this year has the backing of several members of the House Republican leadership. Hearings will likely be held by the House Employer-Employee Relations Subcommittee of the Economic and Educational Opportunities Committee.

Social Security—Sens. Bob Kerrey (D-NE) and Alan Simpson (R-WY) introduced May 18 a package of eight bills (S. 818–S. 825) intended to reform the Social Security system. The most significant provisions for employer plans, and thus workers, would raise the retirement age to receive Social Security benefits; provide for personal investment plans funded by two percent of the Social Security payroll tax (and a concomitant reduction in Social Security benefits); limit cost-of-living adjustments for Social Security and other federal retirement beneficiaries; and require investment of 25 percent of Social Security surplus revenue in the private equity markets. The bills were derived from reform options considered earlier this year by the Bipartisan Commission on Entitlement and Tax Reform (*Notes,* 1/95).

Outlook: The bills will likely see little substantive action this Congress since lawmakers have promised that Social Security reforms are "off the table." Many of the same recommendations may come later this year from the Advisory Council on Social Security. The bills represent new evidence of bipartisan recognition of the need for major reform of Social Security and will be used as a blueprint for future reform. Employers, workers, and retirees should begin implications analysis now.

Medicare—The Senate May 18 passed its version of H.R. 483, a bill to expand and extend the Medicare SELECT program. The program, which allows Medicare supplemental insurance, or Medigap, carriers to offer preferred provider networks to retirees, is currently available in 15 states and is set to expire June 30, 1995. The House-passed version of H.R. 483 would make the program available in all 50 states and extend the program for five years (*Notes,* 4/95). The Senate-passed version limits the extension to 18 months.

Outlook: Conferees on the legislation are expected to meet after Congress reconvenes following the Memorial Day recess to iron out the differences in the bills. Prospects for ultimate passage of Medicare SELECT legislation are uncertain. Sen. Jay Rockefeller (D-WV) had blocked the Senate bill earlier due to concern over whether Medicare SELECT enrollees could transfer into a traditional Medicare supplemental insurance plan.

Medicare Trust Funds—Sen. Bob Packwood (R-OR) and Rep. Bill Archer (R-TX) introduced companion legislation May 10 (S. 785 and H.R. 1590) to require the trustees of the Medicare trust funds to report recommendations on resolving the projected imbalances of these trust funds. The House Ways and Means Committee approved H.R. 1590 May 10. However, the House defeated the legislation May 16.

Outlook: Rep. Archer vowed to bring H.R. 1590 back to the floor for a vote later this Congress. The Senate has not yet acted on S. 785.

Medicaid Reform—Sen. John Chafee (R-RI) introduced a bill (S. 839) May 22 to provide incentives for states to move their Medicaid populations into managed care plans and to establish federal standards for these plans.

Outlook: As Congress seeks billions of dollars in Medicaid savings through the budget process this year, this bill could well lay the groundwork for Medicaid reforms, provided the Congressional Budget Office scores it as a cost saver.

Line Item Veto—The House May 17 voted to reject the Senate version of line item veto legislation (S. 4), refusing conference negotiations and sending the House version of the bill (H.R. 2) back to the Senate for consideration (*Notes,* 4/95). House lawmakers consider the Senate version too watered down and potentially inoperative. The House

Keeping on Track

The following items are listed to keep you up-to-date on issues that were not specifically addressed in Washington Update.

Deferred Compensation
Albertson's, Inc. has petitioned the U.S. Supreme Court to review a Circuit Court of Appeals decision that ruled employers that enter into deferred compensation agreements with employees under a nonqualified plan may not deduct amounts accrued annually on deferred compensation as interest. Albertson's petition claims the decision was not supported by the Internal Revenue Code or legislative history.

The Internal Revenue Service (IRS) announced May 16 (Announcement 95-48) that the effective date of certain nondiscrimination rules that were to have gone into effect by January 1, 1996 has been extended for government, church, and tax-exempt organizations. The remedial amendment period for these plans has also been extended.

