President Reagan on Pensions

On November 6, President Reagan enjoyed an electoral landslide victory, winning forty-nine states. Prior to the election, the Reagan campaign responded to a series of questions on pension issues from the Pension Forum. In the wake of the broad mandate given Reagan, Employee Benefit Notes reprints the Pension Forum questions and the responses of the President of the United States.

1. Q. Do you favor continuation of the American private pension system as is?

A. The private pension system will continue to play a prominent role in ensuring that all Americans have good choices in planning for their retirement years. My administration has acted to strengthen the private pension system by discouraging unnecessary and costly regulations that could discourage the start of new plans and the growth of the private pension industry.

2. Q. How do you view government regulation of the private pension system in the future?

A. I would like to have government help make pension plans more responsive to changes in the American work force — in particular, to the increased percentage of women in that work force. On September 29, 1983, I proposed legislative changes to promote equity for women in pension plans, and these changes have been enacted by Congress.

3. Q. How would you frame pension rules to ensure responsiveness to the small businesses across America?

A. Although enactment of the 1974 Employee Retirement Income Security Act (ERISA) has improved pension plan administration and increased assurance that workers will receive promised pension benefits, it has increased burdens on businesses to provide that assurance. We recognize these burdens are relatively greater for small businesses and that they consequently work against the establishment of defined benefit pension plans.

Since small businesses play a large and growing role in the American economy, we want to encourage, not discourage, pension plan coverage by these businesses.

ERISA does not require employers to adopt employee pension plans. Where voluntary plans are established, it requires extensive reporting and establishes minimum standards of coverage, participation, vesting, and benefit funding. I favor a strict review of reporting requirements for duplication and unnecessary paperwork.

In addition, our proposals to shore up the single employer pension plan insurance program would protect businesses who maintain their pension commitments from increased premiums as a result of premature plan termination by other employers.

4. Q. Should all pension plans be required to supply minimum benefits?

A. The 1982 Tax Equity and Fiscal Responsibility Act (TEFRA), which we supported, required top-heavy plans to provide minimum benefits to non-key employees as a matter of equity. We do not favor extending minimum benefit requirements to all plans; that should remain a matter for bargaining between employers and employees.

5. Q. Do you feel that the Internal Revenue Code should treat the pension plans of all businesses equally?

A. I have asked Treasury secretary Donald Regan to recommend a broad plan to simplify the entire tax code so all taxpayers are treated more fairly. Specific recommendations will be presented to me by December 1984, and I intend to act on them in my next term.

6. Q. Would you support efforts to tax private pension programs and efforts to impose taxes on...
place a "cap" on fringe benefits—including certain health and hospitalization programs? Why?

A. These taxation issues will be one part of Secretary Regan's study. I did previously propose to put an upper limit on tax-free, employer-paid health benefits. Such unlimited tax-free contributions insulate both employers and employees from the consequences of rising health costs. Limiting this exemption would encourage employees to seek lower-cost medical care alternatives.

7. Q. If elected President, will you appoint a knowledgeable staff member to the White House Office of Policy Development to represent private as well as public pensions?

A. I am comfortable with the present composition of the White House staff in this regard. As you know, the Office of Policy Development is headed by Jack Swahn, former Social Security administrator who himself is an expert on pension policy.

8. Q. What are your views on the development of national retirement-income policy?

A. My administration has already responded to the need to protect sources of retirement income that were threatened by the economic disaster brought on by Carter-Mondale administration policies.

With bipartisan support, we saved the Social Security system. We have also proposed legislation to strengthen single-employer pension plans. Finally, improved economic conditions, combined with innovative programs, such as individual retirement account (IRA) expansion, are providing the opportunity for individuals to increase savings for retirement and for pension plans to flourish.

9. Q. In view of recently alleged "raids" on public pension funds to cover budget deficits, would you favor a public-employee retirement-income security act paralleling ERISA?

A. As your question suggests, ERISA protects against raids on pension funds by requiring pension fund investments to avoid conflict-of-interest and to profit only beneficiaries of the pension fund. The states are rapidly moving to apply this principle of pension law to plans for their own state and local government employees. The need for federal interference is not apparent. Moreover, any federal regulation of state and local employee plans would be of doubtful constitutionality under the Supreme Court's decision in National League of Cities v. Usery.

10. Q. How can we as professional consultants/administrators/actuaries better prepare and educate our congressional representatives and the White House so they can make more responsible decisions concerning the American private pension system?

A. I think it is important that all of us in public office keep sight of the purpose of government—that is, to serve the people. Only by being in tune with the needs as expressed to us can we govern effectively.

We respect your expertise and welcome your suggestions for pension reform. Only with your help can the best possible system be developed. As Abraham Lincoln said, "If there is anything which it is a duty of the whole people to never entrust to any hands but their own, that thing is the preservation and perpetuity of their own liberties and institutions."

Voters Defeat Arizona Health Care Propositions

Voters defeated five health care propositions placed on the November 6 ballot in the state of Arizona. The two opposing sides, the Corporate Coalition, and Arizonans to Protect Quality Health Service, waged a battle over how to control the rising cost of health care.

According to an aide in the Arizona state legislature, the propositions were defeated as a result of a complex ballot format and consumer confusion over the issues.

Backed by business, organized labor, and senior citizens, the Corporate Coalition (CARE) suffered defeat of Propositions 110 and 200, aimed at preventing overbuilding in the hospital industry and at strengthening the health planning process. Proposition 110 would give the state jurisdiction to regulate hospital spending under an authority set up by Proposition 200, the Arizona Health Care Review Authority. The Authority would administer health planning and review capital expenditures and hospital prospective pricing. Critics of these propositions warn that regulation of health care costs will increase consumer rates and prevent patients from receiving a higher level of care.

Propositions 109, 301, and 302, backed by the Arizonans to Protect Quality Health Service and supported by the hospital industry, also failed. Among some of its provisions, Proposition 109 would place a lid on price increases based on the cost-of-living index. Proposition 301 would create a committee to develop long-term rules to deal with hospital cost increases, and Proposition 302 would go into effect if the state legislature did not adopt the committee's recommendations. Proposition 302 would then create a review board to approve new hospital building or equipment purchases and require that patients receive advance estimates of costs.
Legislation and Litigation

Employee Benefits and the 98th Congress

The 98th Congress, to some observers, acted on very few employee benefit issues. Out of several hundred benefit-related bills introduced during 1983 and 1984, Congress enacted only about ten into law. On the other hand, these ten statutes have significant implications to many in the employee benefits community. Three major laws—the Social Security Amendments of 1983, the Deficit Reduction Act of 1984, and the Retirement Equity Act of 1984—will require extensive changes to private- and public-sector employee benefit arrangements.

