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ABSTRACT

These materials represent the testimony given before the Select Committee on Aging of the House of Representatives during February 1979. Statements of the committee members are presented as well as remarks by Louis Harris, nationally known survey researcher, and Kenneth K. Keene, director of a New York consulting firm specializing in employee benefits. Issues addressed in the testimony include the following: (1) inflation and the quality of life, (2) mandatory retirement, (3) attitudes toward private pensions, and (4) attitudes toward social security. The appendices contain the results of the 1979 study of American attitudes toward pension and retirement, a nationwide survey of employees, retirees, and business leaders conducted by Louis Harris and Associates, Inc. (HLM)

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AMERICAN ATTITUDES TOWARD PENSIONS AND RETIREMENT

HEARING

BEFORE THE

SELECT COMMITTEE ON AGING HOUSE OF REPRESENTATIVES

NINETY-SIXTH CONGRESS

FIRST SESSION

FEBRUARY 28, 1979

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AMERICAN ATTITUDES TOWARD PENSIONS AND RETIREMENT

WEDNESDAY, FEBRUARY 28, 1979

U.S. HOUSE OF REPRESENTATIVES,
SELECT COMMITTEE ON AGING,
Washington, D.C.

The committee met, pursuant to notice, at 2:10 p.m., in room 345, Cannon House Office Building, Hon. Claude Pepper (chairman of the committee) presiding.

Members present: Representatives Pepper of Florida; Downey of New York; Hughes of New Jersey; Evans of Indiana; Oakar of Ohio; Luken of Ohio; Ferraro of New York; Byron of Maryland; Ratchford of Connecticut; Mica of Florida; Stack of Florida; Waxman of California; Synar of Oklahoma; Atkinson of Pennsylvania; Grassley of Iowa; Abdnor of South Dakota; Regula of Ohio; Dornan of California; Hollenbeck of New Jersey; Green of New York; Whittaker of Kansas; and Hopkins of Kentucky.

Staff present: Robert S. Weiner, staff director; Lyle McClain, professional staff member; and Henry Hicks, professional staff member.

OPENING STATEMENT OF CHAIRMAN CLAUDE PEPPER

Mr. PEPPER. The committee will come to order.

Over the last few years Congress has often seemed uncertain about the direction a national policy on retirement should take. In 1978, we began to define a new national policy based on a full recognition of the rights of the elderly by enacting this committee's legislation to limit age-based forced retirement. Yet, there remains considerable uncertainty about public satisfaction or dissatisfaction with current retirement practices, social security and pension plan arrangements. As our society ages with more and more persons over 65, these questions will become among the most crucial we as a nation must address.

We are fortunate to hear today from one of the Nation's premier pollsters, Mr. Louis Harris, as we grapple with these problems, an old friend of mine, I am proud to say. He has just conducted a national survey of people currently working, retired persons, and business leaders. Mr. Harris' findings are extremely important and he will discuss them in detail shortly, but perhaps the most significant among the results concerned mandatory retirement, which our committee has seen as the violation of a civil right.

Eighty-eight percent of current employees believe that nobody should be forced to retire because of age if he wants to continue work

ing and can still do a good job. I consider this to be a mandate from the American people that they fully support and expect Congress to go even further than our bill of last year by completely abolishing mandatory retirement on account of age. In fact, the survey even shows strong support for an end to mandatory retirement in the business community, since two out of every three executives favored this position. The will of the people is clear. Nothing less than total abolition of mandatory retirement will satisfy them, and I will press for early action on new legislation that we have introduced to completely eliminate the last vestiges of ageism from our public and private employee programs.

The Harris survey makes one other vital point. More than 40 percent of the retirees surveyed reported that inflation has seriously reduced their standard of living. Inflation is the No. 1 public enemy of the elderly. It eats away at their fixed incomes and to the extent that they are entitled to cost of living raises in pension plans such as social security, the increase trails the double digit increases in the cost of health care, food, energy, and housing.

The rising cost of medical care is a special concern of the elderly. Older people are sick three times as often and their illnesses last three times longer on the average than those of younger people. The cost of health care is right at the top of the inflationary spiral. Hospital costs have soared between 12 and 16 percent each year recently. The President has urged, and commonsense concurs, that we have got to put a lid on hospital costs and all other costs too.

I want to thank Mr. Harris and Mr. Kenneth Keene, who is vice president of Johnson & Higgins, the pension advisory firm which commissioned the Harris study, for taking time from their busy schedules to share the results of this major new poll with our committee today. That is a most important contribution to the progress of legislation in this very critical area.

Mr. Grassley, do you have a statement to make?

STATEMENT OF REPRESENTATIVE CHARLES E. GRASSLEY

Mr. GRASSLEY. Thank you, Mr. Chairman.

My statement is going to be brief and a complimentary one. I anticipate a short and informative hearing which will shed an objective and much needed light on public attitudes toward retirement and retirement security. I congratulate Johnson & Higgins for their initiative in this field and for their consideration in bringing their findings to this committee and to the Congress as a whole. I also congratulate Mr. Lou Harris and his organization for developing the attitudinal survey on this subject. The survey findings and the Johnson & Higgins commentary on them clearly represent a considered and conscientious effort to treat American thought regarding pensions and retirements in a factual and trustworthy context.

In coming years there will be a steady increase in the percentage of retired persons within our population. In relative terms, we will have [illegible] working taxpayers supporting more retired persons. This means that social security and other retirement programs will pose financing problems of increasing magnitude. We cannot default on our obligation to the elderly. Rather, we must find ways to insure that retired

years are rewarded with a good quality of life, but at the same time, we have an obligation to protect the working force and the country from tax add-ons that feed inflation and undermine the national work incentive. I find this concept to be implicit in Mr. Keene's written statement and I look forward to further discussion of this point in the course of this testimony.

Mr. PEPPER. Thank you very much.

Mr. Downey?

Mr. DOWNEY. Mr. Chairman, I have no statement.

Mr. PEPPER. Mr. Abdnor?

STATEMENT OF REPRESENTATIVE JAMES ABDNOR

Mr. ABDNOR. Thank you, Mr. Chairman.

I am just happy to be a part of this hearing, because I think it is so important. I certainly commend Mr. Keene and Johnson & Higgins for undertaking this project, and I want to commend you, Mr. Chairman, for the fine work you have done in arranging this hearing.

I think the survey is of uppermost importance and timeliness because Americans are quickly losing confidence in the social security system and are understandably concerned about what the future holds. It is certainly time we built a system in which Americans can feel comfortable about their retirement years. The survey is certain to promote healthy discussion and that is why I am happy to be a part of it. There are specific points in this survey that are going to be an excellent background as we study the subject and I think it certainly shows that the people of this country are concerned about inflation. They do not trust the ability of the Federal Government to manage retirement programs. I think we need to encourage private pension plans and individual retirement programs, an opinion that this survey brings out.

I would like permission to submit my statement into the record.

Mr. PEPPER. Yes. Thank you very much.

[The prepared statement of Representative James Abdnor follows:]

PREPARED STATEMENT OF REPRESENTATIVE JAMES ABDNOR

I am very pleased to be here today to take part in this important hearing. To begin, I would like to commend Johnson & Higgins for undertaking and funding this project and Lou Harris for conducting another excellent survey of American attitudes. I would also like to commend Chairman Pepper for his fine work in arranging this hearing.

This survey is of utmost importance and timeliness. Americans are quickly losing confidence in the Social Security system and are understandably concerned about what the future holds. It is certainly time we build a system in which Americans can feel comfortable about their retirement years.

The survey is certain to promote healthy discussion and should encourage movement in the direction of building a sound national policy toward retirement. The report clearly identifies those areas that need prompt attention, and I'm sure the survey results will be a tremendous benefit to Congress in its attempts to address these issues.

I just want to touch on a couple of points and will try to keep my remarks short. First of all, it is very appropriate that major emphasis is given to inflation and its severe impact on all aspects of retirement. Inflation threatens not only those individuals currently retired and living on fixed incomes, but it also threatens the ability of our society to provide for future retirement benefits. I have argued for a long time that controlling inflation should be our number one priority in this country, and I think the public is rapidly coming to the same conclusion. I might also add I'm glad the survey results show that government

and government spending are among the major causes of inflation—if more people begin to recognize the effects of increased government spending, perhaps we will be able to make some progress in limiting such expenditures. Certainly we need to insure that retirement programs are able to keep pace with inflation, through cost-of-living adjustments or some other mechanism, but we also have to hold down inflation itself.

In addressing the survey results themselves, I would like to say that I do think Americans have the responsibility to provide for their retirement, along with the government and the employer. I agree wholeheartedly with the conclusion that the Social Security system should be limited to its original purpose—to prov.de a basic floor of protection to supplement other sources of retirement income. The Social Security system cannot and should not try to meet all of the retirement needs of Americans. The survey results clearly show that the people of this country do not trust the ability of federal government to manage retirement programs, including Social Security, and I personally think this distrust is justified. Only by encouraging private pension plans and individual retirement programs will we be able to develop a fiscally responsible approach to meeting retirement needs.

In an effort to keep retirement costs under control, it is an excellent idea to explore new methods of stimulating individual retirement plans, in addition to or conjunction with existing IRA programs. It is significant that 68% of the employees interviewed in the survey indicated they would be willing to increase their contributions if it means increased retirement benefits. Certainly those individuals willing and able to contribute to their retirement programs should be given the opportunity to do so.

I would like to make one last point before I conclude. It is very encouraging to note that the great majority of private pension plans are doing an excellent job of supplementing retirement income. The record over the past few years shows that the private sector is very capable of developing and operating dependable pension programs, and I think its important that we encourage the expansion of such programs. It is important that business be afforded the proper environment in which to develop these programs. Employees certainly must have safeguards and assurances that their pension plans will deliver the benefits as planned—the ERISA law provides such protection—but we must also recognize and address those areas which work against the expansion of needed pension programs, such as the burden of paperwork and reporting requirements.

In conclusion, I want to express my appreciation for a job well done. The survey findings provide an excellent look at Americans attitudes toward retirement, and the commentary makes a number of very relevant observations and recommendations which deserve the careful attention of Congress.

Thank you very much.

Mr. PEPPER. Miss Oakar?

STATEMENT OF REPRESENTATIVE MARY ROSE OAKAR

Miss OAKAR. Thank you, Mr. Chairman. I look forward to the testimony concerning attitudes of Americans toward pension and retirement and I think it is timely. There are two points that I want to make at this time and I think that there are in addition two misconceptions which surround the social security system and the negative misinformation in terms of attitudes which permeate the dimension to which the press sometimes looks at it. One point that I would like to make is that frequently seen in terms of misconception is that, No. 1, social security is a handout, and, No. 2, that social security benefits are an extension of the welfare program.

The social security system from its inception to the present time never was, is not now, nor is it ever to be intended, I believe and I hope, to become either a handout or an extension of the welfare system. Just to give you an example, it is no wonder the public has misconceptions about the solvency of the program when the press at times do not give the proper information. A recent editorial in one of the local

papers in my city of Cleveland, and four other areas in Ohio had the same editorial, in defense of the administration's proposed cutbacks in social security sardonically referred to the system as "a sacred cow and a handout." My response in my letter to the editor to such a vindictive and bogus metaphor was that it was indeed sacred, sacred in the same sense as any binding contract, as our insurance rights earned from faithfully paid premiums, and our moneys deposited into an account.

This particular editorial, which I think at times is unfortunately typical, is indicative of a gross misunderstanding and misinterpretation of the social security system. The attitude conveyed appears to be the commanding climate clouding the real and true colors of the nature and purposes of social security. Reeducation as to the real spirit, intent and definition of the social security system will hopefully begin in these chambers today.

At a hearing that we had several weeks ago on the impact of the 1979 budget on the elderly, Mr. Nelson Cruikshank, the Chairman of the Federal Council on the Aging and White House advisor on the elderly, commented on the predominate attitude toward the proposed elimination of the $255 lump-sum-death benefit. Mr. Cruikshank stated—

> The argument is offered that if the families are in real need, the expenses can be met by welfare payment. This argument reveals an utter and gross misunderstanding of the nature and purpose of the social security program.

Mr. Cruikshank is precisely correct, it seems to me, in his conclusion. The role of the Federal Government in the social security system is that of trustee, not owner. The moneys accrued are the results of lifetime payments of individuals who contributed to the system. Benefits distributed in the agent of the Federal Government belong to the beneficiaries.

Social security is not a welfare program, nor is it a handout. It is the result of payments paid in by employees. So that I think that what we have to do is to insure the fact that Americans realize, as Dr. Wilbur Cohen stated, that it is absolutely one of the most valuable programs that we have ever had in our country. I think that the misunderstandings and attitudes by those people in a powerful position to communicate with Americans, like members of the press and press editorial writers have got to understand the nature of the system to begin with if we are ever to see positive, meaningful, accurate descriptions of what the system is and has become conveyed to the public.

Mr. PEPPER. Thank you, Miss Oakar. Mr. Green.

STATEMENT OF REPRESENTATIVE S. WILLIAM GREEN

Mr. GREEN. Mr. Chairman, I welcome the hearings today. I do so because I am persuaded that the 1977 Social Security Act amendments are not the last word as far as social security legislation is concerned. The very large tax increases called for by that act, which the American public has just begun to pay the first installment this year, and the fact that even with those very large tax increases it appears that the system is not fully funded, looking at it over a 75-year perspective, undoubtedly means that Congress is going to have to be examining the system further.

In that examination I think it will be very helpful to have the data that Johnson & Higgins and Mr. Harris are making available to us today as to what the perceptions and expectations are of the American people with respect to the social security system, other pension plans and retirement in general. So, I thank them for their contribution to what I know is going to be a very important debate in the 96th Congress.

Mr. PEPPER. Thank you, Mr. Green.

Mr. Hughes?

Mr. HUGHES. Thank you, Mr. Chairman. I have no formal statement. I just would like to welcome Mr. Harris and Mr. Keene before this committee. Hopefully we can receive their testimony in the very near future. Thank you.

Mr. PEPPER. Thank you. Mr. Luken?

Mr. LUKEN. Mr. Chairman, I would echo the statement of my colleague, Mr. Hughes. I have no statement and I would be hopeful that we could move toward adoption in this committee, of which I am a new member and am brash enough to make a suggestion for that reason, that we could move in these hearings to taking testimony immediately from the witnesses after the chairman and the ranking minority member make a statement. I think that is the main purpose we came for, to hear from the witnesses.

Mr. PEPPER. That is very kind of you, Mr. Luken. Due to the large size of our committee now, we have a serious problem about time if we afford the ordinary opportunity for members to make their statements. We have two very important and very busy people that are here to testify to us. That is what we are really here for. I am sorry I did not set the example of a 1 minute statement. I do not expect to make any more than a 1 minute statement in the beginning hereafter, and encourage all of us to defer statements as much as we can. Would the committee be willing to defer their statements a little bit later or put them in the record? Consent is hereby given without objection to all members to insert any statement that they wish to make as an opening statement in the record. Would you be agreeable to deferring the making of further statements and allowing us to begin to hear the witnesses now?

[Everyone said "Yes."]

Thank you very much.

[The prepared statements of Representatives William C. Wampler, David W. Evans, William R. Ratchford, and Geraldine A. Ferraro follow:]

PREPARED STATEMENT OF REPRESENTATIVE WILLIAM C. WAMPLER

Mr. Chairman, I wish to commend your outstanding leadership in scheduling [illegible] hearing on the critical issue of American Attitudes Toward Pensions and Retirement. It is with sincere appreciation that I welcome both of today's distinguished [illegible] will be a major contribution to the deliberations of the Committee and the Subcommittee on Retirement Income and Employment, on which I serve as the Ranking Minority Member.

The purpose of today's hearing will be to assess the results of the 1979 Study [illegible] American Attitudes Toward Pensions and Retirement by Louis Harris and Associates. [illegible] The survey [illegible] attitudes toward inflation and the [illegible] of [illegible] life [illegible] retirement, private pensions, and social security.

I am pleased that the survey also included questions concerning total abolishment of mandatory retirement, and the need for pre-retirement planning. I have recently introduced legislation to address both of these needs.

Today we hope to answer public policy questions such as why retirees view inflation as the number one problem today. Will providers of retirement income feel increasing pressure for larger benefits in future years? Are employees willing to contribute more to their pension plans in exchange for additional pension benefits? How do employers and employees view social security and private pension plans? Should individuals be permitted to have Individual Retirement Accounts to supplement their private pensions?

The survey should also shed light on uncertainties faced by today's older workers. How would the total abolition of mandatory retirement alter existing employment trends? What does the future hold for developing alternatives to retirement?

Mr. Chairman, I trust that our review of retirement sources will foster a national retirement policy responsive to the changing attitudes toward pensions and retirement. Let us strive to guarantee a life of economic security and independence for older Americans.

Prepared Statement of Representative David W. Evans

Mr. Chairman, I am pleased to welcome our witness, Mr. Lou Harris. I am looking forward to Mr. Harris' finding on American attitudes toward pensions and retirement. I commend the Chairman for his continued insight and recognition that the issue of retirement and its financial ramifications is still plagued with uncertainties. I believe it is crucial that we consider the problems that may be encountered by future retirees and providers of retirement income in the years ahead.

I am hopeful that today's hearings will provide us with information that will enable us to deal with the contingencies of the future. We need to have input on the actions, attitudes, and concerns of employees who will be affected by pension and retirement programs. If we can focus on the difficulties that retirees encounter, I am confident that we will be able to help them avert many of the obstacles they may face upon retirement and especially the most devastating of all, namely financial hardship.

Prepared Statement of Representative William R. Ratchford

Mr. Chairman in assessing American attitudes toward pensions and retirement, we must first examine some basic demographic facts. The most important phenomenon to consider is the aging of that generation born during the post World War II or "baby boom" era. The magnitude of this huge increase of births during the period 1947-57 will be felt most in the coming years with the biggest victim: The Social Security System.

As this generation reaches retirement age, tremendous demands will be put on the Social Security system for retirement income. What with the aggravating circumstances of the "baby bust" of the 60's and early 70's, the greatest strain will be placed on Social Security revenue at the same time that there are far fewer workers behind those of retirement age paying into the fund.

Today, Mr. Chairman there are 23 million Americans age 65 and over. The Social Security system's trust funds are now overburdened by the addition of Disability Insurance in 1956, Medicare in 1965, and demands to meet the needs of a growing aging population in inflationary times. These facts have contributed to increasing concern with the future solvency of the system.

Proposed cuts in social security benefits, Mr. Chairman, and its continuing financial dilemma threaten to violate the very real social compact that workers of all ages have engaged in. Such prospects are most disturbing, and I will be most interested to hear Messrs. Harris and Keene discuss public sentiments on these issues. Consideration of other serious alternatives now being proposed must indeed take into account those who have contributed to the system throughout their working years, and expect to receive supplemental income upon retirement.

In reassessing the major goals of our retirement program for working men and women, we must realize the necessity to seek alternative sources of funding for

Medicare and Disability Insurance, while seeking to expand the availability and coverage of public and private pension programs. Retirement at any age should guarantee a life of dignity, with all our basic human needs met.

As we examine these serious questions, Mr. Chairman, it is imperative that we seriously regard public opinion before developing a sound retirement program for all Americans. Again, I thank Messrs. Harris and Keene for taking the time to join in this dialogue here today, and to share with us important statistical data.

PREPARED STATEMENT OF REPRESENTATIVE GERALDINE A. FERRARO

Thank you, Mr. Chairman. Since I took office, the majority of my constituent mail has centered around the issue of retirement income. Social Security recipients are concerned with the threat of decreased benefits and the fiscal solvency of the trust funds. Former and present federal employees are concerned by the threat of universal coverage—a move which they see as throwing them from the frying pan into the fire. All of them are concerned about the threat of a retirement income that will not allow them to even maintain a decent standard of living. For these reasons, I am delighted that the Committee has called this important hearing to explore American attitudes toward retirement and pensions.

Our elderly population is increasing at a rapid rate. These older Americans are depending more and more on retirement income for the basic necessities in their post-working years. The Survey indicates that Americans are, quite understandably in this time of inflation, saving less and less. The problem is a severe one which undercuts the intent of the social security program and underscores the need for a national policy on retirement. 13.5 million elderly, more than half of the total senior population, receive social security alone. They have no private pensions. Social security is not a supplement to their retirement income—it IS their retirement income.

The problem goes beyond "severe" and becomes "critical" when it is coupled with the shifts in the ratio of beneficiaries to workers. I was pleased to note that the Survey indicated that current recipients are aware of the fact that their incomes are derived not from funds which they had put away, but from the withholding of funds from current employees. I do worry, however, that this knowledge will lead to an increased awareness of the fact that we are facing the possibility of not having enough workers to cover beneficiaries. The worker to beneficiary ratio was 9 to 1 in 1935. It is now 3 to 1.

It is evident to me that retirement income policies will play an increasingly important role in the lives of our constituents. Likewise, it will be increasingly important for this Committee and this Congress to deal with the problem. I am pleased to participate in this important hearing and I am looking forward to the testimony of our distinguished witnesses.

Mr. PEPPER. We are grateful to you, Mr. Harris, and to you, Mr. Keene, for giving us this invaluable testimony that you propose to offer here this afternoon. Coming from you, it will have an enormous impact upon the American people, because the American people acknowledge your supremacy in this great field and the responsibility of your disclosure, and we commend also you, Mr. Keene, for your company, Johnson & Higgins, of authorizing this survey by Mr. Harris.

So, Mr. Harris, we will encourage you, if you will, to make your statement to the committee.

STATEMENT OF LOUIS HARRIS, LOUIS HARRIS & ASSOCIATES, INC.

Mr. HARRIS. Mr. Chairman, let me say at the outset, it is a great privilege to be here today and a singular personal pleasure, Mr. Chairman, to see you again.

I am submitting quite apart from this statement to the committee the full report of the survey that I hold here and I would hope this report will be included in the hearing record, Mr. Chairman.

Mr. PEPPER. We are pleased to have it, Mr. Harris. Without objection, it will be accepted for the record and will be printed as a document of this committee.

[See appendix 1, p. 39 for survey entitled "1979 Study of American Attitudes Toward Pensions and Retirement" submitted by Mr. Harris.]

Mr. HARRIS. Mr. Chairman, in many ways, this study of the attitudes of the American people toward pensions and retirement is a first. There have been studies about aging and retirement. I know we have surveyed financial executives and pension fund managers on the subject of pensions, but I must say, Johnson & Higgins have been pioneers to commission a good, hard look at what has been mostly a sleeping giant out there, the ultimate recipients of pension benefits by the American people themselves. In all, last August our firm surveyed a national cross section of 1,330 current full-time employees and 397 more who had retired from full-time work. In addition, we surveyed those business and financial executives from 212 of the Fortune 1,000 list, that is, those who deal with pension and retirement problems. One of the most fascinating aspects of the study, which I will go back to over and over again, is to compare the perceptions of the public on retirement and pensions on the one hand, and compare them with what these business executives both feel the people feel and also the way the executives themselves feel about it.

It is impossible, Mr. Chairman, to scratch very far beneath the surface these days to turn up what is surely the dominant worry in America in these last years of the 1970's, the deep, deep concern over the continuing high rate of inflation. Fully 84 percent of all retired people we surveyed feel that inflation is reducing their standard of living. An even higher 88 percent of currently employed people share the same view.

The role of pensions is a pivotal one though. We can see that where among retired people who have no pension benefits, 53 percent report they are in desperate shape. Their standard of living has not only been reduced; it has been seriously reduced. This compares with 28 percent of those who share the same feeling but who have a pension. If you don't have a pension it's double trouble. It's 28 versus 56 or 53. The people without pensions are really hurting in this time of inflation. Among employers, 61 percent say that as a result of inflation, their single biggest problem in funding their pension funds and financing them is what does the rising cost do to inflation, and that is a real impairment of their corporate pension funding today.