ERISA Advisory Council
The ERISA Advisory Council met May 9 and 10 at which time Olena Berg, assistant labor secretary for the Pension and Welfare Benefits Administration, addressed the recent controversy over ETIs and reported that the Department of Labor will launch its national savings campaign later this summer. Berg also noted the Department is continuing to work on a forthcoming interpretive bulletin on participant education.

Medical Malpractice Reform
The Senate passed a product liability bill May 10 (H.R. 956) after stripping several amendments, including medical malpractice reforms, that would have assured its defeat (*Notes,* 5/95). The House-passed version of the product liability bill does include broad medical malpractice reforms. The differing versions of the legislation now head to what is expected to be an acrimonious conference between House and Senate lawmakers to attempt to reconcile the differences.

Stock Options
The Financial Accounting Standards Board (FASB) circulated final draft rules for review and comment on the issue of accounting standards for stock-based compensation (*Notes,* 5/95). FASB is expected to issue a formal statement on accounting standards in July.

Underfunded Plans
The Pension Benefit Guaranty Corporation (PBGC) May 11 released Technical Update 95-5, announcing the interest rate and mortality assumptions the PBGC will use to adjust plan liabilities when calculating the 1995 list of 50 companies with the largest underfunded pension plans. The list is generally released in November or December of each year.

Veterans' Benefits
Sen. Jay Rockefeller (D-WV) introduced a bill (S. 831) May 19 to amend the Internal Revenue Code to reflect changes caused by the passage of the Uniformed Services Employment and Reemployment Act last year (*Notes,* 10/94). The bill is a companion to legislation introduced in the House by Rep. Sonny Montgomery Apr. 7 (H.R. 1469) (*Notes,* 5/95). The bill could be attached to budget reconciliation later this year.

version of the legislation would generally allow the president to rescind budget authority or tax breaks that benefit 100 or fewer taxpayers. The president under the Senate proposal could generally strike any line item that loses revenue and that would have the practical effect of providing more favorable tax treatment to a particular taxpayer or group of taxpayers than to other similarly situated taxpayers.

Outlook: It is uncertain whether the chambers will be able ultimately to agree on compromise legislation. If they do reach agreement, line item veto legislation could potentially threaten tax breaks that expire and are up for renewal, such as the exclusion for employer-provided educational assistance. There are also important long-term implications to consider. Line item veto authority could affect health and pension benefits under a balanced budget law insofar as all tax preferences would likely be put on the table. Also, if the U.S. tax system is ultimately restructured, tax preferences for employee benefits could be challenged.

Health Reform— House Ways and Means Subcommittee Chairman Bill Thomas (R-CA) introduced a health insurance portability bill (H.R. 1610) May 11 that is cosponsored by every subcommittee member. The subcommittee held a hearing May 12 on the issue, at which EBRI testified. H.R. 1610 would require employment-based group health plans to credit coverage under a prior group health plan against any preexisting condition limitation. The requirement would not apply to individuals who have experienced more than a two month break in group health plan coverage.

Full Committee Chairman Bill Archer (R-TX) has been expected to introduce a bill to encourage the use of medical savings accounts (MSAs). However, the effort has been stalled because preliminary analysis from the Joint Committee on Taxation does not show MSAs favorably from a cost perspective. A favorable budget score from the committee is needed for the legislation to move forward.

Outlook: According to Chairman Thomas, H.R. 1610 is intended to be a first step in a broader strategy to pass incremental reform initiatives. There appears to be bipartisan support for taking incremental steps toward health reform this Congress. However, many incremental measures are not without controversy, such as MSA legislation. While MSAs do seem to have some solid support on Capitol Hill, there are still several issues to be addressed, including risk selection, utilization, revenue impact, and implications for managed care. A recent report issued by the American Academy of Actuaries provides a comprehensive analysis of actuarial issues.