The following is a list and a brief description of the legislation passed by the 98th Congress and of the legislation that died when Congress adjourned October 12, 1984.

Employee Benefit Legislation Enacted by the 98th Congress

The Deficit Reduction Act of 1984 (DEFFRA) Public Law 98-369. The tax provisions of DEFFRA, known as the Tax Reform Act, include a detailed section on employee benefits. In an effort to gain additional federal revenue, Congress, through DEFFRA, imposed extensive limitations on the favorable tax treatment of many employee benefits. An unpopular and complex law, DEFFRA nevertheless is probably only a preface to an extensive range of tax options Congress will consider in 1985.

Retirement Equity Act of 1984 (REA) Public Law 98-397. Through the changes in participation, vesting, breaks-in-service, and survivor benefit rules, the Retirement Equity Act is designed to "make pensions more equitable for women." The portability issue was not addressed in REA, but will likely be brought up in the 99th Congress.

Social Security Legislation

Social Security Amendments of 1983 Public Law 98-21. The law designed to solve the short-term solvency crisis of the Social Security system contains over sixty amendments to the Social Security Act. Among these are raising the retirement age for receiving social security benefits, requiring coverage of new federal employees, delaying cost-of-living benefit adjustments (COLAs), subjecting one-half of benefits to income tax, and accelerating the scheduled increases in payroll tax rates. This legislation also required that FICA tax be paid on the employee contribution to a section 401(k) salary reduction program. Extension of FICA taxes to additional employee benefits will be a major issue for the 99th Congress.


Social Security Disability Reform Amendments Act of 1984 Public Law 98-460. Although the legislation was approved by almost every House and Senate member, agreement on this law was difficult and took a long time to reach. The legislation makes major changes in the way the periodic reviews of Social Security disability beneficiaries are to be conducted. The administration of the

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<th>Measure</th>
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Table 1

Summary of Employee Benefits Bills Passed in the 98th Congress

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Table 1

Organ Transplantation Act       | S.2048 3/21/84     | 4/11/84             | --           | 6/21/84              | 6/29/84      | 10/03/84     | 10/04/84   |

Employee Benefit Notes 3
Social Security disability review program has been controversial since it began in 1981.

Miscellaneous Benefit Legislation

Education and Group Legal Assistance Acts Public Laws 98-611; 98-612. The tax-free status of employer-provided tuition benefits, which expired in December 1983, was retroactively extended to December 1985 in this popular law (Public Law 98-611). Similarly, Public Law 98-612 extended the tax-free status of employer payments to qualified group legal services plans through December 1985.

Protection for Ex-Spouses H.R. 2300. On November 8, 1984, President Reagan signed legislation granting, for the first time, survivor pension benefits and federal health insurance coverage to the ex-spouses of government employees. H.R. 2300 awards retroactive retirement benefits to some 400 spouses divorced on or after September 15, 1978.

The Organ Procurement and Transplantation Act Public Law 98-507. Congress' intention to improve access to renal (kidney) and nonrenal organ transplantation will likely accelerate the growth of transplant surgeries and, in turn, raise the health care costs paid by private insurers, Medicare, and Medicaid. The law provides for a computer registry to facilitate the matching of potential organ recipients with organ donors and for grants to organ procurement organizations.

Legislation That Died at the End of 1984

The 98th Congress left many employee benefit bills behind when it adjourned. Among those issues legislators did not enact into law:

- health care cost containment
- major tax reform

Most of these measures were never reported out of committee. The Senate version of the single-employer plan legislation was reported out of the Senate Labor Committee. The House Education and Labor Committee passed two versions of the Public Employee Pension Plan Reporting Act; and the Fair Insurance Practices Act was approved with amendments by the House Energy and Commerce Committee. There was no further movement on these bills.

Action on the remainder of the bills noted above was limited to public hearings. Because the issues surrounding these measures are complex and controversial and viewpoints are widely polarized, the hearings were well attended by members of Congress and the public alike. In many cases, there were several sets of hearings on one issue area, such as major tax reform and single-employer pension plan amendments.

Most of the legislation that died in 1984 will probably be resurrected in 1985. Look especially for tax reform, health care cost containment, pension plan termination, and single-employer plan termination insurance legislation.

Medicare and Medicaid Provisions in the Deficit Reduction Act of 1984

The following piece is adapted from the August-September 1984 issue of Medicare/Medicaid Notes. For more information, contact the Office of Beneficiary Services, Health Care Financing Administration, 6325 Security Boulevard, Baltimore, MD 21207.

The Deficit Reduction Act of 1984 (DEFRA) contains a number of amendments affecting the Medicare and Medicaid programs. A few of the changes went into effect immediately upon enactment of DEFRA; others will go into effect in the near future.

Some of the provisions represent adjustments in Medicare coverage and Medicaid eligibility rules. Others represent major changes in Medicare's method of payment for medical services. In most cases, the rules and regulations necessary to implement these amendments are still being developed, and many of the details are not yet available. The following is a summary of the changes most important to Medicare and Medicaid beneficiaries.

Medicare Coverage Changes

Freeze on Medicare Payment for Doctors' Services. From July 1, 1984 to September 30, 1985, Medicare payment for doctors' services will be frozen. This means that throughout this 15-month period Medicare will pay no more than the payment levels that were in effect on June 30, 1984. Suppliers are not affected by this provision.

Medicare-Participating Doctors and Suppliers. DEFRA gives all doctors (and other suppliers of health care services and equipment) the option to sign an agreement making them participating doctors or suppliers. By participating, the doctor or supplier agrees in advance to accept assignment on all Medicare claims for at least one year, beginning October 1, 1984. In other words, participating doctors and suppliers will agree to accept Medicare's approved charges as the full charges for all services they provide to Medicare patients during the year.

Participating doctors and suppliers will still be permitted to bill Medicare patients for the deductible and coinsurance amounts not paid by Medicare, but they will not be permitted to charge the patient an amount more than Medicare's approved charge for a covered service. The participation agreements will be automatically renewable for another twelve months at the end of each year.

Medicare will continue to pay for the services of doctors and suppliers who do not sign participation agreements, and these nonparticipating doctors and suppliers will still be able to take Medicare assignment on a case-by-case basis. The difference will be that nonparticipating doctors and suppliers will have the option to refuse assignments for any service at any time. When a nonparticipating doctor does not take assignment, he or she can bill the
Medicare patient for more than Medicare's approved charge.

During the 15-month "freeze," nonparticipating doctors will be prohibited from increasing their fees above the amounts they charged to Medicare patients during April, May, and June of 1984. This prohibition will be enforced by the insurance organizations (carriers) that process Medicare's medical insurance claims. Nonparticipating doctors whose fees increase significantly during the freeze period will receive a warning notice and will be subjected to an intensive review of their Medicare claims. Continued violation of the freeze could result in fines up to $2,000 per violation and/or expulsion from the Medicare program for up to five years.