Among the retired, 65 percent feel that the quality of life for them is as good as it was when they were working. That may sound high, but a substantial 34 percent—that's 1 in every 3—say they have had to cut their quality of life. Among this minority, 2 in every 3 say that their financial problems, their inability to pay for basic and essential life support items is the route of their trouble. Among retirees as a whole, no more than 58 percent can report that their current standard of living is adequate, but 42 percent, and that's what we call a critical minority in our business, say their standard of living simply is not adequate.

That's why in our surveys, consistently 2 out of every 3 people with incomes below the poverty line these days are older citizens. That they are hurting is an understatement. That they are being victimized

by inflation and they are desperate, is indeed the fact. For example, we asked this cross section of retired people in this survey what they would do if they had an additional $100 income per month. Among the key answers were, first, 21 percent said they would fix up their homes; 18 percent—that's better than 1 in 6—said they would buy food, and they weren't talking about gourmet food; they were talking about basic essentials of food; 14 percent would pay off old debts; 12 percent would buy clothes that they thought they sorely needed; and 7 percent, despite medicare, medicaid and all these programs, said they would go to a doctor or a dentist. These people, Mr. Chairman, are hungry, ill-clad, in debt and ill-housed today.

Thus, it is perhaps no great surprise that when we asked both current and retired employees what they felt most keenly about in terms of their retirement, a nearly unanimous 93 percent said they thought it was very important that pension plans provide benefits that go up with the rise in the cost of living. Among retired people, 67 percent feel such a provision not only is important but extremely important. Many feel they will simply not survive without it.

One of the radical facts about inflation is that our people no longer can accept the notion that when they retire they will have to take some cut in their standard of living; 81 percent of current employees and an even higher 84 percent of the retired feel that retirement income should be about the same as their income was before retirement. This is because even when they are working full-time today, they are hurting, having trouble making ends meet. They feel they cannot make it in retirement if they cannot at least sustain the standard of living they have had while they are working. Significantly, 82 percent of the financial and pension executives we surveyed agree with the rest of the people on this important point.

Current employees feel so strongly about achieving this sustained income in retirement that 68 percent say they would be willing to increase their own contributions to their pension plans, especially if that meant that their benefits would go up as inflation rose. This sensitivity of being able to keep up with inflation runs very, very deep. As a provision, more people want this, that is, keeping up with inflation in terms of what their pension will pay, than also favor the option of receiving benefits at an earlier retirement age. It outscores those who want 100 percent guarantee that they would receive their pension benefits regardless of the investment performance of pension funds, and more want this tied to the cost of living than does the majority who also would like to see their survivor's benefits for their spouse incorporated into a pension plan.

Basically, people say that being able to cope with inflation upon retirement is easily the topmost felt need of employees today when they are thinking about what it will be like when they stop work.

I might add, Mr. Chairman, from some other surveys we have conducted just in the past month or so, 72 percent of the public feels that the retired and the elderly are especially hurt by both the double digit inflation that we are now in and, ironically, by the Carter administration's cure for that inflation, which is double digit interest rates on borrowing, and they feel that the one group of people who are hurt the most—make no mistake about it—are the retired and the elderly, people on fixed incomes.

There is one important defense mechanism that current employees are seizing upon as a way out of the potential retirement miseries, and that is simply to keep working beyond the age when they can become eligible to retire. The trend toward earlier and earlier retirement, which we saw for many years, appears not only to be ending, but the trend is now likely to be just the opposite direction of more and more people postponing retirement to older and older ages. By 88 to 10, and this was the number you quoted earlier, Mr. Chairman, a vast majority of the current employees feel that "nobody should be forced to retire because of age if he or she wants to continue working and can still do a good job."

Mr. PEPPER. Excuse me, Mr. Harris. I have not read all of your statement. The Department of Labor issued an estimate about the time our antimandatory retirement bill was passed last year that about 200,000 workers in their opinion would continue working under the protection of our antimandatory retirement bill.

Have you given any estimate? I note that you said that the trend now has been diverted.

Mr. HARRIS. Yes, sir. I am building up to that. We asked people in this survey directly about it and I will come to that, if you will give me a moment.

Mr. PEPPER. Very good.

Mr. HARRIS. We asked people specifically what they intend to do when they retire, and that isn't necessarily what it will be, but it is changing, and changing dramatically.

We say by 62 to 34 percent, and this is significant, a solid majority of current employees reject the notion that "older people should be forced to retire at some age so as to open up jobs and promotions for younger people." Now, on this score, the business executives disagreed. They thought by 53 to 46 percent. Basically, what they are saying is that they would like to see room made for the younger people, but not so the public.

The public said "No, sir. We don't think that they should be forced to retire." By 57 to 37 percent, current employees, joined by an even higher 61 to 36 percent majority of the retired people themselves, feel that "most older people can continue to perform as well on the job as they did when they were younger." Well, Mr. Chairman, the employers again tend to disagree by 64 to 33 percent. So, you see the public and the employers at loggerheads here.

Finally, by 80 to 15 percent current employees and by 75 to 20 among the retirees, they both agree that "most employers discriminate against older people and make it difficult for them to find work." Yet, by 57 to 41 percent, again, the employers disagreed.

Well, it is clear from these results that there is a veritable tide of feeling sweeping across this country that in an era when most of the work is not of the mule-hauling, physical labor kind and when the number of people employed producing physical goods is declining while the number in service jobs is increasing that people simply ought to be allowed to work just as long as they can hold down a job, irrespective of age. In turn, it is also abundantly plain that in the ranks of management, such a prevailing mood is hard for them to adapt to.

To put it bluntly, management is going to have to catch up with the thinking of both current and retired employees and catch up fast or

they are going to find themselves bucking the mainstream of American attitudes all the way upstream.

In fact, the results of this study show for the first time that not only has the majority of the American people come to the conclusion that they want to outlaw mandatory retirement but that they intend to continue working when they reach retirement age, and, Mr. Chairman, now I'm getting to the question you asked. Some 22 percent of current employees report they want to retire at an earlier age than the normal retirement age. 26 percent want to retire when the normal age for retirement is there, but a clear majority of 51 percent now say they want to continue working when they reach retirement age in some kind of work, either full time, part time, at their same job or a less demanding one, but all of this instead of retiring, and, Mr. Chairman, that is the first time we have ever had a majority of working people who say that they aren't going to retire. I would have to say, at least until we are proven to the contrary, we ought to take them at their word. I think this was largely what was back in my statement that this earlier and earlier retirement is going to shift now to longer and longer work, and I think that may be one of the most significant trends in all of these United States.

Among those in the 50 to 64 age group, that is the group which is about to retire in the next few years or might be eligible to, 48 percent say they want to continue working; 95 percent of those were covered by social security, 62 percent by a private pension plan, and 28 percent a Government pension plan. Even among those who have retired now, a substantial 46 percent say if they could find work, they would like to be working now, even though 50 percent would not, and, significantly, of all those retired employees, 53 percent say if they only knew what they know now, they wished they'd never retired in the first place. They would have preferred to continue in some kind of employment. The basic, undeniable fact is that most Americans in this last quarter of the twentieth century simply want to work for the rest of their lives. The reason isn't hard to find. They not only think such work contributes to their own mental and physical and material well-being, especially in an inflationary period, but they also feel, and this is even more important, that they can contribute to the mainstream of American society. The alternative, a majority now feel, is to be relegated to the dump heap of an inactive, unproductive, and even desperate existence of simply waiting out their time to die.

Even before the Employee Retirement Income Security Act—that's quite a mouthful, Mr. Chairman; I'm glad they call it ERISA—was passed in 1974, private pension plans have been charged with being financially unsound, promising what they may not be capable of delivering, and prone to inequities in the way employees become eligible for benefits upon retirement. Basically, I can report here today that such criticisms are by and large not shared by the people covered by such private plans. For example, 78 percent, and I say right or wrong because I'm not sure they know completely, but this is their impression, of those in private plans claim to be satisfied with the way their plans are designed and administered. By 68 to 31 percent, they have real confidence that the plans they are in will pay the benefits to which they are entitled. Only 6 percent have no confidence at all that the plans will fulfill the promises in terms of benefits.

The real worries though that the public has, and I would underscore this, Mr. Chairman, about private pension plans are not perceived errors of commission, but rather major errors of omission, as I have previously reported. These include making the benefits increase to keep pace with inflation and to be assured that they will be able to enjoy the same standard of living when retired that they had while they were working. I have often observed that society somehow can survive a plethora of errors of commission, but the errors of omission in the end can really kill us. Private pension plans are no exception.

Now, one of the profound changes which ERISA has brought is the type and amounts of information about pensions which must be given to employees. Employees feel it highly important that they receive a whole host of pieces of information about their plans. In fact, these employees would place a much higher priority than employers think it's necessary on their getting information about the current financial status of their pension plans, such as, and these are very critical areas indeed, how are the funds being invested; who is managing the funds; and, what is the return on investment being realized. Employers who are reluctant to be forthcoming in such key areas as this are going to meet mounting demands and even criticisms from their own employees for not being forthcoming, make no mistake about that.

By 80 to 16 percent, an overwhelming majority of current employees feel that "every employer should be required by law to provide a reasonable pension plan for his employees." I might say, Mr. Chairman, that is the law in a number of other countries in Western Europe. It is not the law, as you know, here. The employers we surveyed again disagree by 67 to 33 percent, 2 to 1. They did not think such a requirement should be mandated into law.

Significantly, if the employees had to reply on one type of pension plan, 37 percent who are now employed would prefer a Government pension plan, 30 percent a private plan, 12 percent on social security, and 10 percent union pension plans. However, among those just in private pension plans, they do prefer their own type—that is, the private, 39 to 31—but those covered by public plans prefer Government pension schemes by a much higher 62 to 18 percent. By reputation, Government pension plans are believed to be better than private plans, to pay better, to be better up and down the line. Employers themselves deny this and they opt for private plans as the best. Obviously, however, employers are going to have to do a lot of selling to their employees to make a majority of them convinced that their private pension plans are superior to Government.

Indeed, this study points up wide discrepancies between what employees want in their pension plans and what employers feel are important provisions. I'll just tick off some of the differences, if I might, quickly, Mr. Chairman.

For example, 66 percent of the employees feel it extremely important that their pension benefits are tied to the cost of living. Well, no more than 13 percent of the employers feel the same way. Of the employees, 61 percent feel it extremely important that pension benefits should be delivered regardless of the investment performance of the plan over the years; 46 percent of employers, somewhat lesser number, feel the same way. Of employees, 56 percent feel it of the highest importance that survivors' benefits be paid in case of death; 43 percent

of employers feel the same. Of employees, 47 percent feel it extremely important their pension provide the same standard of living they have while they work; only 11 percent of the employers share that same view. Of employees, 39 percent feel it extremely important that their pensions be made portable; that is, transferred from one employer to another. Only 8 percent of the employers share that view.

These are the likely issues I've just ticked off on which we will all hear a great deal more in my judgment in the years ahead as the sleeping giant of pension fund beneficiaries begins to awaken across this country. It is at their peril that those in the management of corporations who have the responsibility for providing pension benefits ignore these early warning signals.

For example, despite the fact that 53 percent of all employees feel it is either very or extremely important to have benefits geared to the cost of living, only 30 percent of all employees today think that such provisions are in their plans, and I am told by experts that that is awfully high. It may be three times as high as it may be. I don't know. In other words, if people really knew the truth about it, I suppose they would be even more shocked, and as the crunch of inflation grows, such demands predictably are going to rise.

Despite their desire for more information, the lack of current knowledge about pension plans is endemic, at least from the results of this survey. For example, 58 percent of all the employees in the 50-to-64 age group simply do not know the approximate size of their monthly retirement benefits in the plan to which they belong. To say that employees should simply be given information and if they don't read it, it's their own fault, is not enough. A minimum imperative for employers is to find ways not just to hand out information but to learn to communicate accurate information to employees of the kind that sticks, because if we don't get the information straight, then we're really going to have quite a scene later on.

On yet another dimension, there is a sizable difference between employees and employers. By 55 to 37 percent, a majority of employees feel that social security benefits should not — should not — be taken into account in determining private pension benefits. Employers disagree sharply, by 77 to 22 percent that social security should be taken into account, as indeed it is in almost all cases today. But if this study clearly demonstrates that employers have much homework to do with their constituent employee desires as far as their own private pension plans are concerned, then it is also amply clear that people are seriously worried about the major Government plan, social security itself.

A substantial 87 percent of the currently employed people expect to receive social security benefits when they retire. By 78 to 8 percent, though, and this is very significant — I'd say this is sort of the "cat's out of the bag," Mr. Chairman — they believe the practice today is for social security taxes they pay not being set aside for them, but rather being used directly to pay people who are retired today. This raises in kind a real question which people are beginning to raise, crossing through their minds for the first time. "Well, will the future generations be willing to pay higher taxes to provide for my social security benefits when I'm on retirement?" And here only 12 percent of the public has a great deal of confidence that these future generations will be willing to pay; [illegible] percent have some confidence.

It doesn't mean they are positive but they're not sure it won't happen, but a high 41 percent feel they have hardly any confidence that somebody is going to be paying that social security when they get ready to get it. Among employers, there is even greater skepticism. Only 6 percent have real confidence that future generations will pay; 44 percent some confidence; and even 50 percent hardly any. Put another way, only 19 percent, the same number emerged for both employees and employers alike, say they have a great deal of confidence that their own social security benefits will be there when they're eligible to receive them.

Yet, by 76 to 17 percent—this is very significant—a sizable majority of employees now view social security as the base, minimum level of retirement funds that they are depending on for retirement, and fully 80 percent favor a system under which social security benefits would increase as the cost of living goes up. When asked their preference for financing social security though, only 30 percent of the employees opted for increased social security taxes; 7 percent would reduce the benefits instead of raising the taxes; and 47 percent would use other taxes, and I suppose that would include the general revenue funds.

Basically, we have done other polling on that, I might say, Mr. Chairman, and last year we found a dead heat, 43 to 43 percent were willing to have taxes raised on social security, but if they had their choice, by 68 to 26 percent, most people would want to remain a part of social security. In other words, people are committed to social security. They don't want to abolish it. They don't want it to go away. Business leaders share that view by 61 to 37 percent.

Fundamentally then we see people want social security, are willing to pay higher taxes to see it maintained, but are deeply worried that the funds might not be there when their turn comes to realize the benefits. The shocking news a few years ago that social security was underfunded both angered a majority of the American people and also made them more willing to pay higher taxes now so that the social security system could be soundly financed. A major task—Mr. Chairman, I think if I might give you an unsolicited suggestion, you might ask the people before this committee who run the social security system to find out if they intend to do it, and I'm not trying to put them on the spot, I'm just trying to transmit the strong feeling the American people have about this, that a major task of being certain first that social security is indeed funded properly, and then those people running social security should convince and take on the task of convincing the public that it is secure.

Unless they do this, I can well foresee widespread revolt and deep resentment among the people of this country. If they have paid social security taxes all of their working life and then come up short upon retirement, and somehow say, "Gee, we're sorry but it isn't there," I'd say whatever credibility this Government might have left could well be wiped out if this eventuality ever took place or people became convinced that it would.

The financial executives interviewed in this study were also asked a series of questions dealing with ERISA. On a whole host of dimensions, the executives are positive about ERISA. By 90 to 10 percent, they are positive on the new vesting requirements. By 87 to 10 percent, positive about the joint and survivor benefit regulations; by 76 to

16 percent, positive about the funding standards under ERISA; by 78 to 20 percent, positive about pension eligibility standards; by 76 to 21 percent, positive on the fiduciary standards set up by ERISA; 58 to 36 percent are high on the provisions for plan termination insurance.

Well, Mr. Chairman, one would think with all these high marks that business executives give ERISA that they'd think it was just a fine and dandy bill and law. However, by 54 to 30 percent, these same executives are negative about ERISA in increasing the cost to them of having a pension plan; by 57 to 34 percent, they are also troubled by the additional time that ERISA seems to require out of them in handling pension matters; by 71 to 28 percent they are negative about the reporting and disclosure requirements under ERISA.

So, as a kind of bottom line on ERISA, these key business executives give the overall act not a positive but a 61 to 38 percent negative rating. It is not that ERISA has had any major impact on their funding strategies, say 69 percent. Instead, it's the simple annoyance, the ongoing annoyance of having to report in such detail and make such full disclosure under the act, entailing enormous redtape and time consumption and these appear to outweigh the long list of positive attributes employers are willing to concede have resulted from the passage of ERISA.

Now, I should point out, Mr. Chairman, that this reaction could well be chalked up to either innate business resentment of nearly any or all Government regulation or the likelihood that no program of the scope of ERISA—it's sad to say this—can be put into effect without the concordant bureaucratic redtape that seems to be so generic in every piece of regulation that emerges out of this city. But over and beyond and above the current problems of ERISA, there is now every likelihood that there will be a greater employee participation in the process of conceiving and running pension funds in this country. It is one thing to have Federal accountability, but to have an ultimate accountability to an inactive one to the employees themselves for the first time is now distinctly in the offing.

I'm not saying, Mr. Chairman, that the fiduciary responsibility to those employees wasn't always there, but now it's going to be one that's different. It will be one that will be a dialogue kind of accountability. Just as the Federal Government would be well advised to do a much better job on social security and in administering ERISA as far as business is concerned, so it behooves business to pay heed to the stirrings of that previously dormant giant, the masses of people in this country who are the beneficiaries of the system of private pension funds. As with so much of our society, now it can be said that in the future, the question of retirement and pension funds are going to be every bit the public's business.

Thank you, Mr. Chairman, for your patience.

[The prepared statement of Mr. Harris follows:]

PREPARED STATEMENT OF LOUIS HARRIS

In many ways, this study of the attitudes of the American people toward pensions and retirement is a first. There have been studies about aging and retirement and financial executives and pension fund managers have been surveyed on the subject of pensions. But Johnson & Higgins have been pioneers to commission a good, hard look at what has mostly been a sleeping giant in the pension

field: The ultimate recipients of pension benefits, the people themselves. In all, last August, our firm surveyed a national cross-section of 1,330 current full-time employees and 397 more who had retired from full-time work. In addition, we surveyed those business and financial executives from 212 of the Fortune 1000 list who deal with pension and retirement problems. One of the most fascinating aspects of this study is to compare the perceptions of how the public feels about pensions in the minds of those business executives with the way people feel in reality.

It is impossible to scratch very far beneath the surface these days to turn up the dominant worry in America in the late 1970's: Deep concern over the continuing high rate of inflation. Fully 84 percent of all retired people feel that inflation is reducing their standard of living. An even higher 88 percent of currently employed people share the same view. The role of pensions among the retirees clearly makes a difference. Among the retired who have no pension benefits, 58 percent report that they are in desperate shape, with their standard of living seriously reduced, compared with a lesser 28 percent of those who share the same feeling but who have a pension. Among employers, 61 percent feel that the increasing costs of financing pension funds is the most serious impairment of corporate pension funding today.

Among those retired, 65 percent feel that the quality of life for them is as good as it was when they were working, but a substantial 34 percent say they have had to cut their quality of life. And, among this minority, two in every three say that their financial problems, their inability to pay for basic and essential life-support items is the root of their trouble. Among retirees as a whole, no more than 58 percent can report that their current standard of living is adequate. But 42 percent say their standard of living is not adequate. That is why in our own surveys, consistently, two out of every three people with incomes below the poverty line are older citizens. That they are hurting is an understatement. They are being victimized by inflation and they are desperate.

For example, when the retired are asked what they would do with an additional $100 income per month, among the key answers were 21 percent who said they would fix up their homes, 18 percent would buy food, 14 percent pay off old debts, 12 would buy clothes, and 7 percent would go to a doctor or a dentist. These people are hungry, ill-clad, in debt, and ill-housed.

Thus, it perhaps is no great surprise that when we asked both current and retired employees what they felt most keenly about in terms of their retirement, a nearly unanimous 98 percent said they thought it very important that pension plans provide benefits that go up with the cost of living. Among retired people, 67 percent feel such a provision not only important but extremely important. Many feel they simply will not survive without it.

One of the radical facts about inflation is that our people no longer can accept the notion that when they retire they will have to take some cut in their standard of living. Thus, 81 percent of current employees and a higher 84 percent of retired people feel that retirement income should be about the same as their income was before retirement. This is because even when they are working full-time, they are hurting, having trouble making ends meet. They feel they cannot make it in retirement if they cannot at least sustain the standard of living they have while working. Significantly, 82 percent of the financial and pension executives surveyed agree with the rest of the people on this important point.

Current employees feel so strongly about achieving this sustained income in retirement that 68 percent say they would be willing to increase their own contributions to their pension plans, especially if that meant that their benefits could go up as inflation rose. This security of being able to keep up with inflation runs very deep, indeed. As a provision, it runs ahead of the 61 to 27 percent who want to have the option of receiving benefits at an earlier retirement age. It is also preferred by more than the 69 to 29 percent who want a 100 percent guarantee they would receive their pension benefits regardless of the investment performance of their pension funds, and is preferred by more than the 58 to 31 percent who want their plan to provide for survivor's benefits for their spouse. In short, being able to cope with inflation upon retirement is easily the topmost felt need of employees today when they are thinking in terms of retirement.

I might add from other surveys we have conducted in the past 2 months, 72 percent of the public feels that the retired and the elderly are especially hurt by both the double digit inflation we are now in and by the Carter administration's cure for that inflation—double digit interest rates of borrowing.

There is one important defense mechanism that current employees are seizing upon as a way out of the potential retirement miseries, and that is simply to keep

working beyond the age when they can become eligible to retire. The trend toward earlier and earlier retirement appears not only to be ending, but the trend is now likely to be toward postponing retirement to higher and higher ages. By 88 to 10 percent, a vast majority of the current employees feel that "nobody should be forced to retire because of age, if he wants to continue working and can still do a good job." The business executives we surveyed also share this view, but by a lower 67 to 32 percent.

Yet, by 62 to 34 percent, a solid majority of current employees reject the notion that "older people should be forced to retire at some age so as to open up jobs and promotions for younger people." But, on this score, the business executives disagree by 53 to 46 percent.

And by 57 to 37 percent, current employees, joined by an even higher 61 to 36 percent majority of retirees, feel that "most older people can continue to perform as well on the job as they did when they were younger." But employers tend to disagree once again by 64 to 33 percent.

Finally, by 80 to 15 percent, current employees and by 75 to 20 percent among retirees both agree that "most employers discriminate against older people and make it difficult for them to find work." Yet, by 57 to 41 percent, the employers in our sample disagreed.

It is clear from these results that there is a veritable tide of feeling sweeping this country that in an era when most of the work is not of the mule-hauling kind and when the number of people employed producing physical goods is declining while the number in service jobs is increasing that people ought to be allowed to work just as long as they can hold down a job—irrespective of age. In turn, it is also abundantly plain that in the ranks of management, such a prevailing mood is hard for them to adapt to. To put it bluntly, management is going to have to catch up with the thinking of both current and retired employees or find themselves bucking the mainstream of American attitudes all the way upstream.

In fact, the results of this study show for the first time that not only has the majority of the American people come to the conclusion that they want to outlaw mandatory retirement, but that they intend to continue working when they reach retirement age. Some 22 percent of current employees report they want to retire before the normal retirement age, and 26 percent more want to retire at the normal retirement. But a clear majority of 51 percent now say they want to continue working when the reach retirement age in some kind of work, either full-time or part-time at their same job or a less demanding one instead of retiring. Among those in the 50 to 64 age group, who must contemplate retirement soon, 48 percent want to continue working after retirement age. And 85 percent of them are covered by social security, 62 percent by a private pension plan, and 28 percent by a Government pension plan. Even among those who have retired now, a substantial 46 percent would prefer to be working now, though 50 percent would not. Significantly, of all those retired employees, 53 percent say they wish they had never retired in the first place, but would have preferred to continue in some kind of employment. The basic, undeniable fact is that most Americans in this last quarter of the 20th century want to work for the rest of their lives. The reason is not hard to find: They not only think such work contributes to their own mental and physical and material well being, but they also feel that they can contribute to the mainstream of American society. The alternative, a majority now feel, is to be relegated to the dump heap of an inactive, unproductive, and even desperate existence of simply waiting out their time to die.