Social Security Advisory Council—The Advisory Council on Social Security met May 19–20 to discuss options for ensuring the long-term financing of the Social Security program; changes to Social Security benefits to ensure relative equity and adequacy; and the relative roles of the public and private sectors in providing retirement income. The Advisory Council met again June 2 and 3 to continue discussing several proposals to restore long-range solvency of the Social Security program and to discuss federal policy toward public and private retirement savings.

Outlook: The advisory council is expected to release a final report by fall. Many recommendations may meld with those presented in new legislation by Sens. Kerrey and Simpson (see Social Security section above).

Tax Reform— Senate Majority Leader Bob Dole (R-KS) and House Speaker Newt Gingrich (R-GA) May 24 appointed 13 members to the National Commission on Economic Growth and Tax Reform (*Notes,* 4/95). The commission, established in April by Dole and Gingrich, is charged with studying the complete overhaul of the U.S. tax system. Most members of the group are publicly committed to major tax reform.

Outlook: The commission is expected to issue its findings and recommendations by October of this year. A Republican sweep of the 1996 election would make tax reform a near certainty. Either a flat tax or a consumption tax could change the tax treatment, or the relative tax advantage, of all employee benefits, life insurance inside buildup, tax-exempt bonds, and more. Begin analysis now.

—Kathy Stokes Murray, EBRI

EBRI In Action

New EBRI Members

T. Rowe Price Associates has recently joined EBRI as a full member.

New Developments in the EBRI Defined Contribution Project

Several organizations that are present members of the EBRI Defined Contribution Project Advisory Board have offered detailed participant level data, including demographic and financial data to enhance the analysis of defined contribution pension plans at the individual level. It should be noted that all identifying information of participants has been deleted from these data. AT&T, IBM, and Mead Corporation have already given data to EBRI, totaling information on more than 500,000 employees. EBRI researchers will be visiting other organizations during the month of June to add to this database. Analysis of this data, coupled with the data that the Defined Contribution Project has collected from plan sponsors and service providers concerning participant education efforts will allow us to examine the impact of education efforts on aggregated defined contribution plan participant behavior. For more information on this project, contact Project Manager Debbie Milne, (202) 775-6361.

Retirement Confidence Survey

The steering committee of the 1995 Retirement Confidence Survey met on May 16. The committee discussed content of the survey instrument, the timeline for the project, and release of the final results. Questions will be added to this year's survey that allow a quantification of the level of individual knowledge about issues that should be understood if one is to prepare and save for a comfortable retirement income. For more information, call EBRI Research Associate Paul Yakoboski, (202) 775-6329.

Hybrid Retirement Plan Research

EBRI is preparing a future *Issue Brief* on new forms of retirement plans as a part of ongoing research regarding the continuing evolution of the employment-based retirement plan market. In particular, the focus will be on hybrid plans. In preparation for this *Issue Brief,* EBRI has prepared a brief survey for organizations that have implemented or are considering implementing a hybrid pension plan (including, but not limited to, cash balance, pension equity, life cycle, age-weighted profit-sharing, target benefit, and floor offset). The survey examines each organization's experiences with hybrid plans. If your organization is interested in participating in this survey or if you would like to offer input on your organization's experiences with hybrid plans, please contact EBRI Research Analyst Sharyn Campbell, (202) 775-6330.

EBRI Board of Trustees and Committees Met May 10

Members of the EBRI Board of Trustees, Development Committee, Executive Committee, Finance Committee, and Program Committee, held a series of meetings May 10 in Washington, DC. New initiatives to recruit and retain EBRI members were discussed, presentations were made on current research projects, and elections of the board's officers took place. The board elected John J. Seiter, Capital Guardian Trust Company, chairman; Francis N. Bonsignore, Marsh & McLennan Companies, vice chairman; Dallas L. Salisbury, president; Christopher O'Flinn, Mobil Oil Corporation, treasurer; and Margaret Gagliardi, American Express Travel Related Services Company, secretary. These individuals will serve in their positions from December 3, 1995 to December 4, 1996 and will then be renominated to be elected to serve for an additional year.