Medicare patients who are treated by participating doctors will have the advantage of knowing in advance that all services will be provided on an assigned basis and that Medicare payment will be made directly to the doctor. In addition to a probable cost savings, the patient will not have to fill out a Medicare claim form.

Doctors and suppliers who elect to participate will be listed in a special directory to be published in December 1984 by Medicare carriers. The Medicare Participating Physician/Supplier Directory will be distributed to senior citizen organizations, all local Social Security and Railroad Retirement program offices, and state and local offices of the Administration on Aging. Individuals can buy this directory from the Medicare carrier in their area or can call the carrier to find out which doctors and suppliers are participating. Also, participating doctors and suppliers will be given a special Medicare emblem to display in their offices or waiting rooms.

Participating doctors and suppliers will also be listed in future editions of the Physician/Supplier Assignment Rate List, which is produced by Medicare carriers and distributed to the locations mentioned above. At the present time, however, this list gives only the approximate percentage of Medicare claims that doctors and suppliers took on assignment in the previous year. All Medicare beneficiaries will receive a written notice announcing the availability of the Medicare Participating Physician/Supplier Directory in their area.

100 Percent Reimbursement for Lab Tests. For diagnostic laboratory tests provided by an independent clinical laboratory, hospital laboratory (to outpatients), or physician, Medicare will now pay 100 percent of a fee schedule amount if the laboratory or physician takes assignment (or the physician participates). This means that Medicare patients receiving such lab tests will no longer be required to pay the deductible and coinsurance amounts. The Part B deductible and the 20 percent coinsurance will continue to apply to laboratory tests provided by a physician who declines to take Medicare assignment. Physicians may bill only for laboratory services actually performed in their offices; they may no longer bill for the services of independent laboratories.

Coverage of Hepatitis B Vaccine and Blood Clotting Factors. Medicare does not generally cover immunizations. However, beginning September 1, 1984, it will help pay for hepatitis B vaccine administered to Medicare beneficiaries who are considered to be at high or intermediate risk of contracting the disease. Medicare will also cover, as of July 18, 1984, blood clotting factors taken at home by hemophilia patients. Previously, blood clotting factors could be covered only when provided in a hospital or skilled nursing facility.

Extension of the Part B Premium Amendments. The current Medicare law, which requires Medicare to set the Part B premium collected from beneficiaries at an amount equal to 25 percent of Part B program costs, has been extended for two years through 1987. The basic Part B premium is currently $14.60 per month. All Medicare beneficiaries will be notified of the 1985 Part B premium amount later this year.

Limitation on Payment for Medical Equipment Obtained From Home Health Agencies. Medicare reimbursement procedure has been changed for durable medical equipment used in the home (wheelchairs, oxygen equipment, etc.) when obtained from a home health agency. Formerly, Medicare reimbursed 100 percent of the approved cost of medically necessary equipment when obtained through a home health agency as part of a home health plan. Medicare will now pay 80 percent, as it currently does when equipment is obtained through other sources. The Medicare patient will be liable for the remaining 20 percent. Medical equipment supplied as part of a home health plan is still exempt from the annual Part B deductible.

Working Beneficiaries Age 65-69 With Employer Plan Coverage. Since January 1, 1983, Medicare benefits have been secondary to employer group health benefits for employed individuals age 65 through 69. DEFRA contains two new provisions affecting beneficiaries age 65-69 who are covered under an employer-sponsored health plan.

Working beneficiaries and their spouses age 65-69 who are covered under both Medicare Part A and employer health plans and who delay enrollment in Part B, can now be protected from Part B premium surcharge rules and possible gaps in coverage. A special seven-month enrollment period will permit them to enroll in Part B when they are no longer covered under the employer plan or reach age 70, and if they meet certain requirements, they avoid the 10 percent per year premium surcharge for late enrollment. Additional information about this enrollment period and the Part B premium surcharge rules can be obtained from local Social Security offices.

Effective January 1, 1985, Medicare benefits will become secondary to employer plan coverage for spouses age 65-69 of employees through age 69. These nonworking spouses will also have special enrollment and premium rights.

Physical Therapy Plans Under DEFRA. A physical therapist or a physician (including a podiatrist) will now be able to establish a plan for outpatient physical
therapy services, with a physician periodically reviewing the plan. Formerly, only a doctor of medicine or an osteopath could establish and review such a plan.

**Coverage Limitation for Treatment of Mycotic Toenails**: Medicare coverage for medically necessary treatment of mycotic toenails (a fungus infection of the toenails) is now limited to one service every sixty days unless the patient's physician has documented the medical necessity for more frequent treatments.

**Medicaid Eligibility Changes**

**Medicaid Eligibility Extension**: Effective October 1, 1984, all states are required to extend Medicaid eligibility to pregnant women who, under specified criteria, meet program requirements for Aid to Families with Dependent Children (AFDC) eligibility. Medicaid eligibility will also be extended to pregnant women in two-parent families when the principal breadwinner is unemployed and income and resource requirements are met. In addition, all states will be required to extend Medicaid eligibility to all children under age five (but born after October 1, 1983) who otherwise meet income and resource eligibility requirements. Also, a newborn child born after October 1, 1984 to a woman eligible for Medicaid will be deemed to have applied and been found eligible for Medicaid for one year, as long as the mother remains eligible and the child is a member of the mother's household.

**Mandatory Assignment of Rights**: Effective October 1, 1984, all states must require as a condition of Medicaid eligibility that all Medicaid applicants and recipients assign their rights to the state Medicaid agency and cooperate in securing and identifying liable third-party resources.

**Racketeers Barred From Holding Pension Trust Positions**

A provision of the "continuing resolution," signed into law October 13, toughens and tightens penalties for labor and management personnel convicted of racketeering. Key provisions of the Labor-Management Racketeering Act bar convicted racketeers from holding trust positions in pension plans and unions for three to thirteen years, and they retroactively impose immediate disbarment from such trust positions upon conviction. Under prior law, convicted racketeers could continue to hold office until all appeal routes were exhausted, a process which can take several years.

**More ESOP Legislation Expected**

Even though the Deficit Reduction Act of 1984 contains important incentives to expand the use of employee stock ownership plans (ESOP), the primary congressional sponsor of those provisions, Sen. Russell Long (D-LA), has an interest in doing more, according to Jeff Gates, an aide to Sen. Long on the Senate Finance Committee staff. Gates told the ERISA Industry Committee's quarterly meeting in October about the Senator's concern that corporate finance in the United States is a "closed loop," with asset ownership concentrated in relatively few hands. Corporations end up using considerably less debt than they would otherwise use, said Gates, because of the tax preferences in the law. That means, he argued, that the federal government is financing corporate debt indirectly.