Even before the Employee Retirement Income Security Act, popularly known as ERISA, was passed in 1974, private pension plans have been charged with being financially unsound, promising what they may not be capable of delivering, and prone to inequities in the way employees become eligible for benefits upon retirement. Basically, I can report here today that such criticisms are by and large not shared by the people covered by such private plans. For example, 78 percent of those in private plans claim to be satisfied with the way their plans are designed and administered. By 68 to 31 percent, they have real confidence that the plans they are in will pay the benefits to which they are entitled. Only 6 percent have no confidence at all that the plans will fulfill their promised benefits upon retirement.

The real worries the public has about private pension plans are not perceived errors of commission, but rather major errors of omission, as I have previously reported. These include making the benefits increase to keep pace with inflation and to be assured that they will be able to enjoy the same standard of living when retired that they had while working. I have often observed that society

somehow can survive a plethora of errors of commission, but the errors of omission in the end could destroy us. Private pension plans are no exception.

Now one of the profound changes which ERISA has brought is in the types and amounts of information about pensions which must be given to employees. Employees feel it highly important that they receive a whole host of pieces of information about their plans. Employees, in fact, place a much higher-priority than employers think is necessary on their getting information about the current financial status of their pension plans, such as how the funds are being invested, who is managing the funds, and what is the return on investment being realized. Employers who are reluctant to be forthcoming with such facts are going to meet mounting demands and even criticisms from their employees, make no mistake about that.

By 80 to 16 percent, an overwhelming majority of current employees feel that "every employer should be required by law to provide a reasonable pension plan for his employees." The employers we surveyed disagree by 67 to 33 percent that such a requirement should be mandated by law.

Significantly, if the employees had to rely on one type of pension plan, 37 percent who are now employed would prefer a Government pension plan, 30 percent a private plan, 12 percent social security, and 10 percent union pension plans. However, those covered by private plans prefer this type by a relatively narrow 39 to 31 percent. But those covered by private plans prefer Government pension schemes by a much higher 62 to 18 percent. By reputation, Government pension plans are believed to be better than private plans. Employers themselves deny this and opt for private plans as the best. Obviously, however, employers are going to have to do a lot of selling to their employees to make a majority of them convinced their pension plans are superior to Government.

Indeed, this study points up wide discrepancies between what employees want in their pension plans and what employers feel are important provisions: 68 percent of employees feel it is extremely important to have pension benefits tied to the cost-of-living, compared with no more than 13 percent of employers who feel the same; 61 percent of employees feel it extremely important that pension benefits ought to be delivered regardless of the investment performance over the years, but no more than 16 percent of employers feel that way; 56 percent of employees feel it of the highest importance that survivor's benefits be there in case of death, compared with 13 percent of employers who say the same; 47 percent of employees feel it extremely important that their pension provide the same standard of living they have while they work, but no more than 11 percent of employers give the same urgency to this provision; 39 percent of employees feel it extremely important that pensions be portable, transferred from one employer to another, but only 8 percent of employers have the same priority.

These are the likely issues on which we will all hear a great deal more in the years ahead, as the sleeping giant of pension fund beneficiaries begins to awaken in this country. It is at their peril that those in the management of corporations who have the responsibility for providing pension benefits can ignore these early warning signals. For example, despite the fact that 73 percent of all employees feel it is either very or extremely important to have pension benefits geared to the cost of living, only 30 percent say they now have such provisions. As the crunch of inflation grows, such demands predictable are going to rise.

Despite their desire for more information, the lack of current knowledge about pension plans is endemic, from the result of this survey. For example, fully 58 percent of the current employees 50 to 64 years of age simply do not know the approximate size of their monthly retirement benefits. To say that employees are given information which they do not read is not enough. A minimum imperative for employers is that they find ways to communicate accurate information to employees.

On yet another dimension, there is a sizable difference between employees and employers. By 55 to 37 percent, a majority of employees feel that social security benefits should not be taken into account in determining private pension benefits. Employers disagree sharply and by 77 to 22 percent that social security should be taken into account, as indeed it is in most cases.

But, if this study clearly demonstrates that employers have much homework to do to deal with their current employee desires as far as their pension plans are concerned, then it also amply shows that people are seriously worried about the major Government plan, social security itself.

A substantial 87 percent of the currently employed people expect to receive social security benefits when they retire. By 78 to 8 percent, they believe the practice today is for social security taxes they pay being used to pay retired people, not set aside.

Thus, on the willingness of future generations to pay higher taxes to provide for their own social security benefits, only 12 percent of the public has a great deal of confidence that they will, 41 percent have some confidence they will, while 41 percent feel they have hardly any confidence future generations will be willing to pay. Among employers, there is even greater skepticism: 6 percent have a great deal of confidence future generations will be willing to pay taxes for social security, 44 percent have some confidence, but 50 percent have hardly any confidence they will be willing to pay. Put another way, only 19 percent of employees and employers alike say they have a great deal of confidence their social security benefits will be there when they are eligible to receive them.

Yet, by 76 to 17 percent, a sizable majority of employees now view social security as the base, minimum level of retirement funds that they are depending on for retirement. And, fully 80 percent favor a system under which social security benefits would increase as the cost of living goes up. When asked their preference for financing social security, 30 percent of the employees opt for increased social security taxes, 7 percent would reduce the benefits from social security, and 47 percent would use other taxes. And, if they had a choice, by 68 to 26 percent, most people would want to remain a part of social security. Business leaders concur in this view by 61 to 37 percent.

Fundamentally, people want social security, are willing to pay higher taxes to see it maintained, but are deeply worried that the funds might not be there when their turn comes to realize the benefits. The shocking news a few years ago that social security was underfunded both angered a majority of the American people and also made them more willing to pay higher taxes now so that the social security system could be soundly financed.

A major task of being certain first that social security is indeed funded properly and then convincing the public that it is secure faces those in the Federal Government vested with the responsibility of running social security. It is not hard to foresee widespread revolt and deep resentment if after paying taxes all of their working life to social security, the prospect were to come up short upon retirement. Whatever credibility Government might have left could well be wiped out if this eventuality ever took place or people became convinced it would.

The financial executives interviewed in this study were asked a whole series of questions dealing with ERISA. On a whole host of dimensions, the executives are positive about ERISA: By 90 to 10 percent, they are positive on the new vesting requirements; by 87 to 10 percent, they are also positive about the joint and survivor benefit regulations; by 76 to 16 percent, the executives are positive about the funding standards under ERISA; by 78 to [illegible] percent, they are positive about the pension eligibility standards; by 76 to 21 percent, they are positive on the fiduciary standards set up; and by 58 to 36 percent, they are high on the provisions for plan termination insurance.

One would think with these high marks business executives give ERISA that that law would be more than adequate and satisfactory. However, by 54 to 30 percent, these same executives are negative about ERISA in increasing the cost of having a pension plan; by 57 to 34 percent, they are also troubled by the additional time required to handle pension matters, and by 71 to 28 percent, they are negative about the reporting and disclosure requirements under ERISA.

So, as a kind of bottom line on ERISA, these key business executives give the overall act a 61 to 38 percent negative rating. It is not that ERISA has had any major impact on their funding strategies, for 69 percent deny that it has. Instead, the annoyance of having to report in such detail and to make full disclosures under the act, entailing enormous red tape and time consumption appear to outweigh the long list of positive attributes the employers are willing to concede have resulted from the passage of ERISA. This reaction can be chalked up to either innate business resentment of nearly any or all governmental regulation or to the likelihood that no program of the scope of ERISA can be put into effect without the concordant bureaucratic red tape that seems to be so generic in regulation.

But, over and beyond the current problems over ERISA, there is now every likelihood that there will be a greater employee participation in the process of conceiving and running pension funds in this country. It is one thing to have

Federal accountability, but to have an ultimate accountability to the employees themselves is now distinctly in the offing. Just as the Federal Government would be well advised to do a much better job on social security and in administering ERISA as far as business is concerned, so it behooves business to pay heed to the stirrings of the previously dormant giant—the masses of people in this country who are the beneficiaries of the system of private pension funds. As with so much in our society, now it can be said that in the future the question of retirement and pension funds are going to be every bit the public's business.

Mr. PEPPER. Mr. Harris, I infer from your very able statement that your findings are that in principle the American people favor the legislation which we inaugurated last year against mandatory retirement on account of age.

Mr. HARRIS. Yes, sir, Mr. Chairman. I'd say, if anything they'd like to see it extended to many of those places where restrictions were put in, such as the 70-year limit in the private sector, and the implication—I say this advisedly—is that in some of the areas, such as in business, universities, a whole host of exceptions which are in the law, I wouldn't be surprised if people wouldn't like those looked at again.

Mr. PEPPER. We hope to be able to see in the relatively near future the elimination of those exemptions that we had to accept to get the bill through last year.

Mr. HARRIS. Mr. Chairman, fundamentally what they're saying is that they think in the kind of work people have to do today, in the service economy, it's not like 45 you've got to get off the assembly line. You see, that kind of work you can do at 85 maybe more efficiently than you can at 25, and there is no reason in the world—it's just rank discrimination—not to let those people earn the money.

Mr. PEPPER. We have introduced legislation to eliminate the 70-year-old ceiling in non-Federal employment. We hope we can get favorable action on that.

Now, I believe you pointed out that the majority of the private pension plans do not provide for increase in the cost of living.

Mr. HARRIS. Yes, sir.

Mr. PEPPER. Have you any suggestions as to whether it would be desirable to try to make a mechanism possible by which those private pension plans could include, as does social security, cost of living increases?

Mr. HARRIS. Mr. Chairman, I'm not enough of an expert as to what is the best way to get the cost of living provision in those plans. What I would say though is that there is no doubt in my mind, after going through this study, that this is just as deeply felt as nearly anything about how people can make ends meet when they're in retirement. You see, what it is, is that people feel they are right at the sort of breaking point now while they're working full time. You go into retirement and you're on a fixed income and that doesn't move, you're just sunk. That's what people think and they are hurting. They are hurting out there, and the people who aren't retired yet know that the people who are retired are hurting. So that a simple solution they feel is, "We don't want more real income, but let our real income go up as the cost of living goes up."

Mr. PEPPER. We intend to introduce legislation very shortly to try to find the answer to that problem.

Mr. Harris, unfortunately I have to excuse myself, but I want to express profound gratitude to you and to Johnson & Higgins for the

compilation of these invaluable data, comforting and encouraging our committee that has been working in this area to continue our efforts, and the valuable information you have given the Congress and the country, and also, the good advice you have given to a lot of employers in this country to take account of public opinion in this area, and also to experience what a lot of the big companies have who do, as a matter of policy, retain their older workers or give them a chance to continue their old job when they are qualified to do so. So, the deepest thanks on behalf of this committee for your very able contribution to this subject in which we are so interested.

I will ask Miss Oakar if she will take the Chair.

Miss OAKAR. We are going to proceed now with the testimony by Kenneth Keene, the director, senior vice president, and Actuary of Johnson & Higgins, and then we will ask questions of both gentlemen.

STATEMENT OF KENNETH K. KEENE, DIRECTOR, SENIOR VICE PRESIDENT AND ACTUARY OF JOHNSON & HIGGINS

Mr. KEENE. Thank you very much.

First of all, I want to say I am deeply honored that the committee would hear our testimony on this subject. I hope you will find it very vital information for you.

My profession basically is that of a consulting actuary. To introduce that aspect of it, I thought I would tell you about the official Government classification that consulting actuaries fall into. We are in the same group as advertising copywriters, cloud seeders, Christian Science lecturers, ghost writers, song writers, weather modifiers, and of all groups, newspapers columnists.

My written testimony, previously submitted to the committee, contains a commentary by Johnson & Higgins marked exhibit A, which more fully sets forth our thoughts on the major implications of these surveys, and which I hope will be included in the hearing record. It is marked "Summary by Louis Harris & Associates, Inc., With Additional Commentary by Johnson & Higgins." I believe you have that in your hands.

Miss OAKAR. Without objection, we will enter that in the record.

[See appendix 2, p. 175 for summary submitted by Mr. Keene.]

Mr. KEENE. My testimony this afternoon is limited, in the interest of time, to two points. One, what our national policy should be on retirement income, and, two, what directions future legislation should take in support of this overall policy.

There must be a coordinated national policy aimed at providing all Americans with an adequate income during retirement. In considering the retirement income which should be provided through social security, pensions plans, and employees, we believe national policy should incorporate these elements: The overall goal should be an amount of retirement income, from all three sources combined, which permits the employee and spouse to maintain a standard of living during retirement equivalent to their preretirement standard. Retirement income from social security and the private pension plan combined should be designed to produce a percentage of the spendable income shortly before retirement, weighted to favor the lower paid individual, and should provide a standard of living which covers necessities and per

mits a comfortable retirement but which is lower than the preretirement standard of living. This should be increased during the retirement period, as financially feasible, as the cost of living goes up.

At this point, I would like to interject the insidious effect of inflation on retiree purchasing power. If, for example, at the rate of inflation we had last year, 9 percent, if that rate were to persist for 8 years, then a pensioner's income, his purchasing power income, is cut exactly in half. Even if you get the rate of inflation down to 5 percent, and there are not too many economists, apparently, that are that optimistic about it over the next several years at least, the purchasing power at the end of 8 years is sliced by one-third.

In addition to this "comfortable" but not necessarily full replacement of preretirement standard of living, we would propose an additional layer of retirement income which would raise the standard of living up to or above the preretirement level, but this would be provided by the employee himself through voluntary savings or whatever resources he is able to gather.

Certain legislative actions are essential to encourage the growth of a system which can provide overall retirement income adequate to maintain a satisfactory standard of living during retirement. Social security must be structured to provide a basic level of retirement income for a worker and spouse which is related to previous earnings and which can be supported by a realistic level of payroll taxes.

In the social security area, although not reported in anything that you have, but in the poll one question was asked of employees—what is their preference for having social security taxes invested in their behalf in a private pension plan rather than having it managed and invested by the Federal Government through social security? Fifty-seven percent of employees said that the private pension plan investment would be their preference, versus 23 percent who said, "Leave it alone," and a large 20 percent who were not sure.

Back to principles—expansion of private pension plan coverage must be encouraged. The striking difference in the adequacy of the postretirement standard of living between those retirees receiving and not receiving pension benefits mandates expansion of the private system, even beyond its present high level.

One statistic which came out of the survey, by the way, is to the effect that in the private sector, 7 out of 10 people are covered by private plans. This is a much larger statistic than has generally been reported in the press.

Employees must be encouraged to assume a part of the burden and save for their own retirement. Income tax deductions for employee contributions to employer pension plans and individual accounts should be permitted.

A quick note on plans for Government employees—by a wide margin, 68 percent of employees and 93 percent of business leaders believe that Government plans should be subject to the same regulations as private plans covering funding, reporting, and disclosure. I can also think of a good reason why employees in the poll may prefer Government plans. They like the high benefits which Government plans often produce, but, of course, they are not apparently overly concerned about the concomitant high cost.

Thank you very much.

[The prepared statement of Mr. Keene follows:]

PREPARED STATEMENT OF KENNETH K. KEENE, DIRECTOR, SENIOR VICE PRESIDENT, AND ACTUARY OF JOHNSON & HIGGINS

INTRODUCTORY COMMENTS

These comments are submitted by Johnson & Higgins to become part of the record of a public hearing held by the House Select Committee on Aging on February 28, 1979, to examine the findings of a nationwide survey on American Attitudes Toward Pensions and Retirement.

The survey was conducted by Louis Harris & Associates, Inc., and was commissioned by Johnson & Higgins—a firm which provides employee benefit consulting and actuarial services throughout the world.

A formal Commentary, prepared and published by Johnson & Higgins is attached as Exhibit A to this submission. The Commentary contains our thoughts on major implications of the survey findings. Our comments in the body of this submission are directed at the more limited issues of—

(1) What should our national policy be toward retirement income? How should retirement income be defined, determined and provided?

(2) What direction legislation should take in support of the overall policy?

INVOLUNTARY RETIREMENT

As background to these issues, we would like to note the recent Amendment to the Age Discrimination in Employment Act which prohibits involuntary retirement before age 70 for most employees and the survey findings that a large percentage of older employees say they intend to continue in the work force, in some capacity, beyond their normal retirement age.

We believe that the elimination of a mandatory retirement age is a positive development. It not only serves the personal needs of the individuals involved but is an essential part of the solution to the problem of providing adequate income to older Americans. National policy should be re-examined regarding—

(a) The age at which unreduced Social Security and pension benefits should commence;

(b) Whether early retirement should be encouraged or discouraged through benefits and subsidies; and

(c) Whether additional benefits credits should be given under Social Security and pension plans for employment beyond age 65.

OVERALL NATIONAL POLICY

There must be a coordinated national policy aimed at providing all Americans with an adequate income during retirement.

RETIREMENT INCOME—DEFINITION

This overall policy must recognize a clear distinction among—

Retirement income which is based on need;

Retirement income which is related to previous employment and earnings; and

Income needs which are not related to retirement per se.

Each of these income requirements is a real—but separate—problem arising from different sources and requiring different quantitative measurements, different funding techniques and different solutions. Each must be attacked and solved separately.

Income benefits which are to be payable solely on the basis of need without a relationship to prior earnings should come from an income-transfer system other than Social Security and should not be confused with the retirement income maintenance supported by payroll taxes and pension plans.

RETIREMENT INCOME—ADEQUACY AND SOURCES

In considering the retirement income to be provided through Social Security, pension plans and employees themselves, we believe national policy should incorporate these elements:

A. The overall goal should be an amount of retirement income, from all three sources combined, which permits an employee and spouse to maintain

a standard of living during retirement equivalent to their pre-retirement standard.

B. Retirement income from Social Security and the pension plan *combined*—

(1) Should be designed to produce a percentage of spendable income available shortly before retirement—weighted to favor the lower-paid individual.

(2) Should provide a standard of living which covers necessities and permit a comfortable retirement but which is lower than the pre-retirement standard of living.

(3) Should be increased during the retirement period, as financially feasible, as the cost of living goes up.

C. An additional layer of retirement income which would raise the standard of living up to or above the pre-retirement level should be provided by the employee himself—through savings for retirement.

SOCIAL SECURITY

National policy must take into account—

The existing lack of confidence of employees that they will receive the benefits they have been promised;

The existing lack of confidence of employees that future generations will pay the taxes needed to provide benefits;

The existing consensus that Social Security should provide a basic level of retirement income related to the worker's previous income or supplementing other retirement; and

A recognition that Social Security cannot provide an adequate income to older Americans.

LEGISLATION

Certain legislative actions are essential to encourage the growth of a system which can provide overall retirement income adequate to maintain a satisfactory standard of living during retirement; primarily—

A. Social Security must be structured to provide a basic level of retirement income, for a worker and spouse, which is related to previous earnings and which can be supported by a realistic level of payroll taxes.

B. Expansion of pension plan coverage must be encouraged. The striking difference in the adequacy of the post-retirement standard of living between those retirees receiving and not receiving pension benefits mandates expansion of the pension system—even beyond its present high level. National policy should continue to provide incentives for employees of small employers to establish individual retirement accounts and should develop incentives for small employers to establish pension plans. A variety of vehicles will be needed to maximize coverage among this group.

C. Employees must be encouraged to assume a part of the burden and save for their own retirement. Tax deductions for employee contributions to employer pension plans and individual accounts should be permitted.

Miss OAKAR. Thank you very much, Mr. Keene.

Mr. Keene, maybe I will lead off with a question for you. On page 2 of your testimony, point (2) under B, you mention and I will just quote from it that, "Retirement income from social security and the pension plan combined should provide a standard of living which covers necessities and permits a comfortable retirement but which is lower than the pre-retirement standard of living." Now, I assume you based your conclusions, am I correct, on the Harris survey or was this your own?

Mr. KEENE. Well, partly. The Harris survey, I believe, indicates that there are sizable numbers of people that have a belief in the so-called three-legged stool developed in 1930's where pension coverage for the individual supposedly was to come from three sources, social security, private pension plans and individual savings. The poll would show that there are a sizable number of people but not, I believe, a majority who have gone away from that concept and who

would favor a one or two-legged stool, but we still feel as a philosophical matter that employees should be encouraged to continue to save.

Miss OAKAR. It is obviously a management point of view, though, isn't it, because according to Harris, 66 percent of the employees feel it is extremely important to have a pension plan tied to the cost of living while 13 percent of the employers feel the same way? It seems to me that your conclusion is based on that point of view.

Mr. KEENE. No; it wasn't based on that statistic, but on——

Miss OAKAR. But on the management point of view.

Mr. KEENE. Perhaps so. I would want to say, though, that when you throw in cost of living, that's another element of the equation.

Miss OAKAR. Right.

Mr. Harris, I was concerned and I am wondering if through serendipity in your findings you at least heard this from some of the people you interviewed. It has to do with the anxiety that people who are on social security often feel whenever they hear that there is talk of lowering the social security benefits, such as the President's announcement in his budget, which we all understand or believe at least will not happen—at least some of us do. Do you have any kind of statistic or feeling for the anxiety that the causes to our older Americans, which is something that you cannot measure statistically, I suppose, but did you pick up anything?

Mr. HARRIS. Madam Chairman, if I might say, I think the most telling part of that is when we asked about the $100 more a month. "Suppose you were going to get $100 more a month income, what would you do with it?" It's rather startling when we got what is about close to 1 in every 5 people who are retired today who said they would use the money to buy food with. They volunteered this and when we looked at what kind of food, they were talking about enough to get three square meals a day. If you want to dwell on that issue, it's no secret at all that they have closed-circuit monitors within a lot of the supermarkets today. The people they pick up on those are older people, retired people, who pick up a can or a bottle of food or whatever in the supermarket, look at it, look at the price, and this is all on the closed-circuit monitor so a lot of it has been taped and I have seen some of it. They look at it; put it back down; pick it up again; and finally look around to see if anybody is looking and they slip it in their pocket. Then, of course, they might be arrested or not, but it is a very poignant episode when people in effect have worked all their lives in order to come down to the end to finally not have enough money to go get this kind of food. If one doesn't think it's there, just ask them; it is.

This is a real problem and given the fact that come the sixties we may have been young as a country, but we're going to get a lot older come the eighties and I believe an older power is going to be here. All of you are going to hear about it a lot. I think the expansion of this committee, if I might suggest, is maybe reflective of what you know is coming on here. Those people don't want a handout in the sense of saying, "Just look, we're destitute; we're horribly poorly off." All they want basically is a chance to continue to contribute both to society and to their own well-being. I think this is very basic.

As far as pensions and social security go, they feel very—you know, I think you'd have an enormous revolt in this country, and I don't

usually talk this way, but if people go on—you know, you start working when you're what, 18 years old even if it's part time, and you go through, let's say in the future, until you're 78. That's 60 years, but let's say it's only 50 years, and then at the end you've paid social security every year and you come up and finally say, "Well, I think I'll take a little of that. I deserve it. I paid for it." Just the thought that it isn't going to be there not only horrifies and appalls people, I think they'd come tumbing right out on the streets on you. I think there was this shock a couple of years ago that was a very critical dividing line. Social security was a sacred cow up to that point and people are boiling mad to know who fouled all this up. Having said it, they want it on a sound basis and they don't want to let the baby out with the bat.

Miss OAKAR. Thank you. Mr. Grassley.

Mr. GRASSLEY. Thank you, Madam Chairman.

I have a question for Mr. Keene though it refers to the comments of Mr. Harris on page 8 where he cites a finding of 41 percent of respondents who do not have confidence that future generations will be willing to pay enough into social security so that people now working will have enough to retire on.