Policy Forum on Participant Education Attracts a Full House

The EBRI-ERF Policy Forum, "When Workers Call The Shots: Can They Achieve Retirement Security?" was held in Washington, DC May 11. All available seats were filled with over 100 representatives from business, government, and media. The forum explored the issues surrounding the process of worker decision making in salary reduction plans, efforts to educate workers for this task, and the policy implications for retirement income security.

Liaison Activity

EBRI Research Associate Paul Yakoboski and Public Affairs Associate Kathy Stokes Murray met May 12 with several staffers from the House Government Reform and Oversight Subcommittee on Civil Service. The subcommittee is exploring options to reform the federal retirement system on a prospective basis for future hires.

EBRI Senior Communications Associate Carolyn Pemberton met May 19 with ABC News Correspondent Jackie Judd, who covers the workplace. On May 25, EBRI Research Analyst Debbie Milne joined Pemberton to meet with another ABC News correspondent, Jim Angle, who covers economics. Angle is particularly interested in participant education in participation-directed retirement plans and wanted to learn more about EBRI's Defined Contribution Project.

Clearinghouse

A May 22 meeting was held of organizations associated with the American Savings Education Clearinghouse. Staff from the Department of Labor were on hand to discuss the Department's savings education campaign, currently scheduled for a July 19 kickoff in Washington, DC. Two private sector organizations—the Commission on Saving and Investment in America and the American Institute of Certified Public Accountants—delineated their respective initiatives aimed at calling the attention of Americans to the need to save for retirement. The next meeting has been scheduled for June 12. For further information, contact Kathy Stokes Murray, (202) 775-6353.

EBRI Staff Presentations

EBRI staff members continue to make numerous presentations to outside organizations and participate in activities related to employee benefit public policy issues. Among recent highlights are:

EBRI Research Associate Paul Yakoboski spoke on the topic of the retirement income security prospects of current American workers at the General Assembly of the Geneva Association May 25 in Lisbon, Portugal. The Geneva Association, formally The International Association for the Study of Insurance Economics, is an organization of CEOs of major insurance companies in the world (mainly Europe, but also the United States and Japan).

EBRI President Dallas Salisbury gave a luncheon address, "Good News in the Retirement System," at the APPWP conference May 9 in Washington, DC. He delivered a keynote address to the ACA National Conference May 23 on "Implications of Coming Reforms of Social Security, Medicare, and Taxes." Also on May 23, he delivered a presentation, "Trends That Will Shape the Retirement Market," to executives at the Equitable and the Ministers & Missionaries Benefit Board of American Baptist Churches, both in New York City. On May 26 he discussed "Trends in the Defined Contribution Marketplace" with ICMA Retirement Corporation Board of Directors.

EBRI Mentions

EBRI continues to be cited in various and sundry newspapers, magazines, and trade publications. Among recent cites are:

A column in the May 8 *Las Vegas Review Journal* cited the EBRI/Public Agenda "Promises to Keep" study.

In the Friday, May 12, *Washington Post* The Federal Diary column included a cite by EBRI about COLAs in private-sector pension plans.

In the four-part series on retirement planning that *USA Today* ran from May 8–11, EBRI was cited four times—once for data from the 1994 Retirement Confidence Survey, one chart comparing pension benefits of two workers, a USA Snapshot about employer spending on retirement benefits, and another USA Snapshot about sources of income for individuals aged 65 and over. Another USA Snapshot on May 17 used EBRI data about employee benefits as a percentage of total compensation.

