THE PUBLIC AGENDA FOUNDATION

Tom F.
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May 20, 1997

The Honorable Bruce Reed
Assistant to the President for Domestic Policy
Domestic Policy Council
Old Executive Office Building, Room 213
Washington, DC 20500

Dear Mr. Reed:

I am enclosing a copy of Public Agenda's latest study, *Miles to Go: A Status Report on Americans' Plans for Retirement*. As you'll read, despite improved economic times and a growing unease over the future of Social Security, nearly half of all Americans say they have less than $10,000 saved for their retirement. Contrary to conventional wisdom, the baby boomers are not alone in neglecting good saving habits. In fact, three in ten of those closest to retirement - "pre-retirees" between the ages of 51 and 61- as well as four in ten baby boomers have less than $10,000 saved.

An increasing number of Americans also have doubts about the future of Social Security. One-third of Americans, up from one-quarter in a 1994 Public Agenda study, do not expect to receive any Social Security benefits. But the majority do not feel Social Security's funding problems are a result of the aging of the nation's population. Rather, 62% point to waste and mismanagement in the program as the root cause.

The ongoing political debate in Washington over Social Security's future appears to have confused and alienated the public, instead of motivating them to save. With Americans believing leadership, not a demographic shift, is responsible for Social Security's difficulties, the ability to garner the public's support for broad-based changes experts say are essential may prove to be formidable.

In addition to engaging in a more constructive conversation about Social Security, we need to help Americans put saving for retirement on their radar screen. We also must challenge the consumption ethic that is prompting many to leverage their futures by relying on credit.

Sincerely,

Deborah Wadsworth

Deborah Wadsworth
Executive Director

6 East 39th Street, New York, New York 10016-0112 212·686·6610

Summary Of Findings From Public Agenda's

MILES TO GO:
A Status Report On Americans' Plans For Retirement

FINDING ONE: High Hopes Coexist With Fears

Beneath a surface of optimism about their golden years, many Americans are apprehensive about how they will fare in retirement. A large and growing number of citizens worry they will not be able to attain the lifestyle they have come to expect. A majority give themselves poor grades on saving for their retirement. People acknowledge that they should be doing more, that they've fallen behind, and that their lack of saving is likely to cause them financial problems in retirement.

FINDING TWO: I've Got Plenty Of Nothing

Evidence suggests people are right to worry about the adequacy of their retirement preparations. Many Americans have meager retirement savings, and the problem is not limited to younger generations. Sizable numbers of baby boomers -- and even those nearing retirement -- have little set aside. Nor is the problem limited to lower-income Americans; a significant proportion of middle class Americans are in the same boat.

FINDING THREE: Perils Of An Uncertain World

Compounding this sense that their own savings efforts are insufficient, Americans feel buffeted by broad forces outside their control: declining Social Security benefits, higher health care costs, and inflation, which they fear will further jeopardize their retirement. In the end, most believe their generation will be worse off in retirement than current retirees.

FINDING FOUR: The Immediate Challenge -- Making Ends Meet

Given these concerns, why aren't Americans doing more to prepare for retirement? For most people, more immediate financial concerns crowd the agenda as they worry about their current income, health insurance, jobs, and monthly bills. Saving money for *any* purpose is a challenge, and planning for a far-off objective like retirement takes a back seat to more pressing concerns. Even middle-income and more affluent Americans seem to have trouble saving.

Ultimately, retirement is a distant and seldom thought-about goal for many Americans. Few bother to find out how much money they will need in retirement, and few pay close attention to proposals to change Social Security or IRA regulations.

FINDING FIVE: Where The Money Goes

If Americans aren't saving, they certainly *are* spending. Most people say they could save more but they are reluctant to do so if it means cutting back on the new "essentials" of middle class life. Even more ominously, many Americans routinely rely on credit to finance their lifestyles and are deluged with credit card applications. Not only do Americans lack a personal savings ethic; the public is uncertain about whether saving helps the nation's economy.

FINDING SIX: America's Baby Boomers -- Guiltier Than Most?

Baby boomers are as bad, but no worse, than other generations when it comes to living for today. Many boomers admit they are compulsive spenders, and don't save enough for retirement. But neither do other generations, including those for whom retirement is much more imminent.

FINDING SEVEN: The Effect Of Personality

People's personalities affect how they think about retirement and how well they prepare for it. This study confirms the existence of four distinct personality types -- planners, strugglers, deniers, and impulsives -- that strongly influence how people approach retirement. Of the four personality types, only planners stand out as "good savers."

FINDING EIGHT: Fraying Loyalties Toward Social Security

While the message that Social Security is in trouble has gotten through to the American public, most people blame government waste and mismanagement -- not an aging population or overly generous benefits. This sense that Washington is responsible for the looming Social Security crisis may be sustaining widespread public resistance to broad benefit changes.

Such attitudes also lead to fraying loyalties toward the program. Growing numbers of Americans doubt they will receive any benefits from Social Security. They are especially harsh in their criticisms of how the program is being managed and are more willing to consider alternatives to Social Security.

FINDING NINE: Throwing Logic Out The Window

Compared to other issues Public Agenda has studied, such as crime and welfare, public views toward retirement seem unusually filled with logical inconsistencies and internal contradictions. The gaps between people's attitudes, intentions, and behavior are troubling and threaten increased insecurity and dissatisfaction for people when they retire. Americans are simply not doing what logic -- and their own reasoning -- suggests they *should* be doing.

This study suggests -- in finding after finding -- that people's attitudes and behavior toward retirement preparation are unusually replete with contradictions. Public Agenda's 1996 study of attitudes toward welfare -- *The Values We Live By* -- revealed a public with highly evolved views. Support for reform was driven by core values, attitudes were internally consistent, and people were willing to support actions and proposals that supported their core values. Citizens were pragmatic and thoughtful in weighing the pros and cons of various approaches. With retirement, however, public opinion seems much less developed, with little evidence that people have thought the issue through. This is especially troubling given that people's contradictory views and lack of follow-through will directly affect their own well-being.