So, my question to Mr. Keene, and I suppose if Mr. Harris comments, that's all the better, concerns one of the key conclusions. I quote, "It is not possible or practical to provide adequate retirement income to all Americans through the social security system. This fact should become a fundamental tenet of national policy." This quote is from page 9 of your summary. I couldn't agree with you more, and as one of my constituents has told me many times, Americans should be taught as early as the time they first receive their social security card, that is at the time of their first work experience, just what social security is, what it will do, what it will not do, and who pays for it and how much they pay. I just wonder what sort of a massive education program it would take to get this national tenet across, because I just believe people do not understand it now, and even if they do, they are very concerned that it just does not do the job.

Mr. KEENE. That is obviously a very complex issue, because the subject itself is so complex and is so important to all Americans. I would think we have made some progress in this respect, in that 4 years ago or whenever, social security was like motherhood and apple pie, but when we started to get projections of future costs and what we've promised to ourselves in the future, these projections staggered an awful lot of people. This was picked up from various sources and expanded on. The double indexing which was incorporated in the 1972 social security amendments—it took a few years to recognize what the real problem that was, but that has been corrected. Significant steps were made in the 1977 amendments.

I think long range though, not only is it an educational process but we've got to come to grips with whether or not indeed we have overpromised for the future on payment of benefits and can we afford them as a nation. If, in connection with nonmandatory retirement, we have a happy circumstance that people will be persuaded to work longer, and if we also make some changes in the social security system so they don't get full benefits at what in the future will be in essence an early retirement age, then that is possible salvation for us.

Mr. GRASSLEY. Are you suggesting that maybe the truth in packaging laws ought to apply to the governmental dissemination of information on social security?

Mr. KEENE. You're putting words in my mouth but I agree with you wholeheartedly.

Mr. GRASSLEY. Mr. Harris, do you have any comment at that point?

Mr. HARRIS. Yes. I would just say, Congressman, why limit it to Government pension plans? It ought to be to all of them, public and private. In other words, people have to be leveled with on this business of what their pensions are going to be and what it can pay, what are the risks involved, and they will appreciate being told much more what are the risks than I think most people in authority can imagine. What people can't stand is to get hit from the blind side in our kind of society. It's happened over, and over, and over again. Every time somebody says, "Don't worry; everything is fine"—like, take another subject, but I don't want to get into that. But people now are getting more and more worried about energy, gasoline and home heating fuel, because if they hear somebody—and I'm not picking on the President here today, but if they hear the President, like yesterday, say, "Well, it's quite serious but it isn't a crisis," most people, I'm sorry to say, say "Oh, oh, watch out, here it comes." In other words, every time somebody tries to soothe them from above and reassure them, their experience has been that that's when the bottom is about to drop out.

So, to be candid and frank about things, the people out there are grown up. They haven't got an 8-year-old mentality. They don't have to be cajoled or kidded. They'll give you more credits, they'll give Government more credits, they'll give Congressmen, Senators, whoever, more credits for leveling with them to bring bad news than they will if it all sounds like unmitigated good news, and I think social security has got this credibility problem. All their lives social security looked golden and all of a sudden it looked like it was an awful mess. They've got to explain just what is it.

Mr. GRASSLEY. You both feel than that there should be a major thrust by the Government then to get these facts laid out, and in a sense, level with the people that social security is not intended to be a sole retirement system?

Mr. HARRIS. Yes.

Mr. GRASSLEY. That is all the questions I have.

Miss OAKAR. Thank you.

We have a quorum call, so we are going to take a 10-minute recess at the most.

[A short recess was taken.]

Miss OAKAR. We are going to proceed now and other members will be on their way in I know from the roll call.

We will observe a 5-minute rule so that each member will be confined to 5 minutes. I am sure other members will be back who will want to ask questions also.

Mr. Abdnor.

Mr. ABDNOR. Thank you, Madam Chairman. As I said earlier, your statistics are certainly very interesting and pose a lot of problems that I guess Congress and this country must be dealing with in relation to our retired people and those who are planning their retirement. It would be good if we had some easy solutions, but I guess we don't. On

page 9, Mr. Keene, of your commentary, you mentioned the fact that suggestions are being made for ways to come up with an alternative means of funding for social security. Particularly the idea of tapping general fund revenues has been suggested and for the record, I would like to have you address that topic. Do you think this additional social security should come from funding from general revenues?

Mr. KEENE. Personally I don't. I think it's just fooling ourselves, but there would be, I suspect, a large segment of the people who would like to see that conclusion. It strikes me, however, that when you're running this next fiscal year a promised deficit of only $30 billion, and you look back in the history of prior deficits, we would just be paying for this through general revenues, with funny money. Why kid ourselves? Let's face up to the facts and the facts are that we've got to see whether or not we have over-promised on benefits.

Mr. ABDNOR. Thank you. Is that more or less your view, Mr. Harris, or what do you feel about it?

Mr. HARRIS. I don't like to get my own personal opinions mixed up with my poll opinions as a matter of principle. I'll be glad to tell you, Mr. Abdnor, after this session how I might feel, but I will try to answer if I might in terms of what would put the minds of the American people at ease.

I think they would feel much better if they were paying taxes which somehow were earmarked, which they could then feel was like paying on insurance policies as they are used to and that is guaranteed to be returned to me in terms of whatever the social security scale of benefits should be.

What is unnerving is the notion that their money is being immediately used to pay people who are retired now and that then they suddenly look at their own kids and their kids' kids and say, "By gosh, you know, they're really going to work hard to support me," and they kind of choke a little. That's about the way it is. Nobody ever told them that and now they know it.

An interesting thing is, and I think it's significant, that they don't want the social security baby to go out with the bat. They have not gotten so disillusioned that they want to stop social security. You know, you Republicans try and do away with social security and, boy, it'll come right on your head. It wasn't so long ago in my own personal experiences up in the New Hampshire primary I guess in 1964, which is quite a ways back, I remember when Senator Goldwater said he didn't think social security was so hot and maybe could be done away with. Those were only Republicans voting there and, boy, he lost a lot of votes.

So, don't think social security can be kicked around and let down the drain. What people want, though, is a system that is on the level.

Mr. ABDNOR. Let me assure you, Mr. Harris, I was not about to suggest that we do that. I well remember, which I do not think was completely true, the television ads of the social security checks being torn up in relation to Mr. Goldwater, which I think went far beyond what he had said, but that is neither here nor there.

I do recall many, many years ago when I was in college in the business school and I took a course in supplementary insurance and retirement. That is what they called social security in those days—supplementary retirement.

By the same token, don't you think it is probably unfair the way Congress has dealt with this by trying to increase benefits to these people without finding some means of funding it, either one of you two gentlemen?

Mr. HARRIS. No. I'd say the people are worried about that and they are willing to pay much higher taxes than they were. They are hurting, though. I want to be accurate about this. Now that they have begun paying them this January and February, don't think they aren't hurting from that too.

So, whether it's Congressman Ullman and Senator Long's suggestion of value added taxes ought to be put in the breach or all of you suck in your gut and say, "Well, OK, we're not going to give you any respite from this high social security tax," it's a tough one. Last year we were reporting this, and I don't mind saying that I think our polls did contribute to that very narrow 38 to 37 vote, I believe it was, in Ways and Means which didn't want to reconsider it. As I understand it, this issue will not be reconsidered in this session, but come 1980 people are going to look hard at it.

I don't mean to fudge in my answer to you, sir, but I'd say that those taxes are hurting on social security. As much as people would like it, and, yet, they want to be darn sure that when they pay the higher taxes the fund doesn't run out when they are ready for it.

Mr. ABDNOR. Let me assure you, I did not take any poll, but I come from a very rural area where I know almost every one, and when I walk around groups of retired ladies who have lost their husbands who gather around me and want to know how I expect them to live on their social security check, it gets to be a difficult thing to answer. You don't dare tell them that social security wasn't intended to provide all of their retirement income when the program started out.

I would like to ask Mr. Keene one thing. On the issue of individual retirement accounts, I would be interested to have your assessment of legislation to allow homemakers or housewives to establish IRA's? I have co-sponsored such legislation. It is my understanding that the Ways and Means Committee will be looking at this topic in connection with its review of pension reform legislation.

Do you think that has a lot of merit?

Mr. KEENE. Here again, I will express a personal view. Yes; I would be very much in favor of that. I think anything that tends to beef up retirement income sources has got to be favorable. It will, among other things, mean that these people, some of whom might be potential recipients of welfare down the road, will have saved themselves.

So, I would be very much in favor of it.

Mr. ABDNOR. Thank you. I guess I have used up my time.

Miss OAKAR. Thank you, Mr. Abnor. Mr. Regula.

Mr. REGULA. Thank you.

Mr. Harris, to keep the record straight, the present proposed reductions in social security benefits are coming from the Democratic administration, that is, burial benefits, and so forth, and that should be pointed out.

Mr. HARRIS. Right.

Mr. REGULA. In your polling, did you get any feel as to which seniors would prefer, more programs or more income, because when we are working with a fixed amount of dollars, we can enhance the pro-

grams through the Older Americans Act or as an alternative add more to their income through increased benefits from the social security system? Which do you think they would prefer?

Mr. HARRIS. "Programs" is a very broad word.

Mr. REGULA. I understand.

Mr. HARRIS. Heavens knows what all can be put under that, but at the risk of that kind of over-simplification, Congressman, I would say people are not eager to get higher and higher handouts from the Government. Now, what they are saying is, "Look, if I do retire and I don't work, and social security or my pension is geared to this, we think it should have a provision to go up with the cost of living." So, that is income. All they are saying is, as was pointed out, and Ken Keene pointed it out, in 8 years at 9-percent inflation a year, you are getting 50 cents on the dollar and people have learned that. We have lived with it long enough.

In that respect, it would be income, but basically I think what people want is the ability to earn income for themselves, and yet to have programs which can help them in many different ways. In fact, part of it is to keep them integrated with the mainstream of society. This is one of the problems the elderly have. They keep feeling people want to shove them off to the side.

So, I would say the psychological benefits from the programs in the end are more important than income, provided they feel they have a chance to earn their own way as well.

I might say this too, sir. One thing which I suspect just as mandatory retirement I think is just going to go by the boards if the public has its will, so too, I think these restrictions that have been put on people working when they receive social security is likely to go by the boards.

Mr. REGULA. In other words, they are strongly in favor of taking off the earnings limitation?

Mr. HARRIS. Yes; what people don't want is to be told, "You've got to be idle now," and then kind of use your political clout or whatever to get handouts. That's very demeaning. These are very proud people who still think they can work and be productive. All I can say is, for heavens sake, let them be. That's a strong and loud message.

Mr. REGULA. In your testimony you said "84 percent of retired people feel inflation is reducing their standard of living; 65 percent feel that the quality of life for them is as good as it was when they were working," and yet, the statement goes on to say "People are hungry, ill-clad, in debt, and ill-housed."

Mr. HARRIS. Well, 42 percent said their income as retired people was inadequate. That hurts. That's an awful big number.

Mr. REGULA. So the overriding impression is that 42 percent felt they did not have enough.

Mr. HARRIS. Yes; to put it another way, if we had 42 percent of all the households in America below the subsistence levels, you'd have something stirring on the streets. I can guarantee you.

Mr. REGULA. Do you have any idea what percentage of seniors live solely on their social security?

Mr. HARRIS. No; I don't think we asked about that.

Mr. REGULA. Mr. Keene, you mention about the need to increase the number of private pension programs. Do you think that Congress

should enact tax incentives as a means of getting more of those put in place?

Mr. KEENE. Very much so. The one big need in this country, from all that I have read at least, and I don't pose as an expert in this area, but that's a need for capital formation. Encouragement of private pensions and the associated funding that goes with it would be extremely helpful. Whether it comes from individuals or corporate-sponsored type programs is irrelevant for that purpose. The fact is that savings are needed for capital formation. That would be one good reason.

Another good reason is if we can have enough incentives there for the people to solve the problem in terms of retirement income, then, think of the opportunity. It means that the Government doesn't have to step in and solve the problem. I have to think that would be good for our country.

Mr. HARRIS. I can comment on that only because we found in area after area that the people would like to see the tax system geared in such a way that if people want to flaunt some quality of life objective, corporations or whatever, that they ought to get stuck to them higher taxes, but if people abide by these quality of life standards that society wants, they ought to get awarded for it. I have yet to see business people whom I put this to who wouldn't be willing to live under it and over 80 percent of the public would live by that as well.

What they want are incentives across the board which say, "Basically, if you do something good for society, you get rewarded, and if you want to do something that isn't, you might get killed but you can take your chances if you get caught." This somehow is a very—I've never used the word before—this is a very American and current idea. It really is. I don't know what possesses Government not to try this out more. Every time I've suggested it to somebody high up in Government, they say, "Oh, by God, look at the tremendous bureaucracy that will be spawned." My answer to that is, "Look at the bureaucracy you have spawned without having an incentive system." So, I don't know.

Mr. REGULA. Thank you.

Miss OAKAR. Thank you, Mr. Regula. Ms. Ferraro?

Ms. FERRARO. Thank you, Madam Chairwoman.

In reading the study, Mr. Harris, I was fascinated by the finding that all respondents, the current retirees, current employees, and the business leaders, are in favor of pushing back the mandatory retirement age to 70, and, in fact, eliminating it totally. Yet, looking at the practical side of things, and I have heard from my constituents that when they reach age 65, the next week they get a call from their employer saying, "When are you leaving?"

It is easy, I guess, for business leaders to indicate a strong desire to keep people on, yet they continue to apply pressure in the other direction.

Mr. HARRIS. The business executives we surveyed did not feel that. They thought that older people ought to retire to make room for these younger people.

Ms. FERRARO. That is what my point was.

Mr. HARRIS. But, boy, the public is just adamant about this, just adamant about it.

Ms. FERRARO. What I was referring to was "IX" in your study. It had indicated otherwise and I was wondering about the reliability of that.

Mr. HARRIS. Oh, I think they're playing for keeps, especially the retired people, but even those who aren't. In fact, one of the fascinating parts of this study is that young people do not seize on to those causes of saying, "Look, let's put back mandatory retirement. We're going to have to wait." Somehow they are able to project into a situation here and say, "No, when I get up to their age I want to work as well." It's the notion, partly inflation, partly people are hurting enough so they have to do it. Partly it's pride and a kind of mental therapy almost where they say, "Look, you're a lot better off being active every day of your life than you are just sitting around doing nothing."

I remember in my early days of growing up: I guess it was very popular in those days thinking nothing could be better than not working, getting paid and not have to work. That's all changed. That was what I'd call a Charlie Chaplin modern times, if you remember that movie. If your only alternative was working on an assembly line, running very fast, you couldn't do that after 45.

Ms. FERRARO. So, then you are saying that the business community does not support that?

Mr. HARRIS. The most hidden fact in our society is that 67 percent of all our people are not employed producing physical products. They are producing services today. We are in a service society where it doesn't require great muscles, and mule hauling, and hard physical labor. It doesn't mean people are working with their heads far more than they are with their hands, and, therefore, age does not sap people of the energies that it might if you were a bricklayer or something.

Ms. FERRARO. I wonder, pursuing that a little bit further, did your survey in any way produce any information as to whether or not people believe there are certain occupations where there should be a mandatory retirement age? For instance, policemen, firemen, and that type of thing.

Mr. HARRIS. We have not asked it. I think you raised a good point. I think we ought to do that in the future and see which ones they think maybe there should be.

The suggestion would be those that are hard labor requiring great physical prowess would undoubtedly do it. There are certain self-regulators. You know, one that does work this way willy-nilly is in sports. A. E. Housman once wrote a poem to an athlete called "Dying Young" and all athletes die young because they can't go on and compete beyond the age of 40 at the most, usually 35. So, that's an area where I suppose to say you don't have mandatory retirement is sort of irrelevant. You're suggesting there are other too like that.

Ms. FERRARO. Yes; thank you.

I would like to ask one other question, something that is of particular interest to me. It is with reference to survivor's benefits that are currently at the option of the employee. It is not only conceivable but true that very often what happens after a man dies, is the widow discovers that she is not getting the survivor's benefits. Yet, your survey showed that these survivor's benefits were very, very important to retirees.

Mr. HARRIS. Very important, very important.

Ms. FERRARO. Would you recommend that in light of this discrepancy we amend ERISA to require automatic survivor's benefits unless the wife waives that right?

Mr. HARRIS. You're referring to the White House suggestion that these be among the cutbacks, along with disability provisions and some others.

As I read it out of this survey, particularly on the survivor's area, President Carter has got a hard time convincing the American people that he ought to eliminate the survivor's benefits. You get a very clear majority who want them. These get to be very poignant areas. It's easy to just kind of say, "In principle wouldn't it be good to save this money?" but you begin to think it terms of what it does to survivors.

You see, the American people have a compassion and an ability to care about other people. It's very interesting. They care about survivors. Don't think; they don't.

Ms. FERRARO. Thank you.

Miss OAKAR. Thank you very much. Mr. Dornan.

Mr. DORNAN. Mr. Harris, I was fascinated by one thing in your excellent report here about the perception of people, that they would be paying for a current older generation rather than themselves. In the committee that President Roosevelt appointed in 1935, the Committee on Economic Security, which reported to him on social security financing and other points, we among others, even then, and I find the 1935 committee report saying, "The Social Security System amounts to having each generation pay for the support of the people then living who are old."

What took so long, a couple of generations, for this perception to seep out into the payers of the system?

Mr. HARRIS. I don't know. Are you asking me a rhetorical question?

Mr. DORNAN. No; I just wondered. Did you discover some reason that has triggered this perception in the American people?

Mr. HARRIS. Oh, yes, sure. A couple of years ago people were told and nobody refuted them. In fact everybody seemed to agree that the social security system was in deep financial trouble. The American people are neither lazy nor on the dole about these things, but since nobody had ever said that it was in deep trouble, or not very many people, they assumed it was OK. When they heard that, they began to do their homework, and among the homework that they did was to find out fast that, as 78 percent say now, "Gee whiz, what I put in goes for the generation ahead of me getting their money and that means when I get up to the point where I get it, the generations following have to." That really gives them pause.

They have learned out of experience. I have lived most of my adult life around the people who have sort of been the public figures and have seen them, and Presidents not excluded, they tend to make statements and think because they have made the statement that everybody has heard it. Because President Roosevelt said it, doesn't mean anybody heard it. In fact, in politics, I don't mind saying, the only way anybody ever hears you is when you're sick and tired of saying it, maybe somebody is starting to hear you for the first time. I think that's true.

So, I don't think it's fair to the American people to just quote. You could have Roosevelt saying it 12 times and that probably wouldn't have been enough.

Mr. DORNAN. Then there is probably even less of a perception among the American people that the railroad retirement system went bust completely in 1974.

Mr. HARRIS. I don't think people know that. The railroad people undoubtedly got the word.

Mr. DORNAN. It is not mentioned anywhere in your report, so I assume you did not ask any question on it.

Mr. HARRIS. I would say sight unseen, it would be very likely that most people do not know that.

Mr. DORNAN. If the word was generally out on that or if there were an NBC white paper or the like, it would even heighten the awareness that when you have a shrinking labor pool contributing to something, as they did in the railroads and as we do with all sorts of World War II baby boom parents passing through maturity, that it would even make people more aware that we have a deep serious problem here.

Mr. HARRIS. If you ever have any doubt, a very sound principle to live by in public life, if I can suggest that, is to give them more bad news; don't hold it back. They're going to appreciate you and they're going to appreciate hearing it. One thing people can't stand is to get killed from the blind side. They think the whole establishment is trying to give them sugar-coated messages and say that everything is fine and then they wake up the next morning, and boy, things are anything but fine.

Mr. DORNAN. I certainly appreciate that comment. There was one curious thing here you may have answered if I missed something with the quorum call. What was your understanding of this difference in retirement desirability of working people and business executives that 88 percent of current employees, if they were doing a good job, said people should be allowed to continue, but only 67 percent of business executives agreed—still a huge majority, but why that discrepancy of 21 percentage points?

Mr. HARRIS. Well, because as we found out later on when we posed it another way—shouldn't the people eligible for retirement step aside and let the younger people come in—we found the majority of the business executives agreed and the big two to one majority of the public said, "We won't buy that. People have a right to continue if they can do the work." They're not saying you should get paid for doing nothing, but what they are saying is, if you can do the work, hold down the job, you ought to continue and age should have nothing to do with it. Business executives worry about it.

Miss OAKAR. Mr. Dornan, your time has expired. Mr. Green.

Mr. GREEN. For the record and in view of the comment Mr. Keene made, I think you have to be aware that there is a group of us that have in the past sponsored legislation and intend to refile it this year that would provide, starting in the year 2000 and in increments of a quarter of a year each year, the retirement age under social security would go up, ultimately to 68 by the year 2011 when the post-World War II baby boom starts hitting 65.

In terms of the discussion of the desirability of having private pension plans keep up with inflation after retirement, I am wondering if Mr. Keene could tell us how private pension plans could do it. I gather there is some small percentage that do. I know the insurance industry, I guess a little over a decade ago, came up with the variable annuity,

but then the stock market fell out of bed and proved that that was not going to work. What techniques can a company or any other employer undertake to provide that kind of indexing with inflation without taking on an unacceptable open-ended liability?

Mr. KEENE. Mr. Green, the first thing you can do is stop inflation. That would solve the problem. However, short of that, there are some techniques. The basic problem now is whether or not the company or the organization that is going to have to foot the bill is willing to foot the bill, bearing in mind you have uncertainties as to what the size of the bill is. One technique is something which we may hear more about. This is what you might call the adjustable pension. We happen to have given it this name. Although it sounds suspiciously like the variable annunity it's different. It's different in this sense, that the backing for the annuity is a fixed income type investment. So it doesn't have the wild fluctuations possible in the equities market. In this kind of adjustable pension approach, the excess investment earnings over some predetermined level are then added to the person's pension and the pension will accordingly go up. If you, for example, take a situation today where a long-term bond, a corporate type bond, will go for 10-percent interest, you can assume that the inherent cost of money or value of money lacking inflation is, say on the order of 3 percent. In the extreme, you could say in that kind of situation, let's give the employee the 7-percent difference. That would be very costly long run to the employer. The employer may then wish to compromise and say, "Well, no, we won't give them all the difference between 10 and 3, but we will give the difference between 10 and 6 or 10 and 7. That's one approach.

Another approach is to adopt what you might call an increasing annuity where the employer would know in advance exactly what he is agreeing to. It would automatically increase like 3 percent a year or something like that, but at least the employer would know the cost beforehand. Whether or not that would do the job would depend on the magnitude of inflation and the fluctuations you might encounter.

Another approach would be to encourage the implementation of supplemental so-called thrift plans. These are plans, for example, where for every dollar that the employee puts into the plan, the employer will match it by, let's say, 50 cents and that will go into an invested fund for the individual.

Another possibility which is suggested very strongly in the survey—this has not so far been considered to be a practical possibility, but maybe this survey will call for new thinking in this area—and that is to extract contributions from employees, in exchange for which they will build some sort of cost of living escalator into the pension plan. That's a strong possibility, apparently, if we can follow this survey.

Mr. GREEN. Mr. Harris, one thing that I guess was a little surprising was the degree of confidence of employees in private sector pension plans. Did your data reveal any distinction, say, between union-managed-pension plans and employer-managed-pension plans in large companies and small companies?

Mr. HARRIS. There is less confidence in union plans than there is in other private pension plans.

As I also pointed out, Congressman, it is the errors of omission people feel where they're thrust to criticism where I think the dialog

is going to go; namely, in what we've been talking about, carrying it to the cost of living, being sure that their standard of living after they retire is as high as it is when they were working, survivor's benefits. These are all provisions that are not by and large provisions of the private pension plans now and where they feel the inadequacies.

Mr. GREEN. Were there any distinctions between large employers and small employers in terms of confidence?

Mr. HARRIS. Not that we probed into. I'm sure there might be.

Mr. GREEN. I have no further questions.