Fundamentals Update Underway

EBRI's best-selling book, *Fundamentals of Employee Benefit Programs,* is currently being updated to release the fifth edition in early 1996. All chapters are being reviewed for new information to add that will make the book more relevant to the current environment surrounding employee benefits. EBRI members who have ideas for how to revise the book to make it more useful or are willing to review chapters on subjects in their area of expertise are encouraged to call Carolyn Pemberton, (202) 775-6341.

New Publications

[*Note: To order publications from the U.S. Government Printing Office (GPO), call (202) 512-1800; to order congressional publications, call (202) 512-1800. To order U.S. General Accounting Office (GAO) publications, call (202) 512-6000; to order from the Congressional Budget Office (CBO), call (202) 226-2809*].

American Compensation Association. (1) **Evaluating Managed Care Networks.** (2) **Communicating Benefits Programs.** (3) **Implementing Flexible Benefits.** (4) **Helping Employees Plan for Financial Security**. Members, $19.95; nonmembers, $24.95. American Compensation Association, 14040 N. Northsight Blvd., Scottsdale, AZ 85260, (602) 951-9191.

Canan, Michael J. **Qualified Retirement and Other Employee Benefit Plans: 1995 Edition.** $72.50. West Publishing Corporation, P.O. Box 64833, St. Paul, MN 55164-0833, (612) 687-7000.

Frankel, Jeffrey A. **The Internationalization of Equity Markets.** $55. Marketing Department, University of Chicago, 5801 S. Ellis Ave., Chicago, IL 60637, (312) 702-7740.

Joint Commission on Accreditation of Healthcare Organizations. **Lexikon: Dictionary of Health Care Terms, Organizations, and Acronyms for the Era of Reform.** $10. Joint Commission on Accreditation of Healthcare Organizations, One Renaissance Blvd., Oakbrook Terrace, IL 60181, (708) 916-6500.

Money Market Directories. **1995 Money Market Directory of Pension Funds and Their Investment Mangers.** 25th edition. $975 (includes regional directory). Money Market Directories, 320 East Main St., Charlottesville, VA 22902, (804) 977-1450.

Murdock, Steve H. **An America Challenged: Population Change and the Future of the United States.** $49.95 cloth, $17.95 paper. Westview Press, 5500 Central Ave., Boulder, CO 80301-2847, (303) 444-3541.

National Conference of State Legislatures. **State Legislative Priorities 1995: An Opinion Survey of Leading Lawmakers.** $30. Marketing Department, National Conference of State Legislatures, 1560 Broadway, Suite 700, Denver, CO 80202, (303) 830-2054.

Omnigraphics, Inc. (1) **FaxUSA: A Directory of Facsimile Numbers for Businesses and Organizations Nationwide.** 1995 edition. $75. (2) **The National Directory of Addresses and Telephone Numbers: Geographic Edition 1995**. $80. Omnigraphics, Inc., Penobscot Bldg., Detroit, MI 48266, (800) 234-1340.

Panel Publishers. **Driving Down Health Care Costs: Strategies and Solutions 1995.** $96. Aspen Publishers, 7201 McKinney Circle, Frederick, MD 21701, (800) 901-9074.

Reichard, John, ed. **The 1995 Health Network & Alliance Sourcebook**. $225. Faulkner & Gray, Inc., Eleven Penn Plaza, New York, NY 10117-0373, (800) 535-8403.

Ruhm, Christopher. **Parental Leave Policies in Europe and North America.** $5. National Bureau of Economic Research, 1050 Massachusetts Ave., Cambridge, MA 02138. (Written requests only.)

Sher, Margery L., and Madeline Fried. **Child Care Options: A Workplace Initiative in the 21st Century.** $27.50. ORYX Press, 4041 N. Central Ave., Suite 700, Phoenix, AZ 85012-3397, (800) 279-6799.

Steuerle, Eugene C., and Jon M. Bakija. **Retooling Social Security for the 21st Century: Right and Wrong Approaches to Reform.** $18.95. National Book Network, 4720 Boston Way, Lanham, MD 20706, (301) 459-3366.