CONCLUDING THOUGHTS: What Can And Should Be Done?

Over the last several generations, this country has witnessed a dramatic decline in elderly poverty. More Americans are living longer with more dependable incomes and better health care than ever before. An entirely new vision of old age -- perhaps a uniquely American one -- has taken hold. Seniors play golf. Seniors fill the streets of Las Vegas. Seniors volunteer in their communities. Seniors pursue second, third, and even fourth careers and avocations. But for millions of nonretired Americans, this dream of the "golden years" is in jeopardy. So what, based on this study, could be done to help more Americans realize their goals?

Four suggestions for America's citizens and leaders flow naturally from the research. Some are simple and straightforward, practical and eminently doable over the next few years. Others are far more complex, controversial, and challenging. This second set of suggestions requires that leaders in government, business, and the media reexamine "business as usual," that they consider tempering their natural, instinctive, ingrained habits -- habits that are, in many ways, entirely understandable -- with more prudent and less partisan conduct.

1) A Practical First Step: Protect People From Themselves
2) Put Retirement Saving On Americans' Radar Screen
3) Challenge The Consumption Ethic
4) Engage In A More Constructive Conversation About Social Security

Public Agenda is a nonprofit, nonpartisan organization that seeks to raise the level of public discussion about critical policy choices facing the nation.

Miles to Go was made possible by a grant from Fidelity Investments. A copy of **Miles to Go** is available from Public Agenda, 6 East 39th Street, New York, NY 10016. Tel: 212/686-6610; Fax: 212/889-3461; E-mail: paresearch@aol.com.

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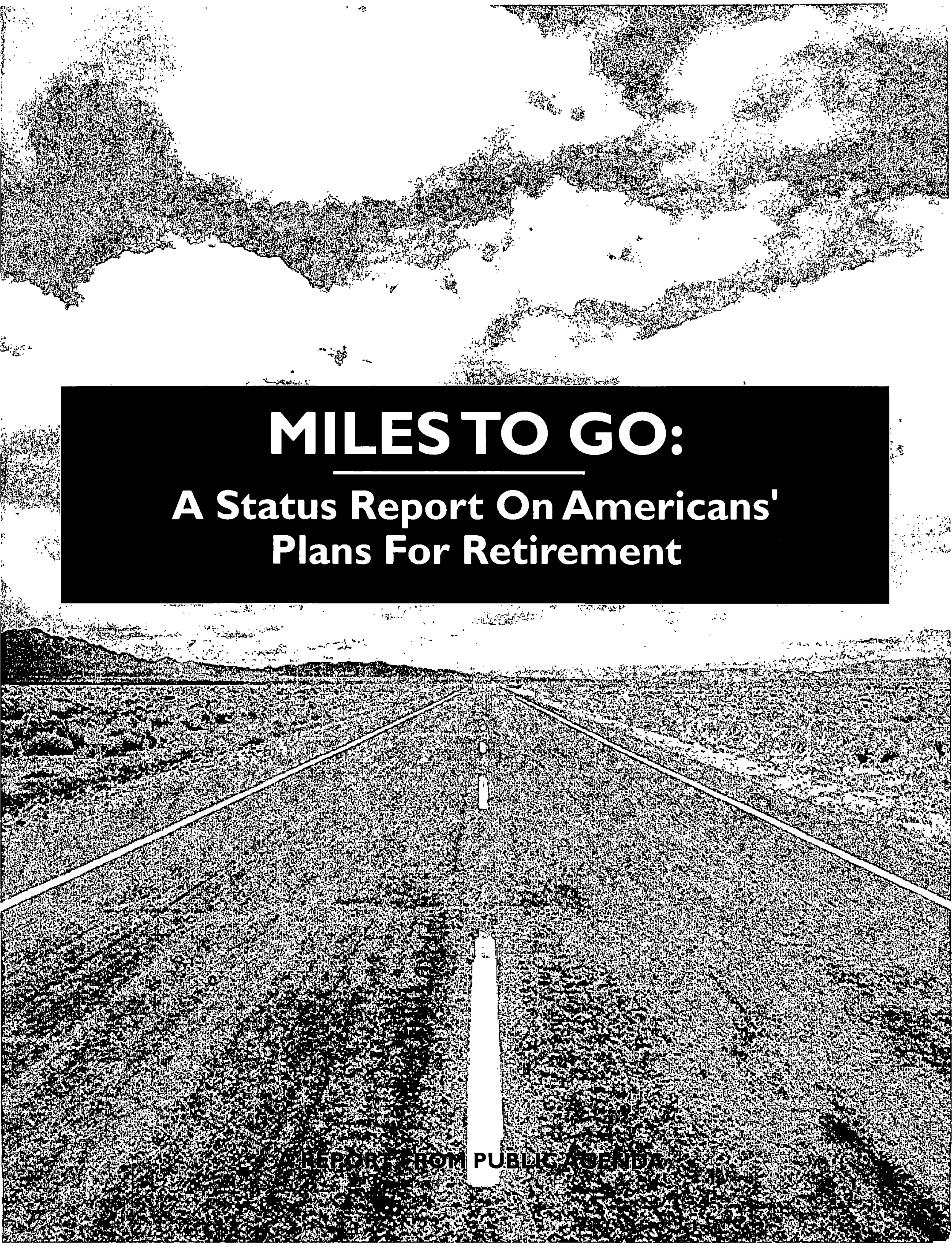
MILES TO GO:

A Status Report On Americans' Plans For Retirement



A REPORT FROM PUBLIC AGENDA

MEMORANDUM

TO: MARY SMITH

FROM: RAVEN MONTGOMERY

RE: PENSION DISCLOSURE

DATE: JUNE 24, 1997

Pensions and Investments October 28, 1996

- Financial Accounting Standard Board proposed changes in pension accounting and reporting rules for that following year. Changes would make it easier for financial analyst to identify and track pension fund cash flows, efforts to streamline and improve financial disclosure, provide more information about pension assets, and how mergers and acquisitions would effect pension plans of affected companies.