Miss OAKAR. Thank you very much. Mr. Whittaker.

Mr. WHITTAKER. Madam Chairman, I have no questions at this time.

Miss OAKAR. Thank you. I would just like to conclude by asking just several quick questions.

Mr. Keene, in response to Mr. Abdnor's question, you made mention of the $30-billion deficit. Can you tell me what percentage in the deficit is due to the social security benefits that people have paid into?

Mr. KEENE. I believe the 1977 amendments, starting with 1979, start building up a surplus, not very large, but a modest surplus. That's my understanding, but that will then dwindle down in a few years.

Miss OAKAR. But it is certainly not in any great measure the billions of dollars that——

Mr. KEENE. The income to the system, as I understand it now, exceeds the outgo. So, the trust fund will build up a little bit.

Miss OAKAR. Thank you. Mr. Harris, recently Secretary Califano, on behalf of a task force who had done some research on the social security benefits toward women, issued a statement indicating that indeed women were discriminated toward in terms of that system. I am wondering if in your research any of the people that you interviewed made mention of that as a real concern.

Mr. HARRIS. Yes. Not in this research but I did some other research recently where we found that for the first time, because women do take—see, for a long time, with the exception of professional types, working for women was a kind of hiatus between school and getting married. Now you've got 51 percent of all women are working, and partly this again, among the radical impacts of inflation. Women are thinking of working and working for the rest of their lives or a good long while. As a consequence, for the first time women feel that they are discriminated against in terms of getting less pay for the same work. Men don't feel that way. Women feel they get discriminated against in terms of not getting promoted to higher management jobs nearly like men are, and the third one just fascinated me because I have to confess I hadn't quite thought of it. It's in this whole area where they said in terms of loans, mortgages, insurance, financial matters, they feel that women indeed do not have the same access as men do, even though women may be working women who have an income. It's the basic notion of what they're objecting to and rather deeply; Why does a women need a man's signature on her application for credit? If she works, why shouldn't she be able to get the credit herself?

I think this is a fairly explosive area. I don't know the degree to which women are discriminated against, but certainly if they are breadwinners, I see no reason why they should be.

To put it another way, I can see a lot of trouble out there for any financial institution that doesn't get cracking and changing this practice.

Miss OAKAR. Thank you very much. I want to thank both of you gentlemen for your very interesting testimony. We certainly look forward to more surveys that you do, Mr. Harris, and more analysis that you do, Mr. Keene. Thank you very much. The hearing is adjourned.

[Whereupon, at 4:20 p.m., the committee was adjourned.]

APPENDIX 1

1979 Study of American Attitudes Toward Pensions and Retirement

A Nationwide Survey of Employees, Retirees and Business Leaders

COMMISSIONED BY:
Johnson & Higgins

CONDUCTED BY:
Louis Harris and Associates, Inc.

Johnson & Higgins
95 Wall Street
New York, New York 10005

February 1979

Dynamic changes in American society are prompting a searching reevaluation of the nation's retirement patterns and systems. Decisions being made today will have serious implications for the American public — with truly major impact on the labor force, capital formation, corporate health, tax policy, Social Security and all private and public pension systems.

It is imperative that the policymakers formulating these decisions and the people affected thereby, both in the private and public sector, have available to them all the relevant information it is possible to obtain. Accordingly, we recently commissioned a nationwide survey to obtain a sharper focus on retirement problems and what to do about them. Business leaders, policymakers and other interested people will find the survey results most useful in the developing dialogue on these issues.

Richard I. Purnell
Chairman

Robert V. Hatcher, Jr.
President

A nationwide survey of the attitudes of employees, retirees and business leaders toward pensions and retirement.

PREFACE

The past decade has seen the emergence of major changes in social and economic forces directly affecting retirement. Reaction to these pressures has already produced significant legislation such as ERISA, sweeping amendments to Social Security taxes and benefit levels, changes in sex discrimination statutes, and moves toward non-mandatory retirement.

This is a fast paced ongoing process. Long-term pressures generated by the shift in the age and sex composition of the labor force will be magnified and accelerated by the more immediate pressures caused by an over-heated inflationary economy. The future will witness additional major changes in the American retirement system to accommodate these pressures -- changes in legislation, in employment practices, in retirement patterns and in the systems used to fund and pay retirement income.

Johnson & Higgins believes these coming changes, and the direction they will or should take, must be hammered out in the real world and not developed solely through theoretical think-tank studies of what is best for America. An essential step in the real world is an examination of the attitudes of the American public, and business leaders, about retirement and retirement income — problems, perceptions, expectations and intentions.

Accordingly, we commissioned Louis Harris and Associates, Inc. to conduct a nation-wide survey of American employees, retirees and business leaders to determine these attitudes.

From the beginning of this project we allowed Louis Harris and Associates a completely free hand in the development of the methodology and in the analysis and interpretation of the results. Our input was limited to advice and assistance in designing the survey and drafting the questionnaires, and in the funding of the project. All observations and conclusions that appear on the succeeding pages are those of the Harris organization and do not necessarily reflect the views of Johnson & Higgins. We will make our own comments separate and apart from this report

Major findings having far-reaching implications emerged in these areas

- Inflation and the quality of retired life
- Mandatory retirement changes
- Attitudes toward private pensions
- Attitude toward Social Security

In some cases the results are about as expected But in other cases the results are ite surprising!

This comprehensive survey is unique and most timely The finding are extensive and should be of major significance to the American public - and, in particular, to governmental policymakers, business leaders, money managers consultants, actuaries and other professionals who share more fully the responsibility for making the American retirement system work

Johnson & Higgins is proud to present the result of this landmark survey

Johnson & Higgins

American Attitudes Toward Pensions and Retirement

Conducted for
Johnson & Higgins

February 1979

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INTRODUCTION

American Attitudes Toward Pensions and Retirement is a major study of employee, retiree and business leader attitudes toward pensions and the retirement income system in the United States

In spite of the considerable amount of commentary and public attention it has engendered in the recent past the issue of retirement and its financial implications is surrounded by as much confusion and uncertainty as ever before The effects of ERISA, changes in the mandatory retirement law impending major population shifts, inflation, and the prospect of further pension legislation all these are contributing to the atmosphere of confusion and creating difficulty for the public and providers of retirement income alike **American Attitudes Toward Pensions and Retirement** has been commissioned by Johnson & Higgins in hopes of reducing some of the uncertainty which surrounds the retirement income system The survey findings reported in these pages contain a wealth of reliable information which it is hoped will be both illuminating and useful to policy makers businessmen and all those with an interest in the retirement income system in the United States

Readers will be both consoled and concerned by the findings reported here The survey brings a clear perspective to many issues confronting the private pension system Many criticisms of private pensions conveyed by the media are not shared by business leaders or their employees and both groups have much to say that is positive about pension legislation currently being considered But some of the results are troubling Many conventional assumptions are called into question and the findings point to a number of potentially serious difficulties awaiting retirees and the providers of retirement income in the years ahead

Above all the results will set the record straight on attitudes toward retirement and pensions They cast a much-needed light on the actions attitudes and concerns of employees regarding pensions and retirement They bring into focus the difficulties faced by today's retirees and suggest several ways the problems might be avoided in the future Equally important at a time when Congress is considering major changes in the pension laws the findings provide a sharp portrait of the business community's attitudes toward ERISA and their concerns about the future of private pensions

The survey is based on interviews with two separate samples a national cross-section of 1699 current and retired employees and a representative cross-section of 212 companies drawn from the Fortune listing and the *Dun and Bradstreet Million Dollar Directory* The survey of employees consisted of 1,330 interviews with full time employees and 369 interviews with people retired from full time work The focus of the study is on current

and retired employees, rather than the entire adult public, because the former are primary contributors and beneficiaries of the Social Security System, and because they form that portion of the public most affected by pension legislation. For the sample of companies, interviews were conducted with corporate executives designated by their chief executive to speak on behalf of their company about pensions and retirement. All the fieldwork was conducted in August 1978. Details of the sample and methodology are given in the Appendix

Louis Harris and Associates is grateful for the advice and assistance provided by Johnson & Higgins in designing the survey and drafting the questionnaires. However, the final responsibility for the design and implementation of the survey rests with the Harris firm.

It does not necessarily follow that Johnson & Higgins agrees or disagrees with any of the answers given by the employee or leadership groups, or with any of the observations or comments made in this report

It should be noted that percentages in the tables may not always total 100%, because of rounding or the acceptance of multiple responses

OVERVIEW AND SUMMARY OF MAJOR FINDINGS

From among the hundreds of results emerging from these surveys of employees, retirees, and business leaders, four sets of major findings have particularly important and far-reaching implications for the retirement and retirement income policies of government and business

I Inflation and the Quality of Retired Life
II Mandatory Retirement.
III Attitudes Toward Private Pensions
IV Attitudes Toward Social Security

The following is an overview and summary of these sets of major findings Readers should be forewarned that many of the details and nuances of the results are unavoidably lost when summarizing a study of this size Those whose interest is spurred by the findings below are urged to examine the full report

I. INFLATION AND THE QUALITY OF RETIRED LIFE

Perhaps the most striking finding in this survey of business leaders and current and retired employees is the pervasive impact of inflation on attitudes toward pensions and retirement income expectations The rapidly rising cost of living is imposing severe financial difficulties on sizeable proportions of today's retirees, particularly on those who do not receive pension benefits More than 4 of every 10 retirees and more than 5 of every 10 retirees who do not receive pension benefits claim that inflation has seriously reduced their standard of living Current employees are also feeling the impact of inflation, which is limiting their ability to save for retirement while increasing the amount of money they believe they will need during retirement

Having far-reaching consequences for the providers of retirement income, the pressures of inflation are boosting retirement income needs and expectations The survey findings coupled with projections of demographic shifts which will significantly increase the number of employees reaching retirement age beginning in the 1980's, suggest that today's employees are likely to exert considerable pressure for higher benefits from business and government as they approach retirement

At the same time however the findings show that part of the solution to future increases in pension costs may lie with employees themselves Employees are willing to make contributions to their company pension plans if their contributions can be made in exchange for larger benefits or earlier benefit eligibility More than two thirds of the employees interviewed say they would be willing to contribute to a plan, or to contribute more than they do now if it would increase their retirement benefits More than anything employees would be willing to increase their contributions if their plan would provide benefits that increase with the cost of living (71.16% willing). Certainly these findings must be approached with some caution, since the difference between what people will actually accept and what they say they will accept can be considerable However, at the very least the findings demonstrate that increased employee contributions in exchange for earlier or larger benefits may provide a way to ease the burden of future retirement income demands.

Below in summary form are the major survey findings about inflation and its impact on retirement income expectations and the quality of retired life

A. Inflation is clearly the number one problem facing retirees and the providers of retirement income today Retirees have been the hardest hit by inflation, particularly

retirees who are not receiving pension benefits. More than 4 of 10 retired employees say that inflation has seriously reduced their standard of living, and roughly another 4 in 10 say it has reduced their standard of living to some degree. Among those not receiving pension benefits, a full 53% say inflation has seriously reduced their standard of living compared with a smaller 28% holding the same view among pensioners.

Business leaders are also feeling the pressures of inflation. When asked about the disadvantages of pension plans to their company, a sizeable 61% cite increasing costs in an inflationary economy as the main disadvantage.

. The government and government spending (Federal, Congressional, state and local) are among the major causes of inflation today according to current and retired employees and business leaders.

B. A majority of retirees are satisfied with the quality of retired life, but for many, retirement is a time of financial hardship. Sixty-five percent of those who are currently retired from full-time work believe the quality of retired life is at least as good as the quality of working life. However, 34% feel the quality of retired life is worse than the quality of working life, and nearly two-thirds of the retirees in this group say that financial problems are at the root of their dissatisfaction.

. Over half (58%) of those retired from full-time jobs feel that their current standard of living is at least adequate, but a sizeable 42% feel that their income provides a standard of living which is less than adequate. Having a pension clearly makes a difference in a person's standard of living during retirement. More than half of those (56%) who do not receive pension benefits but just 23% of those who receive pension benefits believe that their current income provides a less than adequate standard of living.

The findings further suggest that many retirees are not able to afford some of life's basic necessities. In response to a question in which retirees were asked what they would do if they had an additional $100 a month, small but significant percentages report that they would buy food (18%), buy clothes (12%), pay off old debts (14%), or go to a doctor or dentist (7%).

C. Spurred by inflation, retirement income expectations are rising, and the providers of retirement income are likely to feel increasing pressure for larger benefits in the years ahead. To current and retired employees, by far the most important of several possible characteristics of pension plans (i.e., guaranteed benefits, portability, vesting, etc.) is that the plan have benefits that go up with the cost of living. A significant 66% list this pension plan characteristic as extremely important, and another 27% call it very important.

D. Though many retirees are dissatisfied with their standard of living, overwhelming majorities of employees and business leaders feel the standard of living during retirement should be about the same as it was before retirement -- a goal which may lead to increased demands for higher and more liberal benefits as inflation continues to erode retirement incomes. Eighty-one percent of current employees and 84% of retirees feel that the standard of living during retirement should be about the same as before retirement; only 8% of each group think the standard of living during retirement should be higher than before retirement. This is in dramatic contrast to the 42% of retirees that feel that their income provides a standard of living which is less than adequate. And while nearly 2 out of 10 business leaders think retirement income should be less than pre-retirement income, a high 8?% feel it should be about the same as before retirement.

E. Employees are willing to contribute to their pension plans, or to contribute more than they do now, in exchange for various types of additional pension benefits.

Sixty-eight percent of the employees interviewed would be willing to increase their contributions if it increased their retirement benefits. Employees say they would be most willing to increase their contributions to their pension plan if the plan provided benefits that increased with inflation and the cost of living (74-18% willing). By smaller margins, employees say they would be willing to increase contributions if their plan let them become eligible to receive benefits at an earlier age (61-27%), if the plan had a 100% guarantee that they would receive pension benefits regardless of investment performance (60-29%), and if the plan provided survivor's benefits to their spouse (58-31%).

II. MANDATORY RETIREMENT

Though the survey findings point to mounting financial pressures on retirees and the providers of retirement income in the years ahead, they also reveal a trend that, in the long run, may significantly lessen the pressure on retirement benefit costs. Stemming from a number of economic and demographic trends as well as the recent change in the mandatory retirement law, the current trend toward early retirement may be reversed in the not-too-distant future More than half of today's employees would prefer to continue working -- either full-time or part-time, at the same job or a less demanding job -- instead of retiring, and just less than half say they actually plan to continue working and defer retirement Also, workers between 18 and 49 years of age are significantly less likely to look forward to retiring than older workers This may be a perception that will change as workers grow older, but it also may point to an increasing preference for deferred retirement as the work force ages

A. **Pushing back the mandatory retirement age from 65 to 70 is welcomed by both current and retired employees and the business community, but only total abolition of mandatory retirement will satisfy public opinion.** A large majority of current and retired employees and a smaller but still substantial majority of business leaders are firmly opposed to any mandatory retirement age whatsoever By 88-10%, current employees believe that "nobody should be forced to retire because of age, if he wants to continue working and can still do a good job" The same view is held by 2 of every 3 (67%) business executives interviewed

B. **While a majority of employees look forward to retirement, significant percentages would prefer to work -- either full-time or part-time, at the same job or a less demanding job -- as an alternative to retirement.** More than 1 in 4 (26%) employees would prefer to retire when they reach the normal retirement age for their employment Another 22% would like to retire before they reach the normal retirement age for their employment However, a total of 51% say they would prefer to continue with some type of employment

Though older workers are more likely to say they look forward to retirement than younger workers, there is little difference between the two groups in actual retirement intentions Roughly half (48%) of those between the ages of 50 and 64 say they intend to continue working instead of retiring as do an almost equal percentage of younger workers Among workers between 50 and 64, 95% are covered by Social Security, 62% are covered by a private pension plan and 28% are covered by a government employee plan

C. **A substantial percentage of today's retirees voice a strong desire to work during or instead of retirement** Nearly half (46%) of today's retirees would prefer to be working while an even half (50%) would not Not only would significant numbers of retired people prefer to work but more than half would have preferred to continue work

ing instead of retiring Assuming they had an adequate retirement income, 31% of current retirees would have preferred to retire when they reached the normal retirement age Another 12% would have preferred to retire before they reached the normal retirement age The remaining 53% would have preferred to continue in some kind of employment.

III. ATTITUDES TOWARD PRIVATE PENSIONS

Both before and after the Employee Retirement Income Security Act of 1974, private pension plans have been criticized for being financially unsound, for promising what they may not be able to deliver, and for various inequities in the way employees become eligible for benefits Whatever the possible merits of these criticisms, they are not, for the most part, fully shared by people currently covered by private pension plans Most employees (78%) claim to be basically satisfied with the way their plans are designed and administered And while approximately 1 in 3 (31%) express less than full confidence in their plans, a 68% majority have a great deal of confidence that their plans will pay the benefits to which they are entitled upon retirement Of those who are not fully confident only 6% have no confidence at all in their plans

At the same time, these positive attitudes cannot be interpreted as public acceptance of the status quo in the private pension system While employees say they are satisfied with plan design and administration, many place a high priority on types of provisions which are not found in most private plans today. Foremost among these are cost of living benefits which are likely to become an increasingly central focus of employee demands if high levels of inflation persist, benefits which will permit the same standard of living as before retirement and survivor benefits

The Employee Retirement Income Security Act has brought substantial changes in the types and amounts of information about pensions given to employees. The survey findings show that receiving information about their pension plan is extremely important to employees, but employees and employers have widely divergent views as to the types of information that should be reported Employees place a higher priority than employers think necessary on receiving information about the current financial status of their pension plans in areas such as where funds are being invested, who is managing the funds, and the return on investment However it should be noted that employees are generally satisfied with the information they currently receive and majorities say they find the reports they receive from their employers understandable and helpful While the contents of reports may be improved, the limiting factor in employee knowledge about pension plans is not the reports themselves but that many employees fail to read them

In the final analysis having a pension plan at work is extremely important to today's employees While employers and employees are not without criticisms of private plans, if anything the findings suggest that both groups would favor an expansion of the private pension system

A. Having a pension plan is a high priority among current employees. By 80-16%, employees feel that "*every employer should be required by law to provide a reasonable pension plan for his employees*" Employers have generally favorable attitudes toward pension plans and see many advantages in them for their company However, they disagree that they should be required by law to provide such plans by 67-33%

B. Employees covered by private plans voice relatively high levels of satisfaction with the way their plans are designed and administered, and a majority (68%) have a great deal of confidence that their plans will pay them the benefits to which they are entitled when they retire. Seventy eight percent of those covered by private

plans are at least somewhat satisfied with the way their plans are designed and administered, while 16% are at least somewhat dissatisfied. Although a commendable two-thirds of private plan participants have a great deal of confidence in their plan's ability to deliver, 25% are less than fully confident. Six percent have no confidence in their plan at all.

C. Private pension plans get generally high ratings from business leaders when compared with plans for government employees, union plans, and Social Security. Current and retired employees are mildly positive about private plans, but they are most positive about plans for government employees. Similar to business leaders, current and retired employees are most negative about union plans and Social Security. Business leaders, not surprisingly, are most positive about private plans, believing them to offer the highest benefits for the money contributed, and to be the best run. Business leaders are highly negative in their views toward union plans and Social Security, claiming that they are the sources of retirement income most in need of change.

A plurality (33%) of current and retired employees feel that plans for government employees offer the highest benefits for the money contributed and (by a 36% plurality) would prefer this type of plan over all others if they had to rely on only one plan for all their retirement income. Like business leaders, current and retired employees hold generally negative views of union plans and Social Security.

D. While employees say they are generally satisfied with plan design and administration, many place a high priority on types of provisions which are not found in most private plans today. By far the most important feature to have in a pension plan, according to current and retired employees, is a provision for benefits which increase with the cost of living. A striking 93% list this characteristic as at least very important. Sizeable majorities also feel it is at minimum "very important" to have guaranteed benefits regardless of investment performance and to have survivor benefits. Business leaders consider cost of living benefits to be much less important than do current and retired employees. Instead, they feel it is most important that employees be guaranteed benefits regardless of investment performance and that employees be guaranteed to receive vested benefits if they leave the job before retirement. Business leaders share the views of employees about the importance of having a provision for survivor benefits in pension plans.

E. Many employees, retirees, and employers would favor changes in the pension law to permit tax deductible employee contributions. Nearly half (49%) of the working and retired public would favor a change in the pension law which would permit employees to contribute to pension plans at work and deduct their contributions from federal taxes until they retire, while 28% would disapprove of the change. The proposal receives strong support in the business community, where 89% say they would approve of a law permitting tax deductible employee contributions to pension plans at work.

Employees and employers would also welcome a law permitting the establishment of tax deductible IRAs along with participation in an employer pension plan.

F. While a majority of employees say they would be willing to contribute to their pension plan, most employers do not think they should be required to do so. Just 26% of the business leaders surveyed say employees should be required to contribute to their pension plan and [illegible] say they should not.

G. Though employees are relatively satisfied with the pension information they currently receive, business leaders widely misjudge the importance employees place on certain types of information about their pension plans. Among employees who [illegible] believe it is very important that

they receive information about the current financial status of their plan (83%), where pension funds are being invested (60%), who is managing pension funds (60%), and the return on investment (59%). However among business leaders whose employees receive annual reports just 38% feel it is "very important" that the report contain information about the current financial status of the plan, and less than 20% believe it is important to include information about who is managing the funds, where the funds are invested, and the return on investment. Nonetheless, majorities of those who have read their last pension report rate it positively for the information provided.

H. **Many private pension plan participants are familiar with some of the basic provisions of their plan, but the results show that there is ample room for improvement in their knowledge.** Most seem to know whether or not they are vested, though substantial minorities were uncertain or incorrect about vesting criteria. Also, more than half are uncertain about the size of their monthly retirement benefit. Even among those who are relatively close to retirement (50 to 64 years old), 58% do not know the approximate size of their monthly retirement benefit.

I. **Portability: employees have mixed views as to how their pension benefits should be handled if they change jobs before retirement.** A narrow 34% plurality feel that their accrued benefits should be kept in their original pension plan and the benefits paid out when they retire. Thirty one percent would prefer that the money be transferred to a separate account of their own, like an IRA, and paid to them when they retire, while an almost equal 29% would prefer that the money be transferred to their new pension plan. Only 2% of employees covered by a pension plan and 1% of business leaders would prefer that the money be transferred to the federal government until retirement.

J. **Integrated benefit formulas, by which the amount a person will receive from Social Security is taken into account when determining the size of his pension benefits, are met with opposing views by business leaders and current and retired employees.** By 77-22% a majority of business leaders feel that Social Security benefits should be taken into account when determining the size of a pension benefit. But by 55-37%, a majority of current and retired employees believe that Social Security benefits should not be taken into account.

IV. ATTITUDES TOWARD SOCIAL SECURITY

A large majority of today's work force expects to receive income from Social Security when they retire. Yet substantial numbers, particularly among younger employees, have little confidence in Social Security's ability to pay their retirement benefits. More than 8 out of 10 current employees have less than full confidence that Social Security will pay them benefits to which they are entitled when they retire. 42% have hardly any confidence at all.

The findings suggest increased political pressure on Social Security in the future, much of which may be in the form of an increased demand to use general revenues or other revenue sources to fund Social Security. A majority of current and retired employees generally agree that if necessary, more money should be collected from working people so the income of retirees can keep up with inflation. This, coupled with the growing numbers of employees who will be retiring in the years ahead, suggests an upward demand and increasing political pressure for larger Social Security benefits and, consequently, higher Social Security taxes. Moreover, while 45% of current and retired employees feel that Social Security benefits should be paid out of Social Security taxes, 47% feel that at least part of the money should come from other taxes.

Employees and retirees want the Social Security System to work, and most (76%) want it to work as was originally intended — a program to provide a basic level of retirement income that will supplement other retirement income sources What is needed, the findings suggest, are ways to restore the public's confidence in the Social Security System.

A The vast majority of the working public are relying on Social Security for income during retirement, yet many are skeptical about the system's ability to pay out future retirement benefits. Eighty-seven percent of today's employees expect to receive benefits from Social Security when they retire. However, more than 4 out of 5 employees have less than full confidence that Social Security will be able to pay the benefits owed them when they retire, and more than 2 out of 5 have hardly any confidence at all Moreover, employees list Social Security over government employee plans, private plans and union plans as the source of retirement income most in need of a change for the better.

B. Current and retired employees feel strongly that Social Security benefits should be increased with the cost of living, as is done now, but they have mixed views as to what moneys should be used to provide benefits to current and future retirees. Eighty-six percent of current and retired employees feel that Social Security benefits should increase at least as fast as the cost of living over the next five years, while only 9% believe they should be kept the same With a view sharply divergent to that of business leaders a narrow plurality (47%) of current employees and retirees feel that at least part of the money for Social Security benefits should come from sources other than Social Security taxes 42% feel that part should come from other taxes, and 5% that *all* benefits should come from other taxes By 79-20%, business leaders feel all Social Security benefits should be paid from Social Security taxes

C. A 76% majority of current and retired employees believe that Social Security should provide a basic level of retirement income, while 17% believe it should provide all retirement income. Among those who feel Social Security should provide a basic level of retirement income 22% believe it should provide a basic level of income regardless of pre-retirement income and 31% believe that it should provide a basic level of income while taking previous income into account Another 23% feel Social Security should provide a basic level of income which should be used as a supplement to other retirement income. Part of the reason for low interest among current and retired employees in having all retirement income provided through Social Security is a lack of confidence in the government's ability to manage such a program Nearly half the respondents (49%) have hardly any confidence in the government's ability to run a program in which all retirement income would be distributed through the federal government and funded by taxes

ADDITIONAL FINDINGS

BUSINESS ATTITUDES TOWARD ERISA

1. Business leaders have mixed views on ERISA: in general, they rate the law negatively, yet they hold strongly positive views toward a number of the law's basic provisions. Negative business attitudes toward ERISA stem primarily from the time, paperwork, and costs required to administer a plan. Many of the major criticisms frequently heard about ERISA, such as its effect on investment performance, fiduciary standards, and pension eligibility requirements, are not shared by the sizeable percentages of the country's business leaders who are involved with company pensions. ERISA's fiduciary standards, for instance, receive a 76-21% positive rating from business leaders. The law's vesting requirements are rated positively by 90-10%. Also viewed favorably are ERISA's pension eligibility requirements (78-20%), joint and survivor benefit regulations (87-10%) funding standards (76-16%) and plan termination insurance (58-36%).

Overall, however, businessmen give the law a 61-38% negative rating. The reason for this rating lies primarily with the law's reporting and disclosure requirements, and the cost paperwork, and executive time which they engender ERISA's reporting and disclosure requirements meet a strong 71-28% disapproval among business leaders. By 57-34% leaders say ERISA has a negative impact on the time it takes executives to deal with pension matters. And the law is thought to have had a negative impact on a company's cost of having a pension plan, by 54-30%.

2. A full 69% of the leaders interviewed feel that ERISA has had little or no effect on the basic investment strategy for their company's pension fund. Another 14% claim that the funding and fiduciary requirements of ERISA have resulted in different, but not necessarily more conservative, investment strategies for pension funds. Just 15% charge that ERISA's funding and fiduciary requirements have resulted in more conservative investment strategies for their company

BUSINESS ATTITUDES TOWARD PENSION FUNDING AND UNFUNDED LIABILITIES

1. Most business leaders feel their company's pension plan is at least adequately funded. In terms of the benefits that have been promised, 69% claim their company's plan is well-funded, 29% claim it is adequately funded, and only 2% say their plan is under-funded Generally, the larger the percentage of vested liabilities which are unfunded the less positive business leaders are about the adequacy of their plan's funding.

2. Fifty-six percent of the companies in the sample have some portion of their vested pension liabilities which is unfunded and 44% do not. Thirty-four percent of the firms have unfunded vested liabilities amounting to 25% or less of their total vested liabilities, 17% have unfunded vested liabilities of between 26% and 50% of total vested liabilities, and 4% have unfunded vested liabilities which account for more than half of their total vested liabilities

3. Business leaders are considerably concerned about the problem of unfunded pension liabilities, but they are generally not alarmed. Many feel that the problem has been overblown and that liabilities will be reduced by better investment results and amortization over a number of years Still, a small but substantial minority are deeply concerned about the problem Sixteen percent say unfunded pension liabilities are a major concern to their company, and a further 38% say they are a minor concern

— x —

4. By 66-19%, business leaders feel pension funds should be invested wherever they bring the largest return, regardless of the social policies of the companies or countries in which they might be invested. Employees covered by private pensions are nearly evenly split on the issue, with a narrow plurality favoring investing funds wherever they bring the largest return if following socially desirable investment policies meant retirees would receive lower pension benefits. It should be noted that a substantial minority feel strongly that funds should not be invested in companies or countries with socially undesirable policies.

PRE-RETIREMENT PLANNING

1. The experience of today's retirees shows that pre-retirement planning is critical to a secure retirement: current retirees who had inadequately planned for their retirement are considerably more likely than others to have an inadequate amount of retirement income. Among those who feel they had done enough planning, for instance, 10% claim their income is less than adequate. But the same claim is made by 56% of the retirees who say they had done far too little or no planning at all.

2. Sizeable percentages of today's employees feel they have done little planning and made few preparations for their retirement. This is true for older as well as younger employees. Thirty percent of current employees have done no planning at all for their retirement, as have a smaller but substantial 20% of those between the ages of 50 and 64. Forty-eight percent of employees between 50 and 64 years of age (and 58% among all employees) have not given any thought to how much money they will need when they finally retire. More than 1 in 5 of these older employees intend to retire without a pension.

GOVERNMENT EMPLOYEE PENSION PLANS

Strong majorities of current and retired employees and of business leaders feel that public pension plans should be subject to the same regulations for funding, reporting, and eligibility requirements as are private pensions. Public plan compliance with private plan regulations is favored by 68% of current and retired employees (14% opposed), and by an overwhelming 93% of business leaders. Moreover, such compliance is favored by a sizeable 65% majority of employees currently covered by public plans and opposed by only 18%.

DOUBLE DIPPING

There is only mild public opposition to the practice of double dipping. By 51-42%, a narrow majority of current and retired employees believe that people who retire after 20 years of service on a government job should be able to collect a government pension while working at a second job. Business leaders take an opposite view, believing by 50-30% that retired government workers should not be able to collect a government pension while working at a second job. Lastly, both current employees and retirees as well as business leaders feel that people who retire after 20 years of government service and who then work and retire from a second job should be able to collect two pensions - one for each job they have had.

CHAPTER I:

INFLATION AND THE QUALITY OF RETIRED LIFE

The Quality of Retired Life

A majority of retirees enjoy at least the same or a higher quality of life during retirement as when they were working. But for millions, retirement brings a decline in the quality of life.

When asked to compare the quality of retirement life with the quality of working life, 41% of retirees in the sample say that retirement life is better and 24% say it is about the same, but a high 34% — more than 1 of every 3 interviewed — claim that the quality of retired life is worse than the quality of working life. This translates into over 8 million Americans who are less than satisfied with the quality of their retirement life.

The way people feel about retired life is clearly linked to whether or not they are receiving pension benefits, with pensioners holding generally more positive views. Among those currently receiving pensions, 41% feel that life now is better than when they were working, 29% feel it is about the same, and 30% feel their lives now are worse than when they were working. Among those not receiving pension benefits, 37% feel retired life is worse than working life, while 22% think it is about the same and 39% think it is better.

Table I-1

QUALITY OF RETIRED LIFE COMPARED TO QUALITY OF WORKING LIFE
(Asked of retired employees)

Q.: First I'd like to ask you some questions about retirement. Overall, how would you say the quality of retired life compares with life when you were working — is it much better, somewhat better, about the same, somewhat worse, or much worse than when you were working?

(Number of respondents)	Total (367)	Receiving Pension Benefits (304)	Not Receiving Pension Benefits (23)
	%	%	%
Much better	22	28	15
Somewhat better	19	13	24
About the same	24	29	22
Somewhat worse	19	20	18
Much worse	15	10	19
Not sure	1	1	1

Among those who are satisfied with retired life, many cite the freedom of retirement life, a more relaxed lifestyle, and more recreation time as reasons that retired life is better than working life. Twenty percent say they enjoy retired life more because they can do as they please and have no schedule to meet, 15% because they can take it easier and have no worries, and 10% because they have more time for recreation and socializing. In addition, 7% enjoy having more time for family and friends.

Why is the quality of retired life worse than that of working life for so many retirees? More than anything else, retirees are hampered by financial problems. The financial problems inherent in fixed retirement incomes are mentioned by 21% of retirees, far more

than mention any other single problem. Closely related to this are problems caused by inflation and the high cost of living, cited by 7%.

Additionally, 9% of retirees say they don't feel active or useful. 7% feel their time was better occupied when they were working 7% mention health problems, and 6% simply prefer to work. Three percent are dissatisfied with the quality of retired life because they are lonely.

Again, whether or not they receive pension benefits has a significant effect on the way people perceive the quality of their retired life. While 28% of those who are not receiving benefits say they are worse off because of financial problems, only 11% of those receiving pension benefits make the same claim. Similarly, inflation, excess time, and health seem to be less problematic for people receiving pension benefits than for those not receiving them.

Table I-2

WHY RETIRED LIFE IS BETTER OR WORSE THAN WORKING LIFE
(Asked of those who find retired life better or worse than working life)

Q: Why do you feel that way? Any other reason?

(Number of respondents)	Total Retirees (397) %	Receiving Pension Benefits (294) %	Not Receiving Pension Benefits (93) %
Worse	34	30	37
Financially worse off, don't have as much money, fixed income	21	11	28
Don't feel active and useful no commitment to anything, nothing to look forward to	9	11	8
Inflation rising prices, high cost of living	7	5	9
Time better occupied when working, excess time wasted	7	5	9
Health reasons don't feel well	7	5	8
Prefer working	6	4	8
I'm alone/lonesome	3	5	1
Forced to retire, involuntary retirement	2	1	2
Better	41	41	39
Can do as I please when I please no schedule to meet get away from routine	20	21	20
Take it easier, don't have to push no worries	15	10	17
More recreation time more socializing more reading T.V., etc	10	14	7
More time for family and friends	7	7	6
I enjoy retirement my retirement is good	4	5	3
Financially better off stable live better today	3	4	2
More time	1	2	
I'm self employed now - my own boss	1*	2	
I'm in good health	*	1	
Any other answer	6	4	6
Not sure			

* Less than [illegible]

2

The primary reason for the high levels of dissatisfaction with retirement life can be seen more clearly in Table I-3. While more than half of the retirees interviewed (58%) feel that their current income provides at least an adequate standard of living, a sizeable 42% feel that their current income permits a less than adequate standard of living.

Again, the adequacy of a person's standard of living during retirement is linked to whether or not he receives pension benefits. Seventy-six percent of those receiving benefits, but only 43% of those who do not receive benefits, feel that their present income provides at least an adequate standard of living. And it comes as no surprise that a large 56% of those who do not receive pension benefits feel their standard of living is less than adequate, compared with 23% among pensioners who hold the same view.

Observation:

These findings should dispel the notion that the years spent in retirement are the "golden years" of one's life. While a majority of current retirees feel that their standard of living is adequate, and many are satisfied with the quality of retired life, an alarming number of people are dissatisfied and existing on what they feel is an inadequate standard of living.

For two reasons, these findings are an early warning of potential trouble ahead for government, for business, and for retirees themselves. First, most experts agree that the increasing pressures of inflation and the rising cost of living are not about to subside. Unless some relief is found, retired persons may well be worse off in the future than they are today. Second, the number of retired workers is likely to increase significantly in the near future, partly because of demographic shifts in the population, and partly because of a short-term trend toward earlier retirement (see Chapter II). As retirees grow in number and become more politically powerful, and as inflation continues to eat into their spending power, retirees are likely to exert considerable pressure on business and government for increases in their retirement income. Some of the possible effects of this problem, along with several ways they might be avoided, are suggested in many of [illegible] discussed in later chapters.

Table I-3

ADEQUACY OF STANDARD OF LIVING AMONG RETIREES
(Asked of retired employees)

[illegible] provide you with a more than adequate standard [illegible] less than adequate standard of living?

(Number of respondents)	Total (396) %	Receiving Pension Benefits (297) %	Not Receiving Pension Benefits (96) %
[illegible]	[illegible]	[illegible]	8
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	

The Impact of Inflation

Early evidence of the impact of inflation on retirement income expectations can already be seen in the survey findings. For instance, adding provisions to pension plans that would keep benefits in line with inflation is easily the working public's most important concern when it comes to pension plan design. When presented with a number of features that might be included in a pension plan, such as benefits permitting a pre-retirement standard of living, survivors' benefits, vesting privileges, portability, and pension benefit guarantees, the bulk of employees (58%) select "that your pension benefits will go up as the cost of living goes up" as the most important feature to have in their pension plan. This is followed, not surprisingly, by 46% who feel the most important feature in a plan is that it provide enough money for them to maintain the same standard of living as before their retirement (see Chapter VII).

As seen in Table I-4, overwhelming majorities of current and retired employees and of business leaders feel the standard of living during retirement should be about the same as it was before retirement. Eighty-one percent of current employees and 84% of retirees feel that the standard of living during retirement should be about the same as before retirement, only 8% of each group think the standard of living during retirement should be higher than before retirement. And while nearly 2 out of 10 business leaders think retirement income should be less than pre-retirement income, a high 82% feel it should be about the same as before retirement.

Observation:

In part, current employees' hopes of maintaining a pre-retirement standard of living into retirement stems from an obvious and understandable reluctance to give up the comfort and convenience they have grown accustomed to during their working lives. But their concern about their post-retirement standard of living is also fueled by a fear of inflation. As will be seen in later findings, this fear of inflation and its impact on retirement is likely to result in demands for increases in the amounts and types of retirement benefits.

Employees may be unrealistic in their hopes of maintaining a pre-retirement standard of living after retirement, since most people's standard of living drops when they leave work. But this will not prevent them from increasing demands on the providers of retirement income. By seeking an income which will provide the same standard of living as before retirement, employees may be hoping to minimize the effects of inflation on their post-retirement purchasing power. Employees' concern about the adequacy of their retirement income and their demands for increased pension and Social Security benefits are likely to be directly linked to business and government's ability to deal with inflation.

Table I-4

ATTITUDES TOWARD POST-RETIREMENT STANDARD OF LIVING
(Asked of current and retired employees and of business leaders)

Q.: When a person retires, do you think their standard of living should be higher than before they retired, lower than before, or about the same as it was before retirement?

(Number of respondents)	Total Current Employees ([illegible]) %	Total Retired Employees ([illegible]) %	Total Business Leaders (212) %
Higher	8	8	—
Lower	9	7	18
About the same	81	84	82
Not sure	1	*	*

*Less than 0.5%

Inflation has had a strong impact on people who are working as well as on retirees. Thirty-one percent of those who are employed claim that inflation seriously reduces their standard of living, and 57% claim it reduces it to some degree. Only 11% say that inflation has almost no effect at all.

Of course, the effect of inflation on standard of living is most severe among retirees, particularly among retirees who are not receiving pension benefits. A sizeable 53% of those who are not receiving pension benefits say that inflation seriously reduces their standard of living, while another 34% say it reduces it to some degree.

Significant percentages of people in all sectors of society feel the impact of inflation. However, nowhere is its impact more severe than on lower income groups. More than 1 of every 2 people (52%) earning under $7,000 a year say that inflation seriously reduces their standard of living, a sentiment echoed by 38% of those earning between $7,000 and $14,999, 29% of those earning between $15,000 and $24,999, and 20% of those earning $25,000 a year or more.

Table I-5

EFFECT OF INFLATION ON STANDARD OF LIVING
(Asked of current and retired employees)

Q.: Let's talk about inflation for a minute. What impact does inflation have on your standard of living -- would you say it seriously reduces your standard of living to some degree, or does it have almost no effect at all on your standard of living?

		Retired Employees			Current and Retired Employees Income			
(Number of respondents)	Total Current Employees (1324) %	Total (393) %	Receiving Pension Benefits (294) %	Not Receiving Pension Benefits (96) %	Under $7,000 (234) %	$7,000-$14,999 (632) %	$15,000-$24,999 (684) %	$25,000 And Over (310) %
Seriously reduces	31	42	28	53	52	38	29	20
Reduces to some degree	57	42	51	34	36	52	60	60
Almost no effect at all	11	15	20	10	10	9	10	19
Not sure	1	2	1	2	2	2	1	1

Lastly, the effect of inflation on retirees is further demonstrated in Table I-6, which reports the results of a question in which retirees were asked what they would do if they had an additional $100 a month. If they had an additional $100 a month, many retirees would buy necessities such as food, clothes, or health services. While it is true that the largest percentages of the total sample of retirees would save most or a large portion of the money (32%) or take a vacation (21%), sizeable proportions would stick to more basic needs: fixing up their house or apartment (21%), buying food (18%), buying clothes (12%), paying off old debts (14%), and going to a doctor or dentist (7%).

Perhaps most striking are the responses given by retirees who believe their standard of living is less than adequate; their choices of what to do with an additional $100 a month underline the sincerity of their claim. Number one on the list of things to do is to buy food, mentioned by 30% of the respondents in this group. A high 25% would pay off old debts, 24% would fix up their house or apartment, and 22% would buy clothes. More than 1 in 10 (14%) would use the money to see a doctor or dentist.

Observation:

Two important conclusions can be drawn from the survey findings up to this point. First, after a lifetime of work, many retirees find themselves in severe financial difficulties, because of both their own inadequate planning (as will be shown in a later section) and the pressures of inflation on a fixed income. Secondly, though not a panacea, having a pension makes a significant difference in the quality of one's retired life. Retirees who are currently receiving pension benefits are likely to be more satisfied with retired life than non-recipients, have a more adequate standard of living, and be less vulnerable to the impact of inflation. The experience of retirees with the needs of retirement living holds many important lessons for people who are currently working; these will be outlined in a later section.

Table I-8

WHERE RETIREES WOULD SPEND EXTRA INCOME
(Asked of retired employees)

Q.: Suppose your average monthly income were increased by $100. Which of the things on this list would you be most likely to do if you had an additional $100 a month?

		Standard Of Living		
(Number of respondents)	Total ([illegible])	More Than Adequate ([illegible])	Adequate ([illegible])	Less Than Adequate (121)
	%	%	%	%
Save most or a large portion of the money	32	62	36	19
Take a trip or a vacation	21	16	30	15
Fix up your house or apartment	21	12	22	24
Buy food	18	2	12	30
Invest the money	14	38	19	1
Pay off old debts	14	—	7	25
Buy clothes	12	4	7	22
Go to a doctor or dentist	7	—	2	14
Buy a major appliance item, such as a refrigerator or air conditioner	4	2	6	3
Buy furniture	4	2	5	3
Buy a car	3	4	3	5
Move to a different or better place to live	3	—	2	5
Buy a major item for recreation or entertainment, such as a color television or a stereo	2	—	4	2
Other	6	—	6	7
Not sure	3	2	4	3

Fighting Inflation

The government and government spending, according to current and retired employees and business leaders, are among the major causes of inflation today. Sixty-three percent of current and retired employees say federal spending is a major cause of inflation today, 48% blame spending by Congress, and 37% look to state and local spending. Also high on the list of causes of inflation are food prices (50%), major oil companies (49%), increased health and medical costs (46%), welfare and relief payments (46%), union wage demands (44%), Arab oil-producing countries (39%), and price increases by middlemen (34%). Additionally, high numbers of people cite interest rates (31%), a lack of leadership (31%), worldwide inflation (28%), business raising prices (26%), business profits (21%), defense spending (21%), and shortages of resources and products such as gasoline and oil (19%) as major causes of inflation.

Business leaders are even more sharply focused on government and government policies as major causes of inflation today, with 98% – almost every business leader interviewed – citing federal spending as a major cause of inflation. Spending by Congress, state and local spending, welfare and relief payments, President Carter's economic policies – all these are mentioned by majorities of the leaders interviewed as major factors underlying the high rate of inflation. Also high on the businessmen's list are union wage demands (67%), Arab oil-producing countries (54%), a lack of leadership in the country (49%), increased health and medical costs (49%), and worldwide inflation (41%).

TABLE I-7

MAJOR CAUSES OF INFLATION
(Asked of current and retired employees and of business leaders)

Q.: Which items on this list would you say are major causes of inflation today?

(Number of respondents)	Total Current And Retired Employees ([illegible])	Total Business Leaders ([illegible])
	%	%
Federal spending	83	96
Food prices	50	26
Major oil companies	49	13
Spending by Congress	48	81
Increased health and medical costs	46	49
Welfare and relief payments	46	55
Union wage demands	44	67
Arab oil-producing countries	39	54
State and local spending	37	71
Middleman price increases	34	23
High interest rates on borrowing money	31	14
Lack of leadership in the country	31	49
Worldwide inflation	28	41
Business raising prices	26	17
Business profits	21	4
Defense spending	21	25
Shortages of resources and products, such as gasoline and fuel oil	19	—
President Carter's economic policies	18	50
Spending by the public	12	10
Federal Reserve Board	10	10
Farm prices	10	11
Other	2	6
None	—	—
Not sure	1	—

Since many believe that the government is primarily responsible for inflation, sizeable percentages of current and retired employees and of business leaders feel that government should take a primary responsibility in solving the problem. When asked what steps they would be willing to accept to help control inflation, 64% of the current and retired employees interviewed say they would be very willing to accept less government spending and a reduction in government services. Of the various policies listed, this was by far the most acceptable. Similarly, 48% would be very willing to accept lower taxes and a reduction in government services. At the same time, sizeable percentages of current and retired employees feel that other sectors of society should share some of the burden for beating inflation. Half would be willing to accept tough government measures to keep business from raising prices, and 36% would be very willing to accept wage and price controls. Current and retired employees are strongly opposed to higher taxes (75% not willing to accept) and a higher rate of unemployment (60%).

Business leaders share employees' views on the government's responsibility in fighting inflation. Almost every businessman interviewed (97%) would be very willing

than 3 out of 4 (76%) are very willing to accept lower taxes and a reduction in government services. Expectedly, majorities of businessmen are opposed to wage and price controls (75% not willing to accept), tough government measures to keep business from raising prices (59%) and higher taxes (59%) A higher rate of unemployment is more acceptable to businessmen than to current and retired employees, with 21% of the businessmen interviewed very willing, and 60% somewhat willing, to accept such a policy. Similarly, lower pay increases are more acceptable to businessmen, with 45% very willing and 47% somewhat willing to accept this condition.

TABLE I-8

WILLINGNESS TO ACCEPT VARIOUS CONDITIONS TO HELP CONTROL INFLATION (Asked of current and retired employees)

Q.: In order to help control inflation would you be very willing, somewhat willing, or not at all willing to accept (ITEM)?

(Number of respondents: 1000)		Very Willing	Somewhat Willing	Not At All Willing	Not Sure
Less government spending and a reduction in government services	%	64	25	5	6
Tough government measure to keep business from raising prices	%	50	26	16	7
Lower taxes and a reduction in government services	%	48	32	9	10
Wage and price controls	%	36	30	24	10
Lower pay increases	%	21	41	31	8
A higher rate of unemployment	%	7	20	60	13
Higher taxes	%	4	16	75	5

TABLE I-9

EMPLOYERS' WILLINGNESS TO ACCEPT VARIOUS CONDITIONS TO HELP CONTROL INFLATION (Asked of business leaders)

Q. In order to help control inflation would you, as an employer be very willing, somewhat willing, or not at all willing to accept (ITEM)?

(Number of respondents: 212)		Very Willing	Somewhat Willing	Not At All Willing	Not Sure
Less government spending and a reduction in government services	%	97	3		*
Lower taxes and a reduction in government services	%	76	20	2	2
Lower pay increases	%	45	47	6	2
A higher rate of unemployment	%	[illegible]	60	14	[illegible]
Tough government measures to keep business from raising prices	%	[illegible]	[illegible]	59	1
Wage and price controls	%	[illegible]	18	75	2

*[illegible]

Employee and Business Leader Willingness to Support Current Retirees

Although current employees and business leaders are opposed to higher taxes, they believe that money should be found — through taxes if necessary — to help current retirees keep up with inflation. In light of the impact of inflation on retirement incomes, and in spite of the fact that it would cost them more money, 56% of those currently employed full-time feel that more money should be collected from working people to help retirees keep up with inflation. Only 11% think that retirees should do the best they can on the pensions and Social Security benefits they get now. This view is echoed, though somewhat less strongly, by business leaders. Forty-seven percent of the business leaders interviewed feel that collecting more money from working people to help retirees is the right thing to do while 22% feel that retirees should do the best they can with what they have now.

Table I-10

WHETHER WORKING PEOPLE SHOULD CONTRIBUTE MORE TO HELP RETIREES KEEP UP WITH INFLATION
(Asked of current and retired employees and of business leaders)

Q.: Retired people who are on fixed incomes are hard hit by inflation these days. One of the ways of dealing with this problem has been to add cost-of-living provisions to Social Security and pension plans, so that the income of retirees can keep up with inflation. The problem with this is that the increased cost of pension and Social Security benefits will have to be made up by higher pension contributions and Social Security taxes from people who are working today. Which do you think is the right thing to do — to collect more money from people who are working so the incomes of retirees can keep up with inflation, or to let retirees do the best they can and to keep the pension and Social Security benefits of retirees the same as they are now?

	Current And Retired Employees			Total Business Leaders
(Number of respondents)	Total (1666)	Current (1322)	Retired (344)	(210)
	%	%	%	%
Collect more money from working people	54	56	49	47
Let retirees do the best they can	11	11	10	22
Both (vol.)	8	8	9	10
Neither (vol.)	16	15	18	18
Not sure	12	11	14	2

CHAPTER II:

ALTERNATIVES TO RETIREMENT

The costs to companies of having pension plans have soared in the past decade. Many factors have contributed to rising pension costs, chief among them being inflation, increased benefits, poor investment results and a trend toward early retirement. And, as seen in the previous chapter, the pressure on pension costs is likely to increase as greater proportions of workers reach retirement age, and inflation generates demands for higher benefits.

But the survey results reveal another trend that, in the long run, may significantly lessen the pressure on pension costs. Stemming from a number of economic and demographic trends as well as the recent change in the mandatory retirement law, the current tendency toward early retirement may be reversed in the not-too-distant future. As the results in this section demonstrate, there are already signs of change.

Attitudes Toward Mandatory Retirement

In January 1979, the age at which a worker may be forced to retire changed from 65 to 70. This change is welcomed by both current and retired employees and the business community, but evidence suggests that the change may not have gone far enough. A large majority of current and former employees, and a smaller but still substantial majority of business leaders, are firmly opposed to any mandatory retirement age whatsoever. By 88-10%, current employees believe that "nobody should be forced to retire because of age, if he wants to continue working and can still do a good job." The same view is held by 2 of every 3 (67%) business executives interviewed.

Thus the consensus among the working and retired public and business leaders is that as long as a person is productive he or she should be able to continue to work. But the two groups disagree on the productivity of older workers. By 64-33%, a majority of business executives disagree that "most older people can continue to perform as well on the job as they did when they were younger." Current employees hold the opposite view, with 57% agreeing and 37% disagreeing with the statement, as do retirees by 61-36%.

Neither current and retired employees nor business leaders are completely sold on the argument that deferred retirement will reduce employment and advancement opportunities for youth. The statement, "older people should be forced to retire at some age so as to open up jobs and promotions for young people," is opposed by majorities of current and retired employees, and by a narrow majority of business leaders.

Table II-1

ATTITUDES TOWARD VARIOUS STATEMENTS ON WORK AND RETIREMENT
(Asked of current and retired employees and of business leaders)

Q I'd like to read you some statements people have made about work and retirement. For each, please tell me whether you agree strongly, agree somewhat, disagree somewhat, or disagree strongly.

(Number of respondents)		Current Employees ([illegible])			Retired Employees ([illegible])			Business Leaders ([illegible])		
		Agree	Disagree	Not Sure	Agree	Disagree	Not Sure	Agree	Disagree	Not Sure
Nobody should be forced to retire because of age, if he wants to continue working and is still able to do a good job	%	88	10	2	87	10	2	67	32	*
Most employers discriminate against older people and make it difficult for them to find work	%	80	15	5	75	20	5	41	57	2
Older people should be forced to retire at some age so as to open up jobs and promotions for younger people	%	34	62	4	37	55	8	46	53	1
Most older people can continue to perform as well on the job as they did when they were younger	%	57	37	6	61	36	3	33	64	2

*Less than 0.5%

Personal Outlooks on Retirement

Though many believe older people should not be forced to retire, a majority of employees (61%) think that most people look forward to retirement. Only 29% believe most people do not look forward to retiring.

Interestingly, however, this notion finds less support among younger workers. By a smaller margin of 52-39%, workers between 18 and 24 years of age believe most people look forward to retiring. But this attitude is held more strongly by workers between the ages of 50 and 64, by a sizeable 70-20%.

Table II-2

WHETHER MOST PEOPLE LOOK FORWARD TO RETIRING
(Asked of current employees)

Q Some people say that they look forward to not working, others say that they don't like the idea of not working at all. In general, how do you think most people feel about the idea of retiring — do you think they look forward to it, or not?

		Age			
(Number of respondents)	Total (1319) %	18-24 (149) %	25-34 (376) %	35-49 (430) %	50-64* (337) %
Look forward to retiring	61	52	55	62	70
Don't look forward to it	29	39	33	27	20
Not sure	11	9	12	12	9

When asked whether they personally look forward to retiring, a 54% majority of employees reply affirmatively. However, it should be noted that 2 out of every 5 workers say they do not look forward to retirement. A major factor in people's attitudes toward retirement is their type of employment. Hourly wage workers and salaried workers are more likely to look forward to retiring than those who are self-employed. Still, even among hourly wage workers and salaried workers, nearly 2 out of 5 do not look forward to retirement.

Again, there is a large difference in attitudes toward retirement among different age groupings with younger workers being considerably less enthusiastic about retirement than older workers. While nearly 2 out of 3 workers between the ages of 50 and 64 look forward to retirement, a plurality (47-42%) of workers between the ages of 18 and 24 say they do not look forward to it.

Positive outlooks toward retirement are strongest among older workers covered by pension plans, particularly those covered by public plans. Sixty-three percent of private plan participants between 50 and 64 years of age look forward to retiring, as do 71% of those older workers covered by public plans. Among those between 50 and 64 years who are not covered by a pension, a smaller 58% look forward to retirement.

Interestingly, more people seem to be looking forward to retirement now than three years ago. When the same survey question was asked by Louis Harris and Associates for the National Council on Aging in 1974, 43% of the employees interviewed said they looked forward to retiring and 51% claimed they did not.

Observation:

The increase in positive attitudes toward retirement since 1974 is consistent with the well-documented trend toward early retirement. Given the opportunity to retire early with a substantial pension, many people look forward to retiring and are taking advantage of early retirement clauses in pension plans. However, attitudes among different age groupings – along with the findings discussed in the next section – suggest that this may not be the long-term trend.

Table II-3a

WHETHER PERSONALLY LOOK FORWARD TO RETIRING
(Asked of current employees)

Q Do you personally look forward to retiring, or not?

	1979								1974
		Employment			Age				
(Number of respondents)	Total (1309)	Hourly Wage Worker (534)	Salaried (584)	Self-Employed (153)	18-24 (148)	25-34 (272)	35-49 (436)	50-64 (336)	Total Employees (1332)
	%	%	%	%	%	%	%	%	%
Look forward to retiring	[illegible]	[illegible]	57	44	42	56	51	63	43
Don't look forward to it	40	38	38	52	47	40	42	33	51
Not sure	6	7	6	4	11	4	7	4	6

Table II-3b

WHETHER OLDER EMPLOYEES PERSONALLY LOOK FORWARD TO RETIRING
(Asked of current employees)

Q.: Do you personally look forward to retiring, or not?

	Employees Between [illegible] and 64			
		Pension Coverage		
(Number of respondents)	Total ([illegible])	Private Plan ([illegible])	Public Plan ([illegible])	Not Covered ([illegible])
	%	%	%	%
Look forward to retiring	63	64	71	58
Don't look forward to it	33	31	24	40
Not sure	4	5	4	3

Preferred Retirement Alternatives

While a majority of employees look forward to retirement, significant percentages would prefer to work — either full-time or part-time, at the same job or at a less demanding job — as an alternative to retirement.

Currently employed respondents were presented with a list of retirement alternatives and asked which one they would prefer to do. More than 1 in 4 (26%) would prefer to retire when they reach the normal retirement age for their employment. Another 22% would like to retire before they reach the normal retirement age for their employment. However, a total of 51% say they would prefer to continue with some type of employment:

- 8% would prefer to retire at a normal or early retirement age and take a job with another employer.
- 14% would prefer to continue working full time at the same job at the same pay for as long as they can.
- 5% would prefer to work full-time as long as they can at a less demanding job with less pay.
- 24% would prefer to work part-time as long as they can.

Again, the type of employment — whether one is an hourly wage worker, a salaried worker or self-employed — is a major factor in attitudes toward retirement. The self-employed are more likely than either hourly wage workers or salaried workers to want to continue working as long as possible. In total, 71% of the self-employed would prefer to hold some type of job instead of retiring, compared with 53% of salaried workers and 42% of hourly wage workers who express the same view.

Table II-4

PREFERRED RETIREMENT AND/OR WORK ARRANGEMENT
(Asked of current employees)

Q.: Here is a list of things that people do about work when they get on in years. Assuming you would have an adequate amount of retirement income, which one of the things on this list would you prefer to do?

(Number of respondents)	Total (1322) %	Hourly Wage Worker ([illegible]) %	Salaried ([illegible]) %	Self-Employed ([illegible]) %
Retire when I reach the normal retirement age for my employment	26	32	23	12
Retire before I reach the normal retirement age for my employment	22	24	23	13
Retire at a normal or early retirement age for my employment and take a job with another employer	8	6	12	3
Instead of retiring, continue to work full-time as long as I can at the same job and the same pay	14	14	13	16
Instead of retiring, continue to work full-time as long as I can at a less demanding job with less pay	5	5	4	6
Instead of retiring, continue to work part-time as long as I can	24	17	24	46
Other	1	1	1	2
Not sure	1	1	1	1

Table II-5 shows the age at which current workers would prefer to either retire or take some type of less demanding work. Among those who would prefer to retire at normal retirement age for their employment, the median age at which they would prefer to retire is 60.2 years. This is roughly the same as the actual median age of retirement among current retirees, which stands at 60.6 years of age.

Half of those who would prefer to retire before the normal retirement age for their employment would like to retire under the age of 55. Another 29% would like to retire between the ages of 55 and 59, and 20% would like to retire when they are 60 or older. The median age of preferred retirement among this group is 54 years. Among those who would prefer to either work part-time or take a less demanding job instead of retiring, 21% would like to change jobs before they turn 55, and another 15% would like to change jobs before they turn 60.

Observation:

The findings in Chapter I suggest that the pressures on government and business for increased retirement income benefits -- stemming from an increase in the number of retirees and from inflation -- are likely to mount considerably in the upcoming years. But the findings here suggest the cloud may have a silver lining. In the long run, more and more people are likely to defer retirement and work until a later age. This may greatly lessen the burden of retirement income costs on government and business. While the trend is strongly suggested by the findings, however, it should not be viewed as a sure-fire safeguard that will balance the pressures for increased retirement benefits. These pressures are likely to be strong, and business and government would be well advised to seek active solutions to the problem.

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Table II-5

PREFERRED AGE OF RETIREMENT, EARLY RETIREMENT, OR JOB CHANGE**
(Asked of those who prefer to retire or change jobs)

Q.: And at what age would you prefer to (retire/retire before normal retirement/take a less demanding job)?

(Number of respondents)	Retire At Normal Age (336) %	Retire Before Normal Age (266) %	Continue To Work Part-time Or At A Less Demanding Job (478) %
Under 55	15	50	21
55-59	17	29	15
60	15	8	11
61-62	19	8	7
63-64	2	1	2
65	27	3	16
66-70	2	—	8
71-75	--	—	2
Over 75	*	—	2
Haven't decided yet	1	1	5
It depends	1	*	6
Not sure	1	*	*
Mean age	60.2	54.0	61.2

[illegible]

Intended Retirement Alternatives

Table II-6 shows the retirement alternatives current employees think they are actually most likely to choose, and provides a comparison with the retirement preferences shown in Table II-4. Overall, there is little difference between what employees say they intend to do about retirement and what they would prefer to do.

Nearly 1 out of 3 workers (32%) plan to retire when they reach the normal retirement age for their job. This is slightly more than the percentage who would prefer to retire at the normal retirement age. Interestingly, only 15% plan to retire before the normal retirement age, 7 points less than the percentage who would prefer to do so.

There is virtually no change between the percentage of people who would prefer to continue working instead of retiring (51%) and the percentage who actually plan to continue working instead of retiring (49%).

As with preferred retirement alternatives, actual retirement plans vary significantly with the type of current employment. Although the data are not shown here, the self-employed are far more likely to plan to continue working instead of retiring than are wage workers or salaried workers. [illegible] 73% of those who are currently self employed

plan to continue to work part-time or full-time, compared with 44% of hourly wage workers and 48% of sala[illegible]d workers.

Lastly, pension coverage is an important factor in retirement plans. People covered by public pension plans for instance, are less likely than those covered by private pensions to plan to continue working full-time as long as possible. However they are more likely to plan to retire at a normal or early retirement age and take a job with another employer. This is not surprising if one considers the early retirement age permitted by many public plans. People who are not covered by any type of pension plan are more likely than others to defer retirement with 56% planning to continue working in one capacity or another as long as possible. Among those covered by private pensions, 34% plan to retire when they reach normal retirement age and 46% plan to continue working instead of retiring.

[illegible] age at which employees say they are most likely to retire is slightly higher than the age at which they would prefer to retire. Those who plan to retire at normal retirement age plan to do so at a median age of 62.5 years and 40% of this group plan to retire at 65. [illegible] who plan to retire before the normal retirement age plan to do so at a median age of [illegible] years.

Observation:

[illegible] strongly suggest that deferred retirement age [illegible] The data do not suggest that the change will [illegible] significant [illegible] of people look forward to retire[illegible] plan to retire as [illegible] as or before they reach the normal [illegible] possibly in the not too distant future [illegible] workers show a preference for working during retirement [illegible] of working is likely to be spurred by a number of other [illegible] to a longer working life. For instance, as the number [illegible] that do not require physical strength increase more [illegible] into their later years. And as inflation [illegible] the purchasing power of retirees, many are likely to [illegible]

[illegible]

Table II-6

MOST LIKELY RETIREMENT ARRANGEMENT
(Asked of current employees)

Q. Now which one of the things on this list are you actually most likely to do?

(Number of respondents)	Total (1316) %	Covered By Private Pension Plan (602) %	Covered By Public Pension Plan (220) %	Not Covered By Pension Plan (498) %
Retire when I reach the normal retirement age for my employment	32	34	33	29
Instead of retiring, continue to work part-time as long as I can	23	21	20	27
Retire before I reach the normal retirement age for my employment	15	18	15	11
Instead of retiring, continue to work full-time as long as I can at the same job and the same pay	14	14	11	18
Retire at a normal or early retirement age for my employment and take a job with another employer	8	8	15	4
Instead of retiring, continue to work full-time as long as I can at a less demanding job with less pay	4	3	4	7
Other	1	1	2	[illegible]
Not sure	2	2	1	3

Table II-7

INTENDED AGE OF RETIREMENT OR JOB CHANGE
(Asked of those who intend to retire or change jobs)

Q. And at what age are you most likely to (retire/take a less demanding job)?

(Number of respondents)	Retire At Normal Age (417) %	Retire Before Normal Age (302) %	Continue To Work Part-time Or At A Less Demanding Job (46) %
Under 55	6	[illegible]	17
55-59	10	32	12
60	9	5	13
61-62	21	16	8
63-64	3	1	2
65	40	8	23
66-70	4	[illegible]	8
71-75	*	[illegible]	2
Over 75	*		3
Haven't decided yet	1	2	5
It depends	2	3	4
Not sure	2	1	2
Median age	62.5	59.6	60.5

[illegible]

Employment and Current Retirees

At the time this survey was taken, 81% of retirees interviewed were not employed. Eight percent were employed part-time, and 5% were employed full-time.

Table II-6

CURRENT EMPLOYMENT STATUS AMONG RETIREES
(Asked of retired employees)

Q.: What is your current employment status — are you employed full-time, employed part-time, not presently employed, or what?

(Number of respondents)	Total Retired Employees ([illegible]) %
Employed full-time	5
Employed part-time	8
Not presently employed	81
None of the above	
Student	*
Military services	--
Housewife	5
Other	*

*Less than 0.5%

Nearly half (46%) of today's retirees would prefer to be working, while an even half (50%) would not.

Not surprisingly, retirees who do not receive pension benefits — those who are most severely affected by financial pressure — are more likely to want to work during retirement than are those who are receiving pension benefits. More interesting, perhaps, is the finding that preferences to work during retirement are equally widespread among lower, middle and upper income groups. Forty-nine percent of retirees earning less than $7,000 per year would prefer to be working, as would 45% earning between $7,000 and $14,999, and 48% earning $15,000 per year and over.

Also, though the sample is too small for reliable analysis, it seems that the findings suggest that many retirees who are working prefer to be working. Forty-two percent of those who are not working would like to be doing so.

Observation:

These findings suggest two important motivations for working during retirement. The first is the psychological benefits derived from working. Most employed retirees seem to be working because they want to, not because they have to. And preferences for work are high among all income groups, not just those where the need for additional income is the greatest. One of the major problems faced by retirees — particularly those who are financially secure — is the feeling of uselessness and idleness that comes when they are no longer working. For many, working during retirement is an important way to maintain one's self-esteem and self-worth.

But clearly economic need is also an incentive to keep working. Many of those in lower income brackets would prefer to work more for reasons of

economics than for psychological fulfillment. This is particularly true among retirees who do not receive pension benefits. And there is reason to believe that preferences to work during retirement — whether motivated by psychological or economic needs — are not demonstrated fully by the survey. Ironically, among low- and middle-income retirees who might benefit most from working, the economic disincentives to work imposed by the Social Security laws may be masking desires that would otherwise surface. As the rules governing retirement employment and Social Security are liberalized, and as the financial pressures on retirees continue to mount, more and more retirees are likely to seek employment.

Table II-6

PREFERENCE FOR EMPLOYMENT AMONG RETIRED EMPLOYEES
(Asked of retired employees)

Q.: (Do you) (Would you) prefer to work now, or not?

				Employment Status		Income		
(Number of respondents)	Total ([illegible])	Receiving Pension Benefits ([illegible])	Not Receiving Pension Benefits ([illegible])	Employed* (47)	Not Employed ([illegible])	Under $7,000 ([illegible])	$7,000-$14,999 ([illegible])	$15,000 And Over ([illegible])
	%	%	%	%	%	%	%	%
Do/would prefer to work	46	40	52	85	42	49	45	48
Do/would not prefer to work	50	58	42	15	54	50	53	40
Not sure	4	3	6	—	4	2	3	11

*Sample too small for reliable analysis

Not only would significant numbers of retired people prefer to work, but more than half would have preferred to continue working instead of retiring. Asked to assume that they had an adequate retirement income, 31% of current retirees would have preferred to retire when they reached the normal retirement age. Interestingly, if one considers the current trend toward early retirement, only 12% would have preferred to retire before they reached the normal retirement age. The remaining 53% would have preferred to continue in some kind of employment:

- 4% would have preferred to retire at a normal or early retirement age and to have taken a job with another employer.
- 22% would have preferred to continue to work full-time at the same job for the same pay as long as possible, instead of retiring.
- 4% would have preferred to continue to work full-time at a less demanding job at less pay for as long as possible, instead of retiring.
- 23% would have preferred to continue to work part-time for as long as possible.

Finally, it is interesting to note that more than 1 out of 5 of today's retirees retired under the age of 55, and 34% retired at 60 or younger. The mean age of retirement among today's retirees is 61.5 years.

Table II-10

PREFERRED RETIREMENT ALTERNATIVES
(Asked of retired employees)

Q.: Here is a list of things that people do about work when they get on in years. In retrospect, assuming you would have had an adequate amount of retirement income, which one of the things on this list would you have preferred to do when you retired?

(Number of respondents)	Total ([illegible]) %	Receiving Pension Benefits ([illegible]) %	Not Receiving Pension Benefits ([illegible]) %
Retired when you reached the normal age for your employment	31	36	30
Retired before you reached the normal retirement age for your employment	12	15	10
Retired at normal or early retirement age for your employment and taken a job with another employer	4	8	2
Instead of retiring, continued to work full-time as long as you could at the same job and the same pay	22	15	24
Instead of retiring, continued to work full-time as long as you could at a less demanding job with less pay	4	7	3
Instead of retiring continued to work part-time as long as you could	23	17	27
Other	2	1	2
Not sure	2	1	2

Table II-11

AGE OF RETIREMENT
(Asked of retired employees)

Q And at what age did you actually retire?

(Number of respondents)	Total ([illegible]) %
Under 55	21
55-59	8
60	[illegible]
61-62	[illegible]
63-64	9
65	[illegible]
66-70	11
71-75	1
Over 75	2
[illegible]	
[illegible]	*
[illegible]	[illegible]
[illegible]	

CHAPTER III: PLANNING FOR RETIREMENT

The Importance of Retirement Planning

Pre-retirement planning is perhaps the single most important factor in assuring a comfortable retirement life free from financial worries. As will be shown, many current retirees who are less than satisfied with the quality of their retired life, or who have inadequate retirement incomes, attribute their situation to inadequate pre-retirement planning.

Only 29% of current retirees feel they had done enough planning for their retirement. The remaining 70% feel that their pre-retirement planning was in some way inadequate: 26% feel they had done some but not enough planning for a comfortable retirement; 10% had done far too little planning; and a sizeable 34% had done no planning at all.

One of the key factors in adequate retirement planning, according to the experience of current retirees, is having some type of pension plan to provide income during old age. More than 4 out of 10 (42%) of those receiving pension benefits fe [illegible] they had done enough planning before retirement, but just 2 in 10 (20%) of those not receiving pension benefits make the same claim.

Table III-1

AMOUNT OF PLANNING [illegible]NE FOR RETIREMENT
(Asked of retire[illegible] mployees)

Q. How much planning did you do for retirement — enough planning to have a comfortable retirement, some planning but not enough, far too little planning, or no planning at all?

(Number of respondents)	Total ([illegible])	Receiving Pension Benefits ([illegible])	Not Receiving Pension Benefits ([illegible])
	%	%	%
Enough	29	42	20
Some but not enough	26	25	27
Far too little	10	9	10
No planning at all	34	22	42
Not sure	*	1	—

*Less than 0.5%

Retirement Planning and Current Employees

Unfortunately for many retirees, the importance of pre-retirement planning was not fully discovered until after retirement. The survey results show that the same dilemma will be faced by many of today's workers when they retire. Only 1 in 3 (33%) of today's workers feel they have done enough planning for retirement considering their present age, and a full two-thirds admit that they have done less than enough planning.

Somewhat ironically, those who have done the least pre-retirement planning are the people likely to need it the most. Hourly wage workers — those who are looking forward

to an early retirement more than any other group — have done the least planning for retirement. Thirty-five percent of all wage workers admit they have done less than enough planning for retirement considering their present age, and a sizeable 4[illegible]% claim they have done no planning at all. Only 24% of this group feel they have done enough pre-retirement planning considering their present age. At the other end of the spectrum are self-employed workers, a large majority of whom intend to work as long as possible. Forty-two percent (42%) of these workers feel they have done enough planning considering their present age, 42% feel they have done some but not enough, and only 17% say they have done no planning at all.

Predictably, younger workers have done less planning for retirement than older workers. But the surprising finding here is that many older workers have done less planning than they feel necessary for a comfortable retirement. Among workers between the ages of 50 and 64, 20% have done no planning at all, and 42% have done some but not enough considering their present age. Just 38% have done what they feel is enough planning for retirement considering their present age.

Table III-2

AMOUNT OF PLANNING FOR RETIREMENT
(Asked of current employees)

Q.: First I'd like to ask you some questions about retirement. How much planning would you say you've done for your retirement — enough planning considering your present age, some but not enough planning considering your present age, or no planning at all?

		Employment			Age			
(Number of respondents)	Total (1330)	Hourly Wage Worker (641)	Salaried ([illegible])	Self-Employed (100)	18-24 ([illegible])	25-34 (370)	35-49 (431)	50-64 ([illegible])
	%	%	%	%	%	%	%	%
Enough considering present age	33	24	39	42	21	30	34	38
Some but not enough considering present age	37	35	38	42	[illegible]	36	40	42
No planning at all	30	41	23	17	54	34	26	20
Not sure	*	1	*	—	1	1	*	*

*Less than 0.5%

The importance of pre-retirement planning in providing an adequate income for later years is demonstrated clearly by the findings in Table III-3.

In total, 41% of the retirees interviewed feel they have a standard of living that is less than adequate. However, among those who feel they had done enough retirement planning, only 10% claim to have a less than adequate standard of living. The difference between this group and retirees who feel they have done less than enough planning is remarkable. Fifty-two percent (52%) of those who have done some but not enough planning, and 56% of those who have done far too little or no planning before retirement, have incomes that are less than adequate today.

Table III-3

RETIREMENT PLANNING AND INCOME ADEQUACY
(Asked of retired employees)

Q.: Overall, does your present income provide you with a more than adequate standard of living, an adequate standard of living, or a less than adequate standard of living?

		Pre-Retirement Planning		
(Number of respondents)	Total ([illegible])	Enough ([illegible])	Some But Not Enough ([illegible])	Far Too Little Or None ([illegible])
	%	%	%	%
More than adequate	13	23	5	11
Adequate	46	67	43	33
Less than adequate	41	10	52	56
Not sure	*	—	1	—

*Less than 0.5%

Current and Expected Sources of Retirement Income

Table III-4 shows the major sources of income among today's retirees, and the consequences – in terms of where retirement income will come from – of inadequate pre-retirement planning.

The primary source of income for today's retirees is Social Security, with 83% claiming to receive Social Security benefits. Retirees also rely heavily on various types of pension plan benefits, though, as a whole, pension benefits rank a distant second to Social Security in terms of the number of people who rely on them for income. Company plans claim the highest number of benefits recipients (20%), followed by government plans (16%), union plans (5%), individual retirement accounts (2%), employee thrift or savings plans (2%), and profit sharing (1%). Relied on by 1 in 3 retirees (33%), personal savings accounts are the third most important source of retirement income. Additionally, 8% of today's retirees rely on money from their children or other relatives, and 7% depend on supplemental security income.

Observation:

The results here further demonstrate the importance of pre-retirement planning in ensuring an adequate income. While sizeable majorities of retirees collect Social Security benefits regardless of how well they planned for retirement, those who fail to do enough planning for retirement can count on fewer sources of retirement income. people who have planned well for their retirement are more than twice as likely than those who have not, to be able to depend on personal savings, various types of pension benefits, and other personal income sources such as investments in stocks or bonds and real estate investments. And the less planning people do, the more likely they are to have to rely on sources such as supplemental security income and their children or other relatives.

Table III-4

CURRENT SOURCES OF RETIREMENT INCOME
(Asked of retired employees)

Q.: Here is a list of sources of retirement income. From which of these sources are you currently receiving income?

		Amount Of Retirement Planning		
(Number of respondents)	Total (366)	More Than Adequate (160)	Adequate (138)	Less Than Adequate (107)
	%	%	%	%
Social Security	83	82	87	78
Personal savings account at a bank	33	45	36	17
Company pension plan benefits	20	29	18	12
Government pension plan benefits	16	25	16	9
Investments in stocks or bonds	11	22	5	9
Real estate investment	11	22	9	2
Money from children or other relatives	8	2	14	5
Supplemental security income	7	4	7	10
Union pension plan benefits	5	5	5	4
Earnings from new employment after retiring from current job	5	7	4	4
Savings from an employee thrift or savings plan	2	4	2	1
Individual retirement account benefits	2	6	2	—
Profit sharing plan benefits	1	2	1	1
Proceeds from insurance	1	2	1	—
Inheritance	*	2	—	1
Keogh Plan benefits	—	—	—	—
Other	1	1	1	1
None	3	1	1	8
Not sure	—	—	—	—

*Less than 0.5%

Members of today's work force are considerably more likely to be counting on receiving pension benefits during their retirement than were today's retirees. Six of every ten full-time workers claim to be covered by a private pension plan, and more than 2 in 10 (23%) are covered by a government pension plan. In addition to widespread participation in pension plans, of course, an overwhelming majority of the work force (93%) are covered by Social Security.

Expectedly, pension plan participation is most widespread among older workers, and least widespread among those in the younger age groups. More than 1 in every 4 (28%) workers between the ages of 50 and 64 are covered by a government pension plan, and more than 6 in 10 (62%) are covered by a private plan. The same plans cover just 9% and 43%, respectively, of workers in the 18-to-24 age group.

Table III-5

RETIREMENT INCOME PLAN COVERAGE AMONG CURRENT EMPLOYEES
(Asked of current employees)

Q.: Are you covered by (ITEM)?

		Age			
	Total	18-24	25-34	35-49	50-64
(Number of respondents)	([illegible])	([illegible])	([illegible])	([illegible])	([illegible])
	%	%	%	%	%
Social Security	93	91	88	95	96
A private pension plan	60	43	57	69	62
A government pension plan	23	9	21	25	28

The following two tables show the expected sources of retirement income among those currently employed full-time. Importantly, the results suggest that sizeable proportions of today's work force have done relatively little pre-retirement planning, and that many -- even older workers close to retirement age — are ill-prepared for retirement from a financial standpoint.

Since the coming of Social Security in the 1930's, the provision of retirement income in the United States has been based on the principle of the three-legged stool. The idea is that the government, through Social Security, will provide a basic level of retirement income that will supplement other income sources, such as a pension and personal savings. While most people expect to receive Social Security (87%), a substantial minority do not expect to receive income from a pension plan, and a majority do not expect to rely on personal savings. Only 40% (Table III-6) expect to rely on savings. In total (Table III-7), 75% expect to receive retirement income from some type of pension plan, including public and private pensions, profit sharing plans, IRAs, Keogh Plans, and employee thrift plans. However, 25% do not expect income from any of these sources. Most of this latter group (23%) expect to rely on Social Security as their primary source of retirement income.

Among those who expect to receive some type of pension benefit, most expect to receive company pension benefits (43%), followed by government plan benefits (14%), union plan, profit sharing, and employee thrift plan benefits (10% each), Individual Retirement Account benefits (9%), and Keogh Plan benefits (3%).

Many workers expect to rely heavily on other personal income sources: investment in stocks or bonds (20%); real estate investment (19%); proceeds from insurance (17%); and earnings from post-retirement employment (11%). Expectations for income from post-retirement employment are highest among those covered by public plans (15%), which frequently permit employees to retire after 20 years of service. Also, not shown in the table, expectations for income from post-retirement employment are highest among younger workers (17% in the 18-to-24 year age group), and lowest among those closest to retirement (8% among those in the 50-to-64 year age group). This is further evidence of a possible long-term trend toward later retirement.

Relatively small percentages of those who are not currently covered by a pension plan expect to become covered sometime before they retire. However, most do not expect to participate in a pension plan. Also, employees in this group are no more likely to expect income from other sources such as personal savings accounts, earnings from post-retirement employment, insurance, or investments than are workers who expect to receive pension plan benefits.

Table III-6

EXPECTED SOURCES OF INCOME AFTER RETIREMENT.
(Asked of current employees)

Q.: Here is a list of sources of retirement income From which of these sources do you expect to receive income when you finally retire?

		Plan Coverage		
(Number of respondents)	Total (1322) %	Covered By Private Plan ([illegible]) %	Covered By Public Plan (231) %	Not Covered (480) %
Social Security benefits	87	89	74	90
Company pension plan benefits	43	67	28	17
Personal savings account at a bank	40	41	32	41
Investments in stocks or bonds	20	23	18	15
Real estate investment	19	18	18	20
Proceeds from insurance	17	20	19	13
Government pension plan benefits	14	6	75	3
Earnings from new employment after retiring from current job	11	10	15	11
Savings from an employee thrift or savings plan	10	13	11	6
Profit sharing plan benefits	10	14	2	6
Union pension plan benefits	10	14	7	6
Individual retirement account benefits	9	12	7	5
Inheritance	7	5	6	9
Keogh Plan benefits	3	4	1	2
Money from children or other relatives	1	*	1	2
Other	4	4	7	3
None	*	*	—	1
Not sure	*	*	*	*

*Less than 0.5%

As previously mentioned, 75% of those currently employed expect to receive pension benefits when they retire Except for those between 18 and 24 years of age, who have given much less thought to retirement than other groups, expectations for pension benefits are consistent throughout all age groups Virtually every employee who expects to receive pension benefits expects Social Security benefits as well.

Nearly 1 out of every 4 workers who are currently employed full-time expect to rely on Social Security and not a pension as their primary source of retirement income While this situation occurs most frequently in the youngest age grouping it should be noted that a sizeable 22% of those between 50 and 64 years of age expect to rely primarily on Social Security in retirement Lastly, 34% of those not covered by a pension plan expect to be covered by the time they retire However, more than 6 in 10 (61%) expect to rely on Social Security without a pension

Table III-7

MULTIPLE SOURCES OF RETIREMENT INCOME
(Asked of ·urrent employees)

Q.: Here is a list of sources of retireme income. From which of these sources do you expect to receive income when you final, retire?

(Number of respondents)	Total ([illegible])	Age 18-24 (140)	Age 25-34 ([illegible])	Age 35-49 (421)	Age 50-64 ([illegible])	Not Covered By Pension Plan ([illegible])
	%	%	%	%	%	%
Pension*	75	65	76	77	77	34
Pension and Social Security	64	54	61	69	69	29
Social Security and no pension	23	33	20	21	22	61

*Includes private and public plans, profit sharing, employee thrift plans, Individual Retirement Accounts and Keogh Plans

The Amount and Adequacy of Expected Retirement Income

Not only have the bulk of those currently employed done an inadequate amount of planning for retirement, but a sizeable majority have not given any thought to the basic question of how much money they will n...d during retirement. While 1 .n 3 among the working public claim to have given some thought to this matte a surpri ...y high 58% have not. Even more surprising, pe ...ps, is the finding that nearly half of those who are between 50 and 64 years of age h... not given any thought to how much money they will need when they finally retire.

Tab...

WHETHER GIVEN THOUGHT TO A... ...OF MONEY REQUIRED AFTER RETIREMENT
(Asked of current employees)

Q.: Have you given any thought to how much money you will need when you finally retire, or not?

(Number of respondents)	Total (1297)	Age 18-24 ([illegible])	Age 25-34 (367)	Age 35-49 ([illegible])	Age 50-64 ([illegible])
	%	%	%	%	%
Have given thought	36	22	31	37	45
Have not given thought	58	73	64	56	48
Not sure	6	5	4	7	6

When asked how much they think they will need when they retire, the working public report a need for a median of $851 a month. Reflecting their interest in retaining their pre-retirement standard of living, employees in higher income groups feel they will need more income during retirement than employees in lower income groups. Also, it should be noted that more than 1 of every 4 workers (27%) are not sure how much they will need during retirement, and, though it is not reported here, the percentage of employees who are not sure of their retirement income needs is a strikingly high 31% among those in the 50-to-64 year age bracket

Table III-8

REQUIRED MONTHLY INCOME DURING RETIREMENT
(Asked of current employees)

Q.: Ignoring future inflation, how much income do you think you personally are going to need per month when you finally retire?

		Income			
(Number of respondents)	Total (1246)	Under $7,000 (87)	$7,000-$14,999 (378)	$15,000-$24,999 (470)	$25,000 And Over (301)
	%	%	%	%	%
$1-$300	3	10	4	2	1
$301-$600	19	30	28	16	10
$601-$900	17	13	19	20	13
$901-$1,200	21	9	15	27	27
$1,201-$1,500	6	3	3	8	7
$1,501-$2,000	4	—	2	3	9
$2,001-$3,000	2	1	1	1	5
$3,001-$4,000	*	—	—	*	2
$4,001-$5,000	*	—	1	—	2
$5,001 and over	*	—	—	*	—
Not sure	27	34	27	24	24
Median	$851	$534	$667	$905	$1,055

*Less than 0.5%

At present, 7 out of 10 of the working public able to estimate their retirement income feel that it will be adequate, though 23% feel their income will be less than adequate. By 79-17%, those covered by a private pension plan are particularly confident about having an adequate income during retirement. Interestingly, 59% of those without a pension believe their retirement income will be adequate while 33% believe it will not.

Earlier it was shown that 41% of today's retirees believe their income is less than adequate. Although not shown on the table, this dropped to 23% among retirees receiving pension benefits, but rose to a high 56% among those not receiving pension benefits. On the basis of these findings, it would seem that many in today's work-force who are not covered by a pension plan are seriously misjudging the amount and adequacy of their retirement income.

Table III-10

ADEQUACY OF EXPECTED RETIREMENT INCOME TO PROVIDE DESIRED STANDARD OF LIVING
(Asked of those able to estimate their retirement income)

Q.: And as far as you know, will the amount of income you are likely to get during retirement provide a very adequate, somewhat adequate, somewhat inadequate, or very inadequate income in terms of providing the standard of living that you would like?

(Number of respondents)	Total ([illegible]) %	Covered By Private Pension Plan ([illegible]) %	Covered By Public Pension Plan (196) %	Not Covered By Pension Plan ([illegible]) %
Very adequate	18	24	16	12
Somewhat adequate	52	55	55	47
Somewhat inadequate	16	13	19	19
Very inadequate	7	4	6	14
Not sure	6	4	4	9

Observation:

These findings are an early warning of potential trouble ahead for government and employers, but most of all, for future retirees. Pre-retirement planning will not provide a 100% guarantee of a secure retirement, but the experience of current retirees makes it clear that early retirement planning is a critically important ingredient for a happy retirement free from financial hardship. Yet many of today's employees are not aware of its importance. Many expect Social Security to be a primary source of retirement income, and well less than half of today's work force expect to rely on savings during retirement. Additionally, surprisingly large percentages of the working public of all ages have not given any serious thought to how much money they will need when they retire.

The findings strongly imply that government, employers, and pension experts should focus considerable attention on making current employees aware of their potential retirement needs and the importance of early pre-retirement planning. Hopefully the findings reported here on the experiences and difficulties faced by today's retirees will help spur others to seriously consider and begin planning for their retirement.

What is needed is a kind of preventive medicine for retirees, where clearly "an ounce of prevention is worth a pound of cure." Social Security, employers, public and private pension plans, taxpayers, and the economy as a whole -- each of these will be subject to increasing pressure as the number of retirees -- many of whom will be pushing to retain their pre-retirement standard of living -- continues to expand into the next century. By focusing public attention on the problem now, many of the potentially serious and undoubtedly costly consequences of inadequate pre-retirement planning can be avoided.

Retirement Income Responsibility: The Three-Legged Stool

Since the 1930's, this country's policies toward the welfare of its retirees has been based on the concept of the three-legged stool — the idea that the economic security of retirees should be shared jointly by the government, private industry, and employees themselves. Although this principle may underlie many current retirement income policies, it is not an idea that is widely understood by either employees or the business community.

Fifty-four percent of current and retired employees believe retirees themselves should be at least partly responsible for their economic security during retirement: 24% feel responsibility rests solely with retirees: 7% feel it rests with government and retirees: 11% feel it rests with the retirees' employer or union along with retirees themselves: 12% believe the responsibility should be shared by government, the retirees' employer or union, and the retirees themselves. In total, 46% believe the government should be at least partly responsible for the economic security of retirees, and 42% feel that business should be at least partly responsible.

It should be noted here that 46% of the respondents do not mention that retirees should be responsible for providing for their own economic security, and only 12% believe the responsibility should be shared by government, employers or unions, and retirees.

The three-legged stool has a larger but still small percentage of adherents among business executives. Just 30% believe that responsibility for the economic security of retirees should be shared by government, employers, and retirees themselves.

To a considerable extent, employers accept their share of the responsibility for the economic security of their retirees. Seventy-two percent believe employers should be at least partly responsible for providing retirement income for employees. Another 23%, however, believe the retirees themselves should be responsible. The greatest consensus among business leaders exists for exclusion of government from retirement income responsibility. Only 1% feel the government should be solely responsible for retirees' economic security and only 5% feel that companies and government should share the responsibility.

Table III-11

WHO SHOULD PROVIDE RETIREES' ECONOMIC SECURITY
(Asked of current and retired employees and of business leaders)

Q In general, who should be responsible for providing for the economic security of retirees — the government, the retirees' former employers or union, or the retirees themselves and their families, or a combination of these?

	Current And Retired Employees	Age					
(Number of respondents)	Total (1690) %	18-24 (150) %	25-34 (378) %	35-49 (437) %	50-64 (422) %	65 And Over (302) %	Total Business Leaders (205) %
Government only	20	23	15	15	21	24	1
Retirees' employer or union only	[illegible]	[illegible]	10	13	10	11	3
Retirees themselves	[illegible]	19	[illegible]	26	23	28	23
Government and retirees' employer or union share	[illegible]	8	[illegible]	8	7	6	5
Government and retirees themselves	[illegible]	-	8	6	7	6	2
Retirees' employer or union and retirees themselves	[illegible]	[illegible]	14	12	10	7	34
Government, retirees' employer or union and retirees themselves	[illegible]	8	15	14	13	8	30
Not sure	[illegible]	[illegible]	[illegible]	[illegible]	6	10	1

43-343 O - 79 - 7

Moreover, a majority of current and retired employees and business leaders are not satisfied with the balance of retirement income that is currently provided by Social Security, pensions, and personal savings. Slightly more than 1 in 4 (27%) of current and retired employees feel that the balance of income provided by these sources is about right as it is. But a 57% majority feel that one or two should provide more income than they do now. Business leaders are somewhat more satisfied with the status quo than are employees and retirees, but an even 50% feel that one or two sources should provide more retirement income than they do now.

Those in the two groups who feel the balance to be wrong have diametrically opposed views as to which sources should provide more than they are providing now. A plurality (43%) of current and retired employees in the sample feel that Social Security should provide more income than it is currently providing. Another 16% feel pensions should provide more retirement income, and only 9% feel additional money should come from a retiree's personal savings.

Most business leaders who feel the current balance of retirement income is out of line look to personal savings (35%) to provide additional income. Only 8% feel Social Security should provide additional retirement income, and 15% look to pensions for additional funds.

Table III-12

ADEQUACY OF CURRENT SOURCES OF RETIREMENT INCOME
(Asked of current and retired employees and of business leaders)

Q.: Right now, income for people who are retired comes primarily from Social Security, pensions, and personal savings. Would you say that the balance of income from these three sources is about right as it is, or should one or two of the sources provide more income than they do now?

Q.: And which one or ones should provide more than they do now?

(Number of respondents)	Total Current And Retired Employees (1891) %	Total Business Leaders (212) %
Balance is right	27	39
One or two should provide more	57	50
Not sure	17	10
[illegible]		
Social Security	43	8
Pensions	16	15
Personal savings	9	35
Other	*	*
Not sure	[illegible]	3

[illegible]

Observation:

[illegible]

ernment, via Social Security, providing a greater share of retirement income than it does now. One in five believes the government alone should be responsible for the economic security of retirees. At the same time, while many believe that retirees themselves should be all or in part responsible for their own retirement income, few people believe more retirement income should be sought from personal savings. The principle of the three-legged stool has a somewhat [illegible] percentage of adherents among business leaders, though of those [illegible] would alter the balance, many would decrease government's involvement in retirement income and place more responsibility on retirees themselves.

These findings are critical because they underlie many of the problems faced by today's retirees, and they presage even greater difficulties for the retirees of tomorrow. A surprising number of people do not understand the fundamental principle of the three-legged stool, and look either to government, their employer, or both to take care of them during retirement.

Knowledge of Private Pension Plans

An integral part of planning for retirement is an understanding of what is required and what is provided by various sources of retirement income. Yet sizeable percentages of the working public, whether participating in a private or public plan, or expecting Social Security benefits, do not know what their monthly benefit will be from these retirement income sources.

The working public is least likely to know what its benefits from Social Security will be. A total of 84% do not know what the size of their monthly Social Security benefit will be upon retirement. Again, the percentage who do not know the approximate size of their benefit is higher among younger workers, but it is of some concern to note that a sizeable 78% of the 50 to 64 year olds are unsure what their Social Security benefits will be.

Forty-six percent (46%) of those in government plans and 37% of those in private plans know what their benefit will be when they retire. Still, in almost every age-grouping more than half of today's employees do not know the size of their monthly retirement benefit.

Table III-13

KNOWLEDGE OF MONTHLY BENEFIT FROM RETIREMENT INCOME SERVICE

(Asked of those current employees covered by each retirement income source)

Q · Do you know about what your monthly benefit from (ITEM) will be when you retire, or not?

	Government Plan					Private Plan					Social Security				
		Age					Age					Age			
(Number of respondents)	Total (215)	18-24 (9)*	25-34 (61)	35-49 (72)	50-64 (70)	Total (664)	18-24 (67)	25-34 (180)	35-49 (244)	50-64 (178)	Total (1170)	18-24 (131)	25-34 (318)	35-49 (387)	50-64 (311)
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Know benefit	[illegible]	[illegible]	41	[illegible]	40	37	21	38	34	41	17	5	13	17	22
Do not know	43	[illegible]	[illegible]	[illegible]	43	48	[illegible]	47	53	40	69	78	74	70	60
Not sure	[illegible]	[illegible]	8	[illegible]	[illegible]	[illegible]	18	14	13	18	[illegible]	17	13	13	18

Employees should also be aware of their pension plans' vesting requirements. The topic of vesting is too complicated to be fully explored in a public survey; however, the findings here suggest that those involved in private plans have a fairly good if sometimes unclear understanding of their plans' vesting requirements.

Fifty-five percent (55%) of the working public covered by a private pension plan believe they would be able to receive or transfer the benefits they have accrued if they left their company today, while 30% believe they would not be able to receive or transfer their benefits. While 15% are not sure about this question of vesting, a full 85% were able to answer the question.

Table III-14

ABILITY TO RECEIVE OR TRANSFER PENSION BENEFITS UPON LEAVING COMPANY
(Asked of those current employees covered by a private pension plan)

Q As far as you know, if you left your company today, would you be able to receive or transfer the pension benefits you have accrued, either immediately or at some later date, or not?

(Number of respondents)	Total ([illegible]) %
Would be able	55
Would not be able	30
Not sure	15

Most business leaders (91%) believe their employees would know whether or not they are vested. Judging from the previous responses, business leaders have a fairly accurate view on this question.

Fifty-one percent (51%) of employees with private pension plans correctly understand that the number of years in service is the factor that determines whether or not they are eligible to receive pension benefits if they leave their company or union before retirement. