

Thank you!

EBRI began its 24th year of work on December 4th. You, our Members, make the work possible! As guides for our work, the principles articulated by the Founders in 1978 still seem very much on-target today:

Employee benefit plans serve an essential function in the United States economy, by providing citizens with opportunities to achieve financial security.

An ongoing need exists for objective, unbiased information regarding the employee benefit system, so that decisions affecting that system may be made based upon verifiable facts.

The Members of the Institute have determined that their common business interests will be furthered by having the Institute develop and disseminate the information described above.

In all its activities, the Institute shall function strictly in an objective and unbiased manner and not as an advocate or opponent of any position.

Adherence to these principles has served us well, as EBRI has become recognized as the “reliable source of verifiable facts” internationally on U.S. employee benefits; the reliable source that will tell you if there are no facts available; the reliable source that can put numbers released by others, trends, and events, in context. Thousands of reporters, policymakers, and policy staff rely upon us each year to be true to our principles. You, our Members, make that possible. In fact, you demand it!

Reflection

A recent book, *The Fourth Turning*, was about the prospect of a crisis that would serve to move the nation toward a greater sense of community. The authors argued that there had been three other such crisis-driven reorientations in our history (the Civil War, the Great Depression, World War II) that brought a major shift in national values, and that a fourth was due by 2025. The only question was what and when. The authors have been on a number of interview shows since Sept. 11 suggesting that the crisis is now with us that represents this “fourth turning,” that the “first war of the 21st century,” as the president has labeled it, has marked what will be seen in hindsight as the beginning of a major change in societal values and orientation. They believe that the value changes coming out of this crisis will be with us for decades, repeating history, and that they will bring major social and policy change.

At the macro level, this might mark a turn toward initiatives for new social insurance programs (national health insurance or long-term care insurance) and/or new proposals for expansion of employment-based benefits programs. The latter could focus on both individual employer programs and also new approaches to multi-employer consortiums that provide portability and administrative efficiency. Much thought needs to be given to the implications of such a shift in focus (relative to the focus on the libertarian, individually based proposals of recent years) for today's programs and the EBRI research program.

At the micro level, the tragedies of Sept. 11 have changed the number and nature of requests that EBRI is now getting; the nature of the policy debate here in Washington, DC; and perceptions of the value of employment-based economic security benefits. The economic shocks, including market fluctuations, have led to a much higher rate of media calls about the extent of health insurance, life insurance, survivor benefits, 401(k) participant investment allocation, the nature of PBGC guarantees when a company files for bankruptcy, and much more. The EBRI team has worked hard to meet all of the requests.

The productivity power of technology has transformed most of the world, and it has also transformed EBRI. On Sept. 11 it allowed the team to head home when the government urged it, but to continue doing the responsive work of EBRI through our network, our Intranet, and the Internet. Since the 11th, we have altered our system backup procedures to ensure more efficient response time in case of a calamity, and we will be taking more steps to make certain that Members and others are assured access to our work under adverse circumstances. It was and is tragic to think of all those harmed and lost on the 11th, including so many with EBRI-Member organizations. It was gratifying when on Sept. 13th we were called by one Member asking us to overnight the last two years' worth of *Issue Briefs* and *Notes* to the replacement library being set up after the collapse of their offices in the World Trade Center. The drive to keep going, to get back up, is a value to be much honored and respected.

Accomplishments

Since my spring report, EBRI has been very productive, and all of our work continues to be used by Members, the news media, and policymakers as they focus on trends and proposals and benchmarking. EBRI continues its tradition of providing verifiable facts to reporters and decision makers.

A series of reports has been published from the EBRI/ICI Participant-Directed Retirement Plan Data Collection Project (the EBRI/ICI 401(k) database) on account balances, investment and contribution behavior, employer stock, and loans. This work has proven invaluable in responding to the Enron calls and to inquiries related to investment advice proposals in Congress. Our *Pension Investment Report* continues to provide regular data updates on both defined benefit and defined contribution plan assets and investments, and 2002 will bring enhancements as we will be able to provide greater detail.

Reports on health insurance coverage, consumer-driven health care, health design trends, the business case for health insurance, and the financial capacity of tomorrow's retirees to finance medical and long-term care expenses have been completed. Results of this last item have been presented to state legislative leaders from more than 30 states at a series of meetings across the nation.