ESOPs are a way of broadening the asset ownership in the United States and adding to retirement income of workers, said Gates. He predicted that there would be additional interest in ESOP legislation in the new Congress. One option is to require that corporations offer an ESOP as a condition for receiving corporate tax benefits.

Other employee benefit issues would also be of concern, said Gates. An overall review of employee benefits could come in the context of basic tax reform, which is certain to occupy the attention of Congress and the Reagan administration early in 1985.

One important consideration in the next few weeks, said Gates, is who will be Chairman of the Senate Finance Committee. Will it continue to be Robert Dole (R-KA), who is running hard for the post of Senate Majority Leader, or will it be Robert Packwood (R-OR), the next ranking Republican on the Senate Finance Committee and a strong advocate of employee benefits?

Gates described the idea of imposing dollar caps on specific employee benefits as a "volatile" issue, with Congress awaiting the results of several Treasury Department studies mandated in DEFRA. He alluded to Congress' general concern that the expansion of employee benefits could put the United States in the same position as the United Kingdom where, he said, most compensation is not paid in cash. Rep. J. J. Pickle (D-TX), Chairman of the Social Security Subcommittee of House Ways and Means, is said to have an interest in extending the Social Security and unemployment compensation payroll taxes to employee benefits, although the impact of such action on Social Security benefits would have to be carefully explored.

Gates described as a "tough issue" the vesting, integration, portability (V.I.P.) bill advocated by Sen. Ted Kennedy (D-MA) and former Rep. Geraldine Ferraro (D-NY). He said there would be real questions as to whether the Senate Finance Committee would take up the bill, and who would sponsor it in the Committee. Pension reform has been identified as a major issue by women's groups.

The experience and advice of corporate employee benefit sponsors and labor representatives is welcome, said Gates. His own advice about dealing with Congress: Be concrete. Don't exaggerate. The argument that any change will cause the death of defined benefit plans is wearing thin. Document what you have to say.

**District Court Says Welfare Benefits Vest at Retirement**

The U.S. District Court for the Northern District of Ohio has ruled that under federal common law former employees have a vested right to welfare benefits when they retire. The decision, which involved the White Farm Equipment Company (a reorganized former unit of the bankrupt White Motor Company), highlights the increasingly
critical issue of employer liability for the high costs of postretirement welfare benefits.

The White Farm decision follows several others (e.g., Bethlehem Steel, Bunker Hill, Yard Man) in which the court held that both union and nonunion retired employees had a right to reinstatement of welfare benefits that had been terminated or reduced by their former employers. Those decisions were generally based on plan documents and other materials that did not specifically state the employer’s right to adjust or terminate such benefits.

The White Farm decision, however, did not rest on the implied promise of benefits through ambiguous plan language and employer practices. Rather, the court concluded that the area of retiree welfare benefits was ripe for the formulation of a broad federal common law principle.

According to the principle established in White Farm, a former employee who properly retires under an employer’s rules gains a vested right to welfare benefits at retirement. Thus, an employer may not invoke a termination clause to eliminate or reduce a retired employee’s welfare benefits.

The White Farm decision seems at odds with Congress’ clear intent under ERISA not to extend pension plan vesting requirements to welfare plans. However, the court reasoned that ERISA’s detailed, preretirement pension vesting provisions do not automatically imply congressional endorsement of the “...unfettered unilateral termination” of welfare plans. Indeed, the court observed that its common law vesting principle was “... logical, consistent with economic reality, sensible, just and entirely consistent with Congress’ ameliorative goals” in passing ERISA.

The White Farm decision is being appealed to the U.S. Circuit Court of Appeals in Cincinnati (6th circuit).

More information is available in EBRI’s November Issue Brief. Copies of the decision are available to EBRI sponsors and subscribers by writing to EBRI’s Education and Communications Division.

IRA and Keogh Assets
Top $120 Billion

Between December 31, 1983, and June 30, 1984, individual retirement account (IRA) and Keogh plan assets rose by $19.2 billion (see table 1). Total assets in June were $120.2 billion, compared to $101.0 billion in 1983—a 19 percent increase.

This increase represents a steady growth in these accounts compared to the same six-month period of last year. Should this growth continue at the same rate, however, IRA and Keogh growth rates will fall short of the 60 percent rate of growth in 1983. (EBRI is not, however, projecting growth rates for the remainder of this year.) In terms of absolute dollar amounts, the assets have grown fairly steadily since 1981—with an average increase of $30 billion each year—but the increase in total asset amounts causes the annual percentage increase to get smaller. This suggests a leveling off of participation rates among those eligible to open an IRA or Keogh account (employed persons under age 70½).

The distribution of IRA and Keogh funds held in larger institutions changed somewhat during the six-month period through June 30, 1984. Four of the six asset-holding institutions experienced a decrease in market share over the pe-

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<td>Life Insurance Co’s</td>
<td>12.1</td>
<td>10.1%</td>
<td>12.1</td>
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<td>100.0%</td>
<td>$101.1</td>
<td>100.0%</td>
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*Figure is for March 1984.
*Figure is for September of that year.
*Figures represent IRA assets only.
*Percentages may not add to totals due to rounding.
Benefit Provisions in the GM/UAW Labor Settlement

On October 15, the rank and file of the United Auto Workers (UAW) ratified a three-year contract with General Motors (GM), which contains significant pension and health insurance modifications.

The basic benefit for future retirees — which currently ranges from $18.20 to $18.95 per month per year of credited service — will be increased by $1.00 effective October 1, 1984, with subsequent increases bringing the total improvement to $3.85 over the course of the contract. For a typical assembler retiring with thirty years of service, this would represent a $115.50 improvement in monthly benefits and would result in total GM-provided benefits equaling $661.50 per month by the end of the contract.

With respect to early retirement benefits, the new contract provides for a $90 increase in the “30 and out” benefit effective October 1, 1984, with subse-
quent increases bringing the total improvement to $270 per month by the expiration of the contract. These improvements will increase the early retirement benefit from its current level of $935 per month to $1,205 per month.

For all employees retired prior to October 1, 1984, the basic retiree benefit is increased by $1.00 per month per year of credited service, representing a $30 improvement in monthly benefits that brings total GM-provided benefits to $576 monthly. In addition, retirees are provided two lump-sum payments equal to $6.67 per month per year of credited service, up to a maximum amount equal to $200. For retirees with a least thirty years of credited service, the total payment would equal $400 over the contract term.

In certain plant closing situations, the eligibility age for receipt of so-called "mutually satisfactory retirement"—which provides unreduced pension benefits—is lowered from age fifty-five to fifty.

With respect to health insurance, under the terms of the new agreement, all eligible employees, retirees, and surviving spouses and their dependents will be provided health insurance coverage under a new "informed choice plan" aimed at reducing unnecessary utilization of health care services.

One of three options must be selected by participants prior to the first year.

(1) A preferred provider organization (PPO) consisting of a group of hospitals and doctors in a given geographic area will provide the current level of benefits if delivered in the prescribed manner. The fees paid by
GM—and controls such as predetermination of necessary services for particular medical problems—are negotiated in advance with the providers so that costs are relatively fixed. Utilization reviews conducted by the PPO encourage the provision of quality health care while ensuring against abuse by patients and providers.

(2) The Health Maintenance Organization (HMO) option is already well established within GM's health care network.

(3) The third option is a modified version of GM's traditional health care program, which will provide current benefits but require predetermination of services similar to the PPO to minimize inappropriate utilization. If the predetermination procedure is not followed, benefit payments to employees can be reduced. Another feature is that risk-sharing agreements have been negotiated with the carriers involved, such that they will share in the cost if financial targets are not met.

The new contract also increases employee copayments for prescription drugs from a current maximum of $3 to a maximum of $5, and the vision plan copayment rises from a maximum of $12.50 to a maximum of $17.00.

GM and UAW also agreed to study the possible adoption of further, voluntary preventive health services for all GM employees.

The agreement also provides for the establishment of a pilot program at a designated location to assist employees in locating child care facilities in the community.

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**Make Pensions Pensions Again?**

_Editor's Note: On September 4, 5, and 6, the Employee Benefit Research Institute and the Pension Benefit Guaranty Corporation (PBGC) sponsored an international pension forum. This commentary is adapted from the remarks of Dallas L. Salisbury, EBRI President, at the conclusion of the conference._

More and more commentators are pointing to the $1 trillion in "pension plan" assets. A point less often made about asset levels is that nearly 35 percent of all "pension assets" are now in defined contribution programs, including IRAs.

Many in the private sector are advocating that the nation should articulate and follow a consistent and explicit retirement income policy. I don't believe many people understand what the likely fallout of that articulation might be. Rather than an endorsement or expansion of all present tax-incentives, it will likely be an articulation on the part of Congress that the only tax subsidy justified under a retirement income policy is for programs that specifically and categorically provide retirement income, i.e., almost all defined benefit plans (with the exception of about 4 percent that provide for lump-sum distributions) and the TIAA-CREF defined contribution plan. Many profit-sharing and money purchase plans have been designed to pay out balances at retirement and have a clear retirement income orientation. They will have to work hard, however, to differentiate themselves during the policy debate from defined contribution plans that are designed and marketed as "tax-sheltered savings."

Part of a national retirement income policy would be the differentiation of retirement income versus tax-sheltered savings. With over $350 billion in assets and, by our estimates, a major portion of next year's new plan contributions going into "savings plans," articulation of a national retirement policy could create a significant increase in government revenues, without touching the "retirement" plan universe. Since those numbers were generated at the request of an individual in the federal government, I can assure you that these issues are being explored by those who are looking at the question of tax reform. They are not issues first raised by me.

After ten years of ERISA, plans are more plentiful; there are more active participants; there are more separated vested participants. All of those are irrefutable facts, but they don't tell the whole story. I don't think we can allow ourselves to be complacent about the health of defined benefit plans, because certain numbers are increasing.

Defined benefit plans have grown in number, but at a markedly slower rate than before ERISA. In 1983, and so far in 1984, they have grown at their slowest rate since immediately after ERISA's passage. Furthermore, defined benefit plan growth is not the full story of defined benefit plans. Large companies are now terminating defined benefit plans. In response to a recent consulting firm survey, over 19 percent of large companies said they intended to terminate their defined benefit plan for financial and balance sheet reasons.

Large companies are making defined benefit plans less generous, moving from final pay to average term benefit formulas; they are not increasing benefits as much as they might have, and they are not planning growth in the defined benefit program.

Employers are shifting emphasis instead to the defined contribution savings vehicle, which is frequently not designed or marketed as a retirement income vehicle. Congress, in fact, is encouraging this shift. The executive branch, without an institutional structure to look at retirement policy, is doing likewise.

Those who sponsor defined benefit and defined contribution plans that have been designed to provide retirement income must carefully assess the implications of the increasing shift to "tax-sheltered savings."

Speaking at the EBRI/PBGC International Pension Forum, Robert Paul, of Martin E. Segal, and PBGC Executive Director Charles Tharp outlined why defined benefit plans are essential. Employer sponsorship is a vital ingredient. Plans that wait to pay out assets until retirement age are essential to meeting retirement income goals consistently,
whether public or private. If the private sector does not consistently provide retirement income, others will. Regardless of the financial state of Social Security, as a national commitment, taxes would be raised to support a social program, if needed.

I urge all of us to consider carefully the long-term consequences of a shift to defined contribution plans that make assets available before retirement and have been defined as "pensions" by ERISA. All defined contribution plans are believed to be pensions by most people on Capitol Hill, because they do not have good information on the issue. There may come a time when, suddenly, after years of tax subsidies to many of these plans, there will be nothing there for retirement income. It will have been paid out during working years, before retirement. The entire "private pension" system could at that point lose public and government support. The TIAA-CREF model, and other defined contribution plans that retain assets until retirement by design, are the only major exception to this apparent failure of defined contribution "tax sheltered savings" plans to supplement Social Security.

Defined benefit plans are essential for the PBGC's income stability and for retirement income delivery (contrasted with midcareer lump-sum distributions). They are also essential if the private sector is to provide a long-term, meaningful income supplement to Social Security.

Could Social Security be made into a defined contribution plan that made payments before retirement age? Never.

Would the Congress stand for a large-scale termination of defined benefit plans for reasons not related to insolvency? No, they would not. Neither today nor in the future.

Will they ultimately stand for termination of plans to recover assets, regardless of who they belong to, politically? Definitely not.

Many people take these issues seriously. They must expand their numbers. We must create a movement to make pensions pensions again, i.e., a stream of retirement income payments or, at least, the payment of benefits only at retirement age.

The ERISA definition of a pension plan\(^1\) should not include capital accumulation until termination of employment. Those in the pension business should be the first to propose that ERISA be amended immediately to move back to the definitions that are appropriate and proper, or they should move to advocate that all defined contribution plans be made pension plans: that payments be reserved until retirement age so that Social Security is supplemented.