  The Financial Accounting Standard Board Staff
  - Recommend modification to provide additional disclosure information without changing the substance of the two accounting standards. The modifications could include the elimination of certain current disclosure information the staff viewed as less relevant.
  - Specific disclosure issues under consideration by board include showing actual gains and losses of pension plans, plan amendments during accounting periods, and the effect on pension plans of corporate mergers acquisitions and restructuring.

The Buffalo News October 29, 1996

- By federal law an employer or union must give an annual report on a person's retirement plan's performance.
- The US Dept. of Labor's Pensions and Welfare Benefits Administration gives "Protect Your Pension, A Quick Reference Guide" that educates workers about their rights.
- Pension participants can find out if rules are being followed by asking for summary annual reports which give out the finances of the plan.
- Plans covering 100 or more participants file full annual reports on a Form 5500 (available for inspection); smaller plans file Form 5500-C/R (summary every 3 years).

  Some Telltale Signs of a Bad Pension Plan
  - Statement comes at irregular intervals or is late.
  - Account balance appears inaccurate.
  - Employer failed to enter your contribution to the plan promptly.

Congressional Press Release January 21, 1997

US Senator Barbara Boxer

- Reintroduced legislation that would increase retirement security and protect pension funds: The 401 (k) Pension Plan Protection Act, and "The Pension Benefits Fairness Act of '97), and "The Small 401 (k) Pension Plan Disclosure Act of '97".

401 (k) Pension Plan Protection Act

- Ensures that workers participating are not forced to invest all their employee contributions in their company.
- Boxer's bill prevents companies from requiring that more than 10% of employee contributions to a 401 (k) plan be placed in company stock or assets.

The Second Plan

- Boost pension benefits for surviving spouses by ensuring that traditional pension plans offer equal survivor retirement benefits to both spouses.

The Small 401 (k) Pension Plan Disclosure Act of '97

- Requires Sectary of Labor to issue regulations requiring small 401 (k) to provide each participant with an annual report.
- Also encourages the Secretary to provide delivery through company e-mail to minimize cost.

Los Angeles Times June 17, 1997

- Chairmen of Senate Committee on Aging said he may promote legislation requiring companies to send workers statements detailing the pensions they have earned and how benefits are calculated.
- Senator Charles Grassley would support an expansion of federal funding for local projects that help retirees with pension problems and also the creation of a nationwide 800 number for advice.

Current Law

- Personal pension reports available only if worker specifically requests information from an employer.
- The existing disclosure rule requires a company to provide a statement when it's requested and it applies to private employers. Multi-employer plans are exempt from all reporting.

The Wall Street Journal March 28, 1995

Pension Agency Proposes Employer Requirements

- Companies with more than 100 employees in under funded pension plans had to advise workers of their plans' financial status beginning that summer.
- The proposed regulation required most companies with pension plans less than 90% funded to provide the annual notices. These notices would warn employees that PBGC guarantees may not cover all their promised benefits.

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For
Leadership

LEVEL 1 - 69 OF 262 STORIES

Pensions & Investments

October 28, 1996

SECTION: News; Pg. 1

LENGTH: 1799 words

HEADLINE: FASB TO CHANGE RULES MORE **DISCLOSURE** IN **PENSION** AREA

BYLINE: Fred Williams

BODY:

The Financial Accounting Standards Board will propose changes in pension accounting and reporting rules early next year.

The changes would make it easier for financial analysts to identify and track pension fund cash flows.

They are an effort to streamline and improve financial **disclosure,** and to provide additional information about **pension** assets and how mergers and acquisitions would affect pension plans of affected companies.

FASB's proposed modifications to Financial Accounting Standards 87 and 106 are being billed as improving the completeness and relevance of information regarding pension and retiree medical accounting.

Actuaries, accountants and plan sponsors generally expect the proposed changes to improve the nature of accounting disclosures. But they are not enthusiastic in their support - some see the changes as extraneous and incomplete, while others believe FASB should go further and streamline burdensome portions of the pension accounting rules.

The FASB staff recommended the modifications to provide additional disclosure information without changing the substance of the two accounting standards. In general, the proposed changes would add information on changes in the value of plan assets and plan obligations, and of amounts recognized in the financial statements.

The modifications could include the elimination of certain current disclosure information the FASB staff views as less relevant, such as employee groups covered, funding policy and types of assets held by a pension plan. These items, according to the board staff, tend to be too general in nature. Another item that could be eliminated is the net amortization and deferral line of pension expense, which includes net periodic costs, service costs and interest costs. These items would be disclosed in a separate schedule showing changes in the overall benefit obligation.

Specific disclosure issues under consideration by the board include showing actuarial gains and losses of pension plans, plan amendments during the accounting period, and the effect on pension plans of corporate mergers,

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acquisitions and restructurings.
In addition, the FASB is considering requiring the disclosure of total benefit payments and contributions to the plan during the period.

Under current rules, companies must only show the market value of their plans' assets at the beginning and end of the year and disclose the assumptions they make for life expectancies, salaries and interest rates.

John Hepp, FASB project manager, said the new disclosure proposal could be issued as an exposure draft available for comment in the first quarter of 1997.