The Retirement Confidence Survey, Health Confidence Survey, and Value of Benefits Survey, each completed and released since the spring, continue to provide a way to track worker and consumer attitudes about savings, retirement, health insurance, and public programs. The 2002 RCS will be completed just in time to be released in conjunction with the February 27–28, 2002, National Summit on Retirement Savings.

Public education efforts on employee benefits and economic security continue to expand, with our Choose to Save® public service announcements now running in 49 states on television and radio, and our one-half hour television “Savings Game” special now having been used by more than 110 stations nationally. The value of donated television and radio time in 2001 will be over \$10 million. Both the EBRI-ERF American Savings Education Council (ASEC) and Consumer Health Education Council (CHEC) programs continue to expand as partnerships that are taking the messages of retirement planning and health insurance coverage into communities across the nation. Many employers are now using our Ballpark Estimate Retirement Planning Worksheet® with their entire work forces as a test of whether a simple tool can entice people to take time to plan. All of this material is available to EBRI Members free through www.ebri.org (if you need a password or assistance, just let me know).

The EBRI Team has continued to work with a broad array of organizations and has taken reports of our research to many audiences: The 21st Century Workforce Summit, the ASPEN Institute Committee on Workforce Change, the GAO Advisory Committee on Social Security and Retirement, the SHRM Board of Directors, the Security Industry Association, the Michigan Employee Benefits Council, the Southwest Benefits Conference, the National Coordinating Committee of Multi-employer Plans, the International Society of Certified Employee Benefits Specialists, the Oregon Governor's Task Force on Long Term Care Reform, LIMRA, the National Education Association, and many meetings with individual government officials, employers, and others.

Contracts have been signed for a fifth phase of the Choose to Save® education program. Public service announcements are now running in nearly every state and every market, as noted above. Fidelity Investments will again underwrite the Washington, DC, portion of the program with a grant of \$1 million that allows for all of the PSA production. The Bush administration is planning to hold the second SAVER Summit in late February 2002, and CTS will be featured at the Summit. EBRI, ASEC, and Choose to Save® are official sponsors of the SAVER Summit.

The EBRI Team is also working to assure that our work gets distribution in other venues, with articles in the ISCEBS *Benefits Quarterly* (fourth quarter 2001) on “Prospects for Social Security

and Retirement Reform,” and “Medicare in the 21st Century,” and in the fourth quarter 2001 *WorldatWork Journal* on “No Time to Snooze: Meeting the Needs of an Aging Work Force.” The latter article presents the business case for sponsorship of employee benefit programs. We also authored chapters in the *2001 Handbook of Employee Benefits* and articles in the *North American Actuarial Journal*, *Social Security Bulletin* and *Health Affairs*, a contributed to a book, *The Future of the Safety Net*, and other venues.

Development work has continued on the EBRI-ERF Retirement Income Projection Model, which ties into many of the macro- and micro-level changes mentioned above (viz., our model can do sensitivity analysis on the impact of defined benefit/defined contribution trends, market volatility, increased job turnover, etc., on retirement income). We have also recently re-benchmarked to the latest universe figures available from the Form 5500 data, added new components to capture the statutory modifications required by EGTRRA, and have developed new behavioral models that will allow us to perform analyses no other models are yet capable of (i.e., predicted employee contribution behavior at levels that reflect both the increase in the current Sec. 402(g) constraints and the new catch-up provisions. These were presented to the EBRI Board in December, and will be distributed to all Members after a few more refinements are made).

Finances

Member support has allowed EBRI to build and maintain a solid financial foundation. Estimated year-end consolidated operating revenue and expense will be \$5.4 million and \$5.2 million, respectively. Operating and long-term reserves at year-end will approach \$13.6 million. EBRI has experienced solid loyalty from a great employee team over the years, and the solid finances are part of what makes a small non-profit an attractive place to work, even in a robust employment market. Again, you, the Members, make it possible. Thank you.

Conclusion

The importance of health insurance, survivor benefits, life insurance, cash reserves, and other structured approaches to providing a base of economic security for Americans was underlined and reinforced on Sept. 11th. The types of expectations that workers, their families, the private sector, and the public sector have for each other in a time of crisis have been re-emphasized. The collective power to provide financial security against risks that can create personal crisis that an individual alone cannot “self-insure” has been seared into our visions. The tragedy of Sept. 11th served to remind the EBRI team of how important our mission is, and our principles are, and how important it is that we succeed. With your continued support, we will.

Happy Holidays and the Very Best for 2002!

Dallas Salisbury
CEO
(202) 775-6322
salisbury@ebri.org