Universal Pensions, Inc. **1995–96 403(b) Plan Operations Manual.** $69. Universal Pensions, Inc., P.O. Box 979, Brainerd, MN 56401, (800) 432-3731, MN; (800) 346-3860, other states.

U.S. Congress. House. Committee on Education and Labor. **Puerto Rico's Health Care Delivery System, Its Current Health Care Reform Efforts, and Access to Rural Health Care Services in Puerto Rico.** Order from GPO.

U.S. Congress. House. Committee on Government Operations. (1) **The Impact of Federal Mandates on State and Local Governments.** (2) **Managed Care: An Indepth Examination.** Order from GPO.

U.S. Congress. House. Committee on Small Business. (1) **Employee Partnership Pay and Employer Flexibility: New Models for Stimulating Job Creation and Productivity.** (2) **Small Business and Health Care Reform.** (3) **Who's Minding the Baby? Quality and Availability Problems in Child Care for America's Children.** Order from GPO.

U.S. Congress. House. Committee on Ways and Means. (1) **H.R. 4245, H.R. 4275, and Other Bills to Restore the Long-Term Solvency of Social Security.** (2) **Proposals for Alternative Investment of the Social Security Trust Fund Reserves.** Order from GPO.

U.S. Congress. Senate. Committee on Finance. (1) **Health Care Cost Containment.** (2) **Health Care Coverage for the Uninsured.** (3) **Health Care Delivery Systems.** (4) **Health Care Premiums and Subsidies.** (5) **Medicaid Issues Under Health Care Reform.** (6) **Medicare Issues Under Health Care Reform.** Order from GPO.

U.S. Congress. Senate. Committee on the Judiciary. **High-Tech Privacy Issues in Health Care.** Order from GPO.

U.S. General Accounting Office. (1) **Child Care: Child Care Subsidies Increase Likelihood That Low-Income Mothers Will Work**. (2) **Welfare to Work: Current AFDC Program Not Sufficiently Focused on Employment**. (3) **Addressing the Deficit: Budgetary Implications of Selected GAO Work for Fiscal Year 1996.** Order from GAO.

U.S. Public Health Service. **Prevention '93/'94: Federal Programs and Progress.** Order from GPO.

Winterbottom, Colin, David W. Liska, and Karen M. Obermaier. **State-Level Databook on Health Care Access and Financing.** $42.50. University Press of America, 4720 Boston Way, Lanham, MD 20706, (800) 462-6420.

New Third Edition!

If you haven't already ordered your copy of the newly published third edition of the *Databook*, the 1/2 price pre-publication discount has been extended for a limited time.

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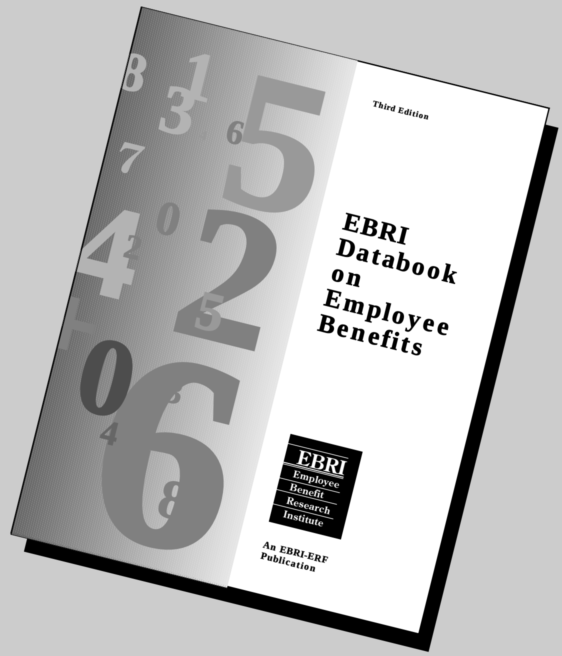

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