Mr. Hepp said the additional **pension** and retiree medical **disclosure** would be part of an effort by the FASB to make the standards ''more useful and easier to read and understand.''

He said current footnote disclosure is frequently a puzzle. For example, he said, current requirements call for information on service cost and interest costs ''but doesn't provide information regarding plan amendments and actuarial gains and losses during the period. .*.*. We would like to see more explanation of the obligation and the assets from one year to the next.''

Diana Scott, former FASB project manager who now is a consultant with Towers Perrin, Chicago, said the proposed additional **pension disclosure** could benefit financial analysts and should not require additional analytics or computation by plan sponsors. She said most of the information already is being generated by actuaries.

"Analysts want to see the outflows; they could find the cash flow amounts, but pension amounts were not being broken out separately,'' she said. ''They also want to see if a company is making contributions. .*.*. Analysts will take anything you can give them. If the board accepts the staff proposal, there will be a lot more information available,'' she said.

Gary Leventhal, principal and consulting actuary at Kwasha Lipton, Fort Lee, N.J., said the information being discussed by FASB is being generated by actuaries on behalf of their clients. ''They (FASB) are asking now for more disclosure than in the past, not necessarily more analysis.''

"I get the information from company auditors and company financials that would answer most of these questions,'' said Mr. Leventhal. ''But for a company with a lot of plans and which has gone through a merger or a spin-off, it could get a little complicated.''

Bill Miner, a consultant with Watson Wyatt Worldwide, Chicago, said additional disclosures could be of interest to some analysts.

"If there is a retiree medical program, you would want to see the liabilities compared with the benefit payments. There may be some retiree medical plans with annual expenses which are less than the liabilities,'' Mr. Miner said.

"Also, some analysts value some companies they look at by looking at cash flow rather than reported earnings. If you look at cash flow, you don't have some of the key elements now, and this (disclosure) would be a big help in that respect,'' he said.

Some industry sources who follow or are directly affected by FASB's pension accounting rules would like to see the organization making more substantive changes.

Richard Manka, senior investment officer at the Kroger Co., Cincinnati, with $1.7 billion in pension assets, said the proposed modifications would provide additional information, but he believes ''the entire framework'' of statements 87 and 106 is unwieldy.

Mr. Manka said the FAS 87 method used to calculate pension liabilities is on a termination basis ''even though you have no intention of terminating. ''For a company which intends to terminate it may be appropriate, but it introduces an element of volatility for those companies who have no intention of terminating. It's not the way ERISA intended these obligations to be calculated,'' Mr. Manka said.

Dick Joss, consultant with Watson Wyatt in Washington, agreed. He has petitioned the FASB to modify its discount rate requirements under FAS 87, which now must be modified annually based on prevailing interest rates.

The volatility is apparent if the discount rate is increased in one year and lowered the next year. If the rate increases, the pension liability decreases; if the rate is lowered the following year, the pension liability increases.

"Discount rates go up and down like a yo-yo,'' said Mr. Joss. ''We need an averaging mechanism or a range of reasonableness and get off this picking of a rate based on a single day.''

William F. Quinn, president of AMR Investment Services Inc., Fort Worth, Texas, who oversees nearly $8 billion in employee benefit assets at American Airlines, said he has no disagreement with the potential FASB disclosures.

"Disclosure is always reasonably good,'' Mr. Quinn said, ''as long as it is not burdensome and costly. A lot of this information is included in the 5500 form.''

Mr. Quinn said the disclosure requirement possibly could accelerate the timing of some pension calculations that might not now be done until after the annual report is nearly completed.

He, too, agreed the annual FASB discount rate requirement injects an element of ''unnecessary'' volatility into the pension calculation. He said the FASB discount rate mechanism ''is contrary to what is happening everywhere else'' and added several regulatory and industry organizations such as the Internal Revenue Service and the Pension Benefit Guaranty Corp. each require different interest rate calculations.

Harold Dankner, principal at Coopers & Lybrand, Washington, who conducted the FASB field test for both FAS 87 and 106, said the proposed additional disclosures might not be totally appropriate.

"I think the information will be of some use, but are the financial statements of the company the right vehicle? With these types of plans, all you need to say is what is your promise, who is it to, how do you calculate the benefit liability and has it changed.

"To fully understand FAS 106, you need to know what drives it. The financial statements, unfortunately, are not the appropriate vehicle to get those types of details,'' said Mr. Dankner. ''I would think a separate inquiry to the company for these details would be a more realistic way of dealing with it.''

Besides, he said, ''you can make these numbers dance if you know how to do it.''

The additional information will be useful, he said, ''but is this the right way to provide it? There are a lot of things you need to know and to understand about these two issues. For the health plan you need to know the medical history, the HMO participation rate and per capital medical costs, for example. There is a lot to know, and the numbers in a basic footnote may not be the best place to go and find that.'' n

LANGUAGE: ENGLISH

LOAD-DATE: November 01, 1996

LEVEL 1 - 68 OF 262 STORIES

The Buffalo News

October 29, 1996, Tuesday, CITY EDITION

SECTION: YOUR MONEY, Pg. 1D

LENGTH: 1154 words

HEADLINE: BE NOSY ABOUT THE WELFARE OF YOUR PENSION PLAN

BYLINE: James M. Odato

BODY:

The money in your pension or 401(k) plan is yours. You have a right to know where it is invested and how that investment is doing. But you may need to be an active investigator.

By federal law, your employer or union must give you an annual report card on your retirement plan's performance. But not all fund administrators do this. For instance, some just send out a notice of your right to the report. You've got to take them up on the offer to see it.

This fact, and many more that might even make workers feel a bit optimistic about the future of their retirement funds, is emphasized in a new publication from the U.S. Department of Labor.

The department's Pension and Welfare Benefits Administration offers "Protect Your Pension, A Quick Reference Guide." It's a 77-page breakdown of the Employee Retirement Income Act, or ERISA, which you can get free from the department at (202) 219-8776.

Upon releasing the guide, Labor Secretary Robert Reich said the department is trying to recover money lost through mismanagement by pension administrators. The guide is a tool because it can help educate workers about their rights.

He said the department is restoring millions of dollars annually and might improve on the recovery effort if it gets more complaints. Workers, he said, need to follow up on what's happening to their pension money.

"The task of protecting that money may require policing your plan as well as those who operate it and make investments on its behalf," the Labor Department says. "You have to be your own watchdog."

The department advises that to be a good watchdog, you need to know these rules:

Your pension money must be invested in your best interest. The people managing the fund are not allowed to use the money for themselves or their relatives or for their business.

Money paid out as expenses must be reasonable. The pension managers can't be spending excessively on business trips, penthouse offices, furnishings or parties. Also, if they already draw a full-time pay by their union or company, they shouldn't be compensated by the pension plan for their work, other than for reimbursable expenses.

Pension fund investments should be diversified. Managers aren't permitted to put all the money in one investment.

The investments should be prudent ones. Risks should be reasonable. Reich said one manager put pension money in a bank savings account, which isn't risky, but isn't very profitable either.

Exceptions to the rules do exist.

For instance, the plan can rent space or contract for legal, accounting or other services from people connected with the plan, the company or the union. Again, compensation must be "reasonable."

Also, the plan can lend money to pension participants if the loans are available on the same terms to everyone in the plan.

Pension participants can find out if the rules are being followed by asking for the summary annual report, or SAR, which spells out the finances of the plan.

The summaries reveal how much money the pension or 401(k) plan has lost, its expenses and lists of financial arrangements with people and organizations connected with the plan and if money loaned by the plan has not been paid back.

Plans covering 100 or more participants file full annual reports on a document called Form 5500, which also is available for inspection.

Smaller plans file a Form 5500-C/R, and they must provide a summary every three years.

Ask for the documents in writing from the plan administrator.

The Form 5500 tells you if the investments are losing money and are diversified and if expenses are out of line.

The fund administrator must give you access to the reports and forms, or a copy costing no more than 25 cents a page. A court can impose penalties of $ 100 per day for failing to provide the document.

You may want to ask for copies of the forms covering several years to build some perspective into your investigation.

You also can write to the U.S. Department of Labor's **Pension** and Welfare Benefits Administration Public **Disclosure** Facility for copies of plan filings.

Besides summarizing the full annual reports, summary reports also tells you how to obtain the complete report.

If things aren't right with a pension or a 401(k) plan, typically there are

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signs, according to the department:

Your 401(k) statement comes at irregular intervals or is often late.
Your account balance appears inaccurate.

Your employer failed to enter your contribution to the plan promptly.

There is an account devaluation that isn't explained by the ups and downs of the market.

401(k) statements don't show your contribution from your paycheck.

Investments listed on your statement are not what you authorized.

There are unusual transactions, such as a loan to the employer, a corporate officer, or one of the plan trustees.

There are frequent and unexplained changes in investment managers or consultants.

Your employer's business is failing.

If you think the rules are being broken, three federal agencies can investigate. The Labor Department has a hot line set up at (202) 219-9247. It is also online at www.dol.gov/dol/pwba.

The required reports must be submitted to the Labor Department by the fund manager within seven months after the end of the calendar year.

The department has the power and money to help struggling pensions funds.

For instance, Reich announced earlier this month a record settlement to infuse money into the pension fund for 70,000 garment workers and retirees represented by the Union of Needletrades, Industrial and Textile Workers. The union's biggest bloc of members is in New York, 12,158.

Under the agreement, the federal government's Pension Benefit Guaranty Corp. will make up the difference if the current contributions fail to support money owed to the garment workers.

The Amalgamated Insurance Fund has been strained because of business failures in the garment industry, which reduced the number of contributors to just 200 today from 575 in 1986.

Since 1980, the PBGC has provided about $ 28 million in assistance to pension plans.

The corporation has a surplus of about $ 192 million.

Federal pension insurance provides some protection, but not all pension plans are covered and no one can guarantee that pension beneficiaries would receive all of their promised benefits.

Reich said people should not take their pensions and 401(k)s for granted.

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Complaints are a key to investigations that lead to recovery of money. The Labor Department is now recovering about $ 350 million annually, said Meg Schryver, a department spokeswoman.

The department also does spot audits to make sure of compliance. But they can't do it all: More than 23.5 million people participate in private company 401(k) plans worth $ 613 billion and about 42 million people are enrolled in more than 700,000 pension plans worth $ 3 trillion.

LANGUAGE: ENGLISH

LOAD-DATE: October 31, 1996

LEVEL 1 - 43 OF 262 STORIES

Congressional Press Releases

January 21, 1997, Tuesday

SECTION: PRESS RELEASE

LENGTH: 753 words

HEADLINE: PENSION PLANS

BYLINE: BARBARA BOXER , SENATOR , SENATE , BOXER LAUNCHES LEGISLATIVE EFFORT TO PROTECT AMERICANS'

BODY:

FOR IMMEDIATE RELEASE Contact: David Sandretti

January 21, 1997 202/224-8120

BOXER LAUNCHES LEGISLATIVE EFFORT TO PROTECT AMERICANS' PENSION PLANS

Introduces Three Bills That Limit Risk and Increase Benefits to

Participants

WASHINGTON, D.C. -- U.S. Senator Barbara Boxer (D-CA) continued her fight on behalf of working families by reintroducing legislation that would increase retirement security and protect pension funds: "The 401 (k) Pension Plan Protection Act" and "The Pension Benefits Fairness Act of 1997," Boxer also introduced "The Small 401(k) **Pension** Plan **Disclosure** Act of 1997," as a part of her effort to provide workers participating in small 401(k) plans with access to information about their pension investments "Helping to protect and secure the future of hard working families is one of my top priorities during this new Congress," said Senator Boxer. "That is why I am introducing legislation that rewards hard working people during their retirement by protecting their current pension funds and increasing future benefits."

Boxer's "401(k) Pension Plan Protection Act," which is supported by Senate Democratic Leader Thomas Daschle and many of her Senate and House Colleagues, will ensure that workers participating in 401(k) plans are not forced to invest all their employee contributions in their company. The Boxer bill would prevent companies from requiring that more than 10 percent of employee contributions to a 401(k) plan be placed in company stock or assets. "The 401(k) Pension Protection Act would protect twenty- three million employees and their $ 675 million in investments by increasing their investment freedom and protecting them against undiversified 401(k) plans," said Boxer. "All of a worker's retirement nest eggs should not be placed in just one basket because when the basket falls, the workers are devastated."

Thousands of Californians lost tens of millions of dollars from their retirement nest eggs, and their jobs, when their companies, after investing in the company and its holdings, went bankrupt. "Boxer's second bill would boost pension benefits for surviving spouses by ensuring that traditional pension plans offer equal survivor retirement benefits to both spouses.

Current federal law requires only an unequal survivors' retirement benefit option which pays the non-working spouse 50 percent less when the working spouse dies. Plans may, but are not required to offer other options. Also, current law requires that only one spouse be given the description of the retirement benefit option offered by the plan. This leaves the other spouse uninformed of a decision that affects their income for the rest of their lives. "Women are the spouses usually impacted by this unequal treatment because their jobs are less often covered by pension plans," Boxer said. "Women need better pension survivor benefits because in three out of four marriages they outlive their husbands."

Boxer's legislation, "The Pension Benefits Fairness Act of 1997," would treat spouses equally by offering an option which pays each surviving spouse the same amount. "This is an equitable solution that treats each surviving spouse fairly," said Boxer. The bill will also ensure that both spouses, not merely the retiring spouse, are provided information on their benefits options before making a decision. "The Small 401(k) **Pension** Plan **Disclosure** Act of 1997" would require the Secretary of the Labor to issue regulations requiring small 401(k)s to provide each participant with an annual investment report. It also encourages the Secretary to provide delivery through company E-mail to minimize cost. "Participants in small 401(k)s should not be required to ask where their pension contributions are invested," Boxer said. "Participants are often hesitant to request information for fear of being identified as questioning their employer's handling of a 401(k). It is only fair that 401(k) participants are informed how their money is invested."

The Pension Benefit Guaranty Corporation does not protect 401(k) pension plans. "These bills increase the retirement security of the American workforce, diversify 401(k) investments, facilitate voluntary equal benefits for husband and wife, and inform employees in small 401(k) plans where their money is invested," said Boxer. "Millions of Americans are facing an uncertain future if we do not take the necessary steps to make those bills the laws of the land."

LANGUAGE: ENGLISH

LOAD-DATE: January 22, 1997

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LEVEL 1 - 2 OF 262 STORIES

Los Angeles Times

June 17, 1997, Tuesday, Home Edition

SECTION: Part A; Page 12; National Desk

LENGTH: 670 words

HEADLINE: SENATORS 'SEND A WARNING' ON PENSIONS;
BENEFITS: PANEL ON AGING HEARS WORKERS' HORROR STORIES ON UNDERPAYMENTS.
EMPLOYEES ARE URGED TO ASK QUESTIONS. CHAIRMAN SUGGESTS ROUTINE STATEMENTS.

BYLINE: ROBERT A. ROSENBLATT, TIMES STAFF WRITER

DATELINE: WASHINGTON

BODY:

Alarmed by reports of widespread pension underpayments, the chairman of the Senate Committee on Aging said Monday that he may promote legislation requiring companies to send workers statements detailing the pensions they have earned and how the benefits are calculated.

A detailed pension report for each worker before retirement should become as "routine" as the W-2 tax forms mailed by companies to their employees, Sen. Charles Grassley (R-Iowa) said after a committee hearing.

Grassley also said he would support an expansion of federal funding for local projects that help retirees with pension problems and the creation of a nationwide 800 number for advice.

Under current law, personal pension reports are available only if a worker specifically requests the information from the employer.

Joining in a bipartisan exhortation to workers, Sen. John B. Breaux (D-La.), the committee's ranking Democrat, said the committee wants to "send a warning to all pension recipients" to ask questions. "What do they have in their pension plans? Where is it? When can they get it?"

Grassley called on workers to learn more about their pension rights years before they retire. "We're talking to every man or woman, young or old, to take charge of your future and ask questions," he said at the hearing.

Grassley and Breaux said they would prefer not to impose new laws or rules on the already- complex structure of federal pension regulations. But it may take a law to ensure that workers are educated about their pension benefits, Grassley said.

"I want to get reaction from people" to a proposal that companies be required to issue a personal report to each worker every three years, he said.

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The problem of pension uncertainty affects millions of workers because the complexity of the law and calculation methods lead to numerous errors, according to government audits.

Paul Francione, who worked for Pan American World Airways for 14 years before leaving the job with total medical disability because of rheumatoid arthritis, told the committee about his struggles to get his pension.

He was living on Social Security disability payments and, in 1992, at age 62, he tried to find out what he would receive as a pension. Pan Am filed for bankruptcy and did not respond to his letters. Neither did his former union, the Teamsters.

The Pension Benefit Guaranty Corp.--the federal agency that ensures payments to workers when plans go broke--reviewed his case twice and said he was entitled to nothing. With help from the Pima Council on Aging, an Arizona group, he sent a third letter to the federal agency, which then it said he was entitled to $ 309 a month.

Another witness, Edwin Witort, thought the $ 103-a-month pension he was receiving was too low. The Illinois metals company he had worked for twice contended that the amount was correct, he said. But he got a $ 10,000 lump-sum payment and an increase in his monthly payment to $ 220 after hiring so-called "pension detectives," a private firm named the National Center for Retirement Benefits in Northbrook, Ill. Its fee is 30% of the amount recovered.

"I congratulate both of you for your perseverance," Breaux told Francione and Witort, praising them for pushing ahead despite letters of rejection. "Thousands of people may have gotten the same letter you did and put it away and are now struggling unnecessarily."

Even when companies provide individual statements, they are often written in technical language that is hard to understand, said another witness, Karen Ferguson, director of the Pension Rights Center, a Washington advocacy group that helps retirees.

The Labor Department should provide a model form in plain English, she said.

The existing disclosure rule requiring a company to provide a statement when it is requested applies to private employers. But multi-employer plans, such as those operated by unions and employers in the construction and garment industries, are exempt from any reporting at all.

GRAPHIC: PHOTO: Edwin Witort tells the panel of his battle to get his full pension. PHOTOGRAPHER: Associated Press

LANGUAGE: English

LOAD-DATE: June 17, 1997

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Access No: 02972928 ProQuest Periodical Abstracts
Title: GASB proposes clarifying pension plan reporting standards
Authors: Anonymous
Journal: Journal of Accountancy [JAC] ISSN: 0021-8448
Jrnl Group: Business
Vol: 182 Iss: 3 Date: Sep 1996 p: 22-23
Type: News Length: Short
Subjects: GASB statements; Pensions; Disclosure; Accounting standards

Abstract: The GASB has issued proposed Technical Bulletin no. 96-a, 'Application of Certain Pension Disclosure Requirements for Employers Pending Implementation of GASB Statement 27.' The bulletin would clarify implementation issues associated with current GASB pension standards.

Item Availability: Paper, Microform.
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Access No: 9503280020 ProQuest - The Wall Street Journal (R) Ondisc
Title: PENSION AGENCY PROPOSES EMPLOYER REQUIREMENTS
Source: The Wall Street Journal
Date: Tuesday Mar 28, 1995 Sec: C p: 21
Length: Short (166 words) Type: News
Subjects: Pensions; Disclosure
Companies: Pension Benefit Guaranty Corp

Abstract: The PBGC said that, under reforms enacted in Dec 1994, companies with more than 100 employees in underfunded pension plans will have to advise workers of their plans' financial status starting in the summer of 1995.

Article Text:

WASHINGTON -- Companies with more than 100 employees in underfunded pension plans will have to advise workers of their plans' financial status starting this summer, the government said.

The Pension Benefit Guaranty Corp. said the proposed regulation requires most companies with pension plans less than 90% funded to provide the annual notices. It said the proposal would affect about four million workers and retirees eventually.

The proposed regulation would be one of several reforms enacted in December covering pension plans. The government said about 1,500 larger companies would have to notify workers starting this summer. Starting next year, 4,000 companies with fewer than 100 plan participants would have to provide notices.

The notices would also warn employees that PBGC guarantees may not cover all of their promised benefits. The maximum monthly payment the PBGC will guarantee this year is $2,573.86 for workers if their plans are terminated. The PBGC guarantees basic benefits earned by nearly 41 million American workers and retirees in 60,000 private-sector, defined-benefit plans.

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MEMORANDUM

TO: TOM FREEDMAN

FROM: JULIE MIKUTA

RE: PENSION DISCLOSURE

DATE: JUNE 24, 1997

SUMMARY

The Small 401(k) Pension Disclosure Act of 1997 was introduced in the Senate by Sen Boxer on 1/21/97, and in the House on 2/25/97. It requires 401(k) plans with less than 100 participants but not participant-directed to provide each participant with an annual investment report. The reports will be sent to both participating employees, and to each beneficiary who receives benefits under the plan. This bill is one of three that Sen Boxer has introduced to reform pension legislation. Although most 401(k) plans are run responsibly, there are numerous cases, particularly involving small companies of corporate fraud [National Review, 4/21/97]. Another significant concern involves companies that invest 80% or more of the 401(k) fund in their own stock [Wall Street Journal, 7/15/96].

THE PROPOSED INVESTMENT REPORT CONTENTS

This information will be included in the report:

- *total plan assets and liabilities* as of the beginning and the ending of the plan year;
- plan *income and expenses and contributions made and benefits paid* for the year;
- any *transaction* between the plan and the employer, any fiduciary, or any 10% owner during the plan year; and
- *any noncash contributions made to or purchases of nonpublicly traded securities* without an appraisal by an independent third party.

Provision will also be made for the transfer of the reports electronically.

REASONS FOR CONCERN ABOUT CURRENT LACK OF DISCLOSURE OF 401(k) PLAN INVESTMENTS

1. During 1995-96, the Department of Labor initiated over 1,300 civil and criminal cases involving employers who took money from the employees' 401(k) plans.

2. More than 23 million Americans have contributed $675 billion into 401(k) plans, making them a cornerstone of retirement planning.

3. Traditional pension plans are regulated by the Employee Retirement Income Security Act of

1974, but 401(k) plans are not included.

4. According to Sen Boxer, employees are hesitant to request information about where their pension contributions are being invested because they do not want to be identified as questioning their employer's handling of the funds. [Sen Boxer's web page]

5. Big-name companies across America (i.e. Chevron, Coca-Cola, Kimberly-Clark and Wal-Mart Stores) have 80% or more of their 401(k) money in the company's own shares. [WSJ, 7/15/96]

- The Securities and Exchange Commission has limited "diversified" mutual funds to investing no more than 5% of assets in any one company. [WSJ, 9/13/96]
- Approximately 40,000 firms pay their matching contribution only in company stock. [Bus Wk, 12/8/96]

Employers contend:
- Problems are few [WSJ, 7/15/96].
- There's no compulsion for employees to contribute [WSJ, 7/15/96].

Companies benefit from investing 401(k) money into their own stock:
- They can deduct the shares they contribute as if they had purchased them on the open market.
- Management often gets to vote the shares.
- Employees may be more loyal.

SENATOR BOXER'S OTHER PENSION REFORM BILLS

6. "401(k) Pension Plan Protection Act": to prevent companies from requiring that more than 10% of employee contributions to a 401(k) plan be placed in company stock or assets [Sen Boxer's web page]

7. "The Pension Benefits Fairness Act of 1997": to treat spouses equally by offering an option which pays each surviving spouse the same amount, and provides information to both spouses on their benefits options

STUDY OF PENSION DISCLOSURE

In October, 1996, Rutgers approved a project to examine the disclosure requirements in the Financial Accounting Standards Board[1] Statements and determine how they might be simplified without losing useful information.

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[1]Since 1973, the Financial Accounting Standards Board has been the designated organization in the private sector for establishing standards of financial accounting and reporting.

II. PRESIDENT CLINTON'S 1999 PENSION LEGISLATION

Notes: Items in ***bold and italics*** have never before been included in legislation sent to Congress by the Administration; however, the President did announce his support for the two provisions under "Women's Retirement Security" late last year. The three items discussed below are marked with an asterisk (*).

A. Expand Private Pension Plan Coverage
   1. SMART Plan -- A Simplified Pension Plan for Small Business.
   2. Small Business Tax Credit for Retirement Plan Start-up Administrative and Educational Expenses.
   3. Expanded Access to Payroll Deduction for Retirement Saving.
   4.* ***Eliminate User Fees for Initial Determination Letters for Small Businesses Adopting a Qualified Retirement Plan for the First Time.****
   5. ***Reduce PBGC Premiums for New Small Business Plans.***
   6.* ***Reduce PBGC Premium for New Larger Business Plans.****

B. Women's Retirement Security
   1. ***Count Leave under FMLA for Vesting and Eligibility Purposes.***
   2. ***Require Pension Plans to Offer a 75 Percent Survivor Annuity.***

C. Enhance Pension Portability
   1. Faster Vesting of Employer Matching Contributions.
   2. Expand the PBGC Missing Participant Program.
   3. ***Rollovers Between Qualified Retirement Plans and 403(b) tax-Sheltered Annuities.***
   4. ***Rollovers of Contributions from Nonqualified Deferred Compensation Plans of State and Local Governments to IRAs.***
   5. ***Rollovers of IRAs into Workplace Retirement Plans.***
   6. ***Rollovers of After-tax Contributions.***
   7. ***Purchase of Service Credits in Governmental Defined Benefit Plans.***
   8. ***Allow Thrift Savings Plan to Accept Tax-Free Rollovers from Private Plans.***
   9. Allow for Immediate Participation in Thrift Savings Plan for new Employees.
   10.* ***Require Immediate Matching of Thrift Savings Plan Employee Contributions.****

D. Expand pension right-to-know provisions
   1. Periodic Benefit Statements.
   2. Disclosure of Survivor Benefit Options to Spouses Prior to Waiver.

E. Increase Retirement Security and Simplification

1. Strengthen the Audit and Enforcement System for Private Pensions and Employee Benefits.
2 Increase the PBGC Guarantee for Multiemployer Plans.
3. Simplify the PBGC Guarantee and Allocation Rules for Owner-Employees.
4. Modify Safe Harbor Nondiscrimination Tests.
5. Simplify Definition of Highly Compensated Employee.
6. Simplify Benefit Limits for Multiemployer Plans under Section 415.
7. Simplify Full Funding Limitation For Multiemployer Plans.
8. Eliminate Partial Termination Rules for Multiemployer Plans.

III. DISCUSSION OF OPEN ISSUES

A. Reduce PBGC Premium for New Larger Business Plans

PBGC is greatly concerned about the lack of new defined benefit plans. PBGC believes that: (1) as new businesses are formed, too few employees are getting the advantages of predictable, secure benefits for life, as available through defined benefit plans; and (2) defined contribution plans -- like 401(k) plans -- provide a valuable supplement to, but not a replacement for, the advantages of defined benefit plans. Encouraging new defined benefit plans was the rationale for the Administration's proposal last year to create a small business simplified defined benefit-type plan (the "SMART" plan).

For this same reason, PBGC also proposed to reduce PBGC premiums for start-up plans. Under current law, PBGC charges each covered defined benefit plan an annual premium of $19 per participant plus a variable rate premium (or "risk premium") of $9 per $1,000 of under-funding. The variable rate premium is often mentioned as one of the factors that influences a company's determination of whether to offer a defined benefit plan. During the first few years of a plan, past service credit can create a large initial liability, resulting in plan under-funding and high variable rate premiums.

To encourage formation of new defined benefit plans among small employers (where the decrease in plans has been greatest), PBGC proposed to lower the premium to $5 per participant (and eliminate the variable rate premium) for any year in the first five years of the plan in which the employer had 100 or fewer employees. ***There is no disagreement about this aspect of the PBGC proposal.*** In addition, to encourage formation of new defined benefit plans among larger employers, PBGC proposed to phase in the variable rate premium at 20% per year over the first five years (leaving the flat rate premium unchanged) for large firms. (For budget purposes, this proposal would cost less than $500,000 per year.) ***OMB staff oppose this aspect of the PBGC proposal.***