Policymakers in the government are considering policies that would eliminate loan provisions, hardship withdrawals, lump-sum distributions, ten-year forward income averaging, and further reductions in section 415 limits. They are also considering proposals that would require that rollovers into IRAs actually be there for the individual at the age of retirement. Some have suggested that this be accomplished through a central "portability clearinghouse."

These are the issues Senator Dole asked the Congressional Budget Office to explore in 1982. They are scheduled to report their findings in 1985. They are the issues being pushed by the women's movement.

The workers of America deserve—and they will demand politically—a secure retirement income. The private sector has an opportunity to meet that challenge and to provide it. Defined benefit programs, under current law and the way employers have chosen to design them, are a good way to meet that challenge. Defined contribution plans that do not pay out benefits until retirement are another.

Private defined benefit plans demand the existence of the PBGC. Public confidence demands the PBGC. Do both demand that the government begin to develop a new institutional framework at the highest levels of government, so that pension policy can be set and understood?

Do we need a legitimate institutional structure with some individual or group of people at a significant level of visibility and power not only to influence an administration, but to bring to bear all of the constituencies?

The United States Congress has focused attention on remedial ERISA reforms, the most recent being the Retirement Equity Act. More are promised in 1985. Are defined benefit plans, backed by PBGC guarantees, the ultimate form of retirement equity?

The theme for the eleventh year of ERISA, I would suggest, for those who favor an explicit retirement income policy, should be refining this ultimate form and making reality out of the theme "Make Pensions Pensions Again." Rather than frittering away at minor provisions, this should be the emphasis of those concerned with participants and workers. The line between retirement income policy—pension policy—and tax-sheltered savings policy must be clearly drawn, lest we ultimately lose it all. If it is not, there will be no long-term stability for employer-sponsored pensions.

Do you truly want an articulated and explicit national retirement income policy? Think through the consequences before you answer.

\(^1\) The terms employee pension benefit plan and pension plan mean any plan, fund, or program which was heretofore or is hereafter established or maintained by an employer or by an employee organization, or by both, to the extent that by its express terms or as a result of surrounding circumstances such plan, fund, or program—A) provides retirement income to employees, or B) results in a deferral of income by employees for periods extending to the termination of covered employment or beyond. . . .
At EBRI

Speakers Address EBRI Annual Meeting

At the October 10 Annual Meeting of the Employee Benefit Research Institute, speakers from the government and the private sector addressed some of the key issues facing the employee benefit community in 1985.

The first speaker was Mr. Frank Bayo, Deputy Chief Actuary of the Social Security Administration (SSA), who was accompanied by actuaries Dick Schreitmueller and Bruce Schobel. Mr. Bayo addressed the issue of revenue loss to the Social Security system attributed to the tax-favored status of employee benefits. The SSA actuaries project that the proportion of compensation going to employee benefits will grow 0.4 percent per year over the next thirty years. Their projections show that, if these benefits were taxed, the additional income to the Social Security system would exceed the additional benefit payments that Social Security would make based on these additional taxable earnings. Bayo said that the cost of mandatory and voluntary tax-favored employee benefits has risen to 15–16 percent of total payroll and that the intermediate projection of the Social Security Administration is that these benefit costs will rise to 36 percent of total payroll over the next seventy-five years.

When asked what specific benefits he was alluding to in these projections of future benefit growth, Bayo responded that it was the entire family of benefits and no one specific benefit. He added that SSA had not studied the feasibility of extending FICA to employee benefits, which he conceded was a major issue deserving study.

Bayo said his projections were mathematical and not based on any plans of the Reagan administration to tax specific benefits. In response to another question, Bayo conceded that the SSA financial estimates do not take into consideration what it would cost the government to provide benefits comparable to the private sector—if elimination of tax incentives caused the private sector to cease offering retirement benefits. Obviously, Schreitmueller said, it would cost the government more to provide the benefits than to provide a tax break.

The next speaker was Steve McConnell, the new Staff Director for the Senate Special Committee on Aging, chaired by Senator John Heinz (R-PA). McConnell gave his personal views of the agenda for the 99th Congress and for the Senate Aging Committee. He said that the ERISA Tenth Anniversary Conference, sponsored by the Aging Committee and numerous other organizations, including EBRI, highlighted concerns on Capitol Hill about who gets what benefits. These equity issues, as he called them, would occupy center stage for the Aging Committee. Vesting, integration, and portability are all issues that he sees a need for Congress to address. A major issue in 1985 will be to what extent policy objectives about retirement income relate to the tax issues and the current concern to reduce the federal budget deficit.

A particular concern, he said, is the absence of leadership on Capitol Hill now that almost all the former congressional experts have left the Congress. He admitted that it is a difficult issue with which to attract the interest of members of Congress because of the technical complexity of the subject matter. McConnell listed a number of special issues that would concern the new Congress, the first being the taxation of benefits. He said there is particular concern with what type of retirement income is provided through individual retirement accounts (IRAs) in recognition of the uneven distribution of IRAs and the fact that a large segment of the population does not have the resources to participate in them.

Retiree health benefits is another concern listed by McConnell. "Will employers be required to provide coverage for retirees?" he asked. Given the current Medicare crisis, there is a natural tendency for Congress to want to shift responsibility for retirement health coverage from the federal government to employers, McConnell said, but he did not see much chance that actually happening. He did foresee the Aging Committee looking at what kinds of promises regarding retiree health coverage are being made by employers, and whether those promises are being kept. He cited the recent Bethlehem Steel decision regarding retiree health coverage, and he foresees more litigation in this area. He urged employers to analyze Medicare reforms and the cost implications to employers of supplementing health benefits provided under Medicare. This is one area, he said, where the aging interest groups and the business community have a shared responsibility. One of the key issues to examine is the prefunding of retiree health benefits.

Termination of overfunded pension plans remains an important issue, he said. In October, Rep. Edward R. Roybal (D-CA) introduced a bill (H.R. 6404) that would require excess pension assets to be distributed to workers within five years of retirement and to retirees, unless a "business necessity" requires the use of the funds by the employer. Some people are advocating that employers be allowed to convert their excess pension assets into health and welfare plans, but McConnell expressed a negative appraisal of that idea, arguing that it would take one sound system and undermine it by diverting monies to health care, where there are no limits on the growth of costs.

The premium increase for the single-employer termination insurance program will carry over into the next Congress with some discussion of proposals to privatize that system.

The regulations on the retirement equity bill will be forthcoming and that is another subject the Aging Committee will be following, McConnell said.

In closing, McConnell indicated that Congress would be looking at the issue of applying FICA tax to all employee benefits, and that some special effort would be needed to shore up the financing of the Medicare system.
The final speaker was Stanford G. Ross, a partner in the law firm of Arnold & Porter and a former SSA Commissioner. Ross said that employers should be very concerned about what will happen to the tax treatment of employee benefits in 1985. He identified what he called three "vectors" of activity, and said the outcome is uncertain, but that pressure to tax benefits is strong.

The first vector is basic tax reform that would cut back substantially on tax incentives for pensions, health, and welfare plans.

The second vector is the tax bill he foresees in 1985 to raise additional revenue to reduce the deficit.

The third vector is the general emphasis on tax expenditures. Employee benefits are the largest tax expenditure and end up on every Congressman's "hit list." For example, Rep. Pete Stark (D-CA) recently proposed that all tax expenditures be reduced by 20 percent across the board—a proposal in which senior members of the Ways and Means Committee are expressing interest. Ross said part of the enthusiasm for the Stark proposal is that it circumvents opposition to proposals for reduction in specific tax preferences, which is a much more difficult political struggle.

In response to this taxation challenge, Ross sees a need for an effective campaign to represent the positive role benefit campaigns would thus have to be All-Participant Meeting in Georgia on Ross sees a need for an effective campaign to stake in the tax debate. The employee Compensation Services Retail Study on tax expenditures. Employee benefits For example, he said that the Social Security Act of 1935 and that some effective lessons could be learned from the successful coalition put together to combat the proposal to tax employer-provided health benefits.

The second requirement is that this umbrella organization have a program to execute.

As far as the program itself, Ross identified five indispensable elements.

First, the program has to be comprehensive. It has to address all employee benefits and their relation to Social Security. He said that a narrow view will not work.

The second element is a detailed strategy. What are the stakes? Grassroots support for benefits would have to be found and constituencies mobilized to react to specific legislative proposals.

Third, the program would have to bind people together in an overall purpose. For example, he said the Save Our Security (S.O.S.) coalition managed to coalesce numerous groups for the single purpose of protecting the Social Security program from spending cuts.

The fourth element needed in the program is the ability to compromise. Even the Social Security advocates had to compromise in 1983. An employee benefit coalition must also know when to compromise.

The fifth element is recognition that employee benefits are not an isolated case. They are not the only issue at stake in the tax debate. The employee benefit campaign would thus have to be aware of what other groups are doing to defend their interest in the tax code and how successful those other groups are.

In closing, Ross said that the time to gear up to meet this challenge is now and that employers should not wait until the new Congress convenes in January. It will take time for an umbrella organization to be created, he said, and for the program to be articulated. He emphasized that the coalition should be a temporary organization and not a permanent one, and that some effective lessons could be learned from the successful coalition put together to combat the proposal to tax employer-provided health benefits.

Presentations

During November and December, EBRI staff made a number of presentations on employee benefit topics.

EBRI president, Dallas Salisbury, gave his perspective on the Washington pension arena along with an overview of EBRI's participation on October 14, 1984, at the American Society of Pension Actuaries' Annual Conference.

On November 1, 1984, EBRI research associate Deborah Chollet participated in the Government Research Corporation Round-Table discussion on retiree health insurance benefits in Washington, DC.

At the Health Insurance Association of America Group Officer's Round Table in Florida on November 7 and 8, 1984, Salisbury spoke on the topics of "Today's Issues and Tomorrow's Environment" and "Issues of Public Policy—Medical Economics and Changes in the Arrangements of Health Care."


On November 9, 1984, Salisbury gave a presentation at the the Management Compensation Services Retail Study All-Participant Meeting in Georgia on the subject of "Employee Benefits: A Washington Perspective."

Salisbury addressed the topic of "Taxation of Fringe Benefits" at the National Education Association's Retirement Issues Forum in California on November 11, 1984.

On November 17, 1984, Salisbury was a commentator for a discussion on "The Social Security Act of 1935" at a meeting of the National Capital Labor History Society and the Washington Chapter of the Industrial Relations Research Association.

EBRI research associate Sophie Korczyk, along with Bernie Schmitt of the Joint...
Tax Committee, addressed the issue of tax expenditures and their role in tax policy at a meeting of Women in Employee Benefits on November 28, 1984.

At the Brookings Institution Conference on November 28, 1984, Deborah Chollet was a panelist discussing “Reforming Entitlements: Medicare and Health Care Costs.”

“Federal Regulation: Why Won’t They Get Off Our Backs?” was Salisbury’s presentation topic at the American Management Association’s Annual Compensation/Benefits Briefing in New York on November 29, 1984.

Salisbury gave a presentation on “Political Forces that are Shaping the Financing of Retirement Benefits” at the December 3, 1984 meeting of the Pension Group East in New York.

On December 8, 1984, Salisbury and former Social Security commissioner Robert M. Ball briefed newly elected members of Congress on “entitlement programs: issues for the 99th Congress” at the John F. Kennedy School, Institute of Politics at Harvard University. Salisbury spoke on “Political Forces that are Shaping the Financing of Retirement Benefits” at the December 3, 1984 meeting of the Pension Group East in New York.


Articles

The October issue of Pension World features an article by EBRI president, Dallas Salisbury, entitled “Who has an IRA today?” Drawn from EBRI Issue Brief, no. 32, this article profiles today’s IRA owner.


Announcements and Publications

Ad Campaign Launched to Build a Benefits Constituency

Disturbed by the lack of communication between constituents and members of Congress on the important issue of taxing employee benefits, the American Council of Life Insurance (ACLI) and the Health Insurance Association of American (HIAA) have launched a major ad campaign to alert the public to the distinct possibility of taxing health, life, and pension benefits. The ads are designed to encourage constituents to identify their elected representative’s position on this issue. The joint HIAA/ACLI commercials on the issue of taxing employee benefits will run in 52 markets reaching some 70 percent of all U.S. adults.

Information Wanted on Retiree Health Insurance

Policy issues affecting retiree health insurance benefits were discussed at a Government Research Corporation (GRC) Round-Table meeting of business, labor, insurance industry, congressional and federal agency representatives on November 1, 1984. Economist Deborah Chollet represented EBRI at the session.

This issue has become a focus of attention because of (1) the soaring cost of employer-provided health benefits for retirees; (2) the recent tax code changes affecting the advance-funding of retiree health insurance benefits through tax-exempt trusts (in particular, through voluntary employee benefit associations, or VEBAs); and (3) accounting rules proposed by the Financial Accounting Standards Board (FASB).

Increased costs for retiree health insurance benefits reflect general health care cost inflation, the aging of the work force, the eroding adequacy of Medicare benefits for retirees, and employers’ recent use of early retirement to avoid layoffs during the recession.

FASB has proposed that employers be required to list accruing liability for the health insurance benefits promised to current and future retirees. Employers typically finance retiree benefits on a current basis, and do not reserve against future health insurance liability as they reserve, for example, against future liability for employee pension benefits. Since employers generally do not have reserves against their accruing liability for retiree health benefits, the proposed FASB rules may represent a substantial change in the ability of some firms to compete in credit markets.

Congress has directed the Treasury Department to study the use of VEBAs for the provision of health insurance benefits to active workers and to retirees, and to study the desirability of requiring “minimum standards” such as vesting and funding for retiree health insurance. Treasury representatives at the GRC meeting said they would welcome any information on corporate practice or experience with retiree health insurance benefits. The Treasury will report to Congress by February 1, 1985, on the status of their study on the use of VEBAs and the need for participation, vesting, or funding standards for retiree health insurance benefits.

Organizations willing to provide information on their retiree health insurance benefit plans should contact either Deborah Chollet, research associate at EBRI, or Harry Conaway, Attorney Advisor, Office of Tax Legislative Counsel, Main Treasury, 15th Street and Pennsylvania Avenue NW, Room 4112, Washington, DC 20220 (212) 566-4902.

PBGC Announces Maximum Benefit Guarantee for 1985

The Pension Benefit Guaranty Corporation (PBGC) announced that $1,687.50 is the maximum monthly benefit it will guarantee for participants in defined benefit pension plans terminating in 1985. The maximum guaranteed amount, one of the provisions of ERISA, is adjusted annually according to a formula prescribed in the law, and is based on data obtained from the Social Security Administration.
The maximum guarantee applies to a single life annuity beginning at age 65, or later, for participants in terminated pension plans who have earned a pension of that amount, or more, under the guaranteed provisions of their plans. In the event that the benefit begins before age 65, or is payable in some form other than a life annuity, the maximum guarantee is adjusted.

**Supplemental Security Income: State and County Data, U.S. Department of Health and Human Services (HHS)**

This report provides tables on the state and county distribution of federally administered payments to persons receiving Supplemental Security Income in December 1983. Both the number of people receiving payments and the amounts of the payments are shown. For more information, contact the Office of Research, Statistics, and International Policy, Office of Policy, Social Security Administration, 1875 Connecticut Ave., NW, Washington, DC 20009.

**Medicare: Physician Payment Options, U.S. Senate, Special Committee on Aging**

This publication is the record of a Senate hearing held March 16, 1984, concerning payments to physicians under Medicare. Current and proposed physician reimbursement systems, their incentives, and physician responses to those incentives are examined. Current legislative responses aimed at controlling physician costs are also discussed. Copies of the hearing are available through the U.S. Senate Special Committee on Aging, G-33 DSOb, Washington, DC 20510.

**Tax Shelters, Accounting Abuses, and Corporate Securities Reforms, U.S. House of Representatives, Committee on Ways and Means**

This record of the February 22 and 24, 1984 hearings held by the House Ways and Means Committee includes testimony by EBRI economists Deborah Choller, Emily Andrews, and Sophie Korczyk on the equity, trends, and federal revenue implications concerning employee benefits. Copies of the hearing are available through the U.S. Government Printing Office or through Documents, Committee on Ways and Means, Room 1201 Longworth House Office Building, Washington, DC 20515, (202) 225-9397.

**Pensions and Mortgages: Housing Investment Opportunities for the 80's, U.S. Department of Housing and Urban Development (HUD)**

This new HUD publication provides information on housing investment instruments, new opportunities in the mortgage secondary market, and changes in ERISA regulations. It provides up-to-date data on laws, investment mechanisms, and the experience of pension funds with the secondary mortgage market. The views and analyses of more than thirty investment advisers, pension fund managers, and secondary market participants are presented. Information is also provided on two instruments recently introduced: the Government National Mortgage Association's GNMA II and the Federal Home Loan Mortgage Corporation's Collaterized Mortgage Obligation. Copies are available from HUD USER, P.O. Box 280, Germantown, MD 20874. The cost is $5 for 1 or 2 copies, $7 for 3 or 4 copies, $12 for 5 to 7 copies, $15 for 8 to 10 copies, and $2 each for every copy over 10.

**Government Reports and Publications**

**Corporate Governance Service, Investor Responsibility Research Center, Inc. (IRRC)**

The IRRC has been awarded a contract by the U.S. Department of Labor to study the impact of corporate initiatives on the interests of private pension plans as shareholders. The report is scheduled for completion March 1, 1985. For more information, contact Investor Responsibility Research Center, Inc., 1319 F St., NW, Washington, DC 20004.

**The National Institute on Aging Macroeconomic-Demographic Model, U.S. Department of Health and Human Services (HHS)**

The National Institute on Aging (NIA) and the President's Commission on Pension Policy created a Macroeconomic-Demographic Model (MDM) to study the effects of population aging on the economy and the income of the elderly. The information developed provides a comprehensive picture of the interrelationship between the public and private sector programs. The combination of a macroeconomic model, a population model, and a labor market model provided the required framework for the implementation of the pension and federal program models to study the retirement income system. This monograph describes the initial version of the MDM as of its completion in March 1982. Additional developmental work has been done, and some modifications have been made since that time. For more information, contact The National Institute on Aging, Bldg. 31, Room 5C-35, 9000 Rockville Pike, Bethesda, MD 20205.

**Social Investing**

Edited by Dan McGill, this book is mainly composed of papers presented at the 1982 symposium for institutional members of the Pension Research Council. Among other subjects, the volume covers ethical and philosophical considerations involved in social investing issues, the legal framework within which these issues must be resolved, views of organized labor, pratical problems encountered in implementing a policy of social investing, an evaluation of the social investing concept within the framework of the capital asset pricing model (CAPM), and the process by which responsible decisions concerning social investing can be made. Copies are available for $22.00 through the Pension Research Council, Wharton School, University of Pennsylvania, 34th and Spruce Streets, Philadelphia, PA 19104, (215) 898-7762.
The Employee Benefit Research Institute (EBRI) is a nonprofit, nonpartisan public policy research organization based in Washington, DC. Established in 1978, EBRI provides educational and research materials to employers, employees, retired workers, public officials, members of the press, academics and the general public. Through its books, policy forums and monthly subscription service, EBRI contributes to the formulation of effective and responsible health, welfare and retirement policies. The Institute has—and seeks—a broad base of support among interested individuals and organizations, as well as among private-sector companies with interests in employee benefits education, research and public policy.

Employee Benefit Notes is written, edited and published by the staff of the Employee Benefit Research Institute and its Education and Research Fund (ERF). Annual subscriptions to Employee Benefit Notes and EBRI Issue Brief (a monthly periodical devoted to expert evaluations of a single employee benefit issue) sell for $100.00. For further information, write EBRI-ERF subscription service, 2121 K Street, NW, Suite 860, Washington, DC 20037. (202) 659-0670.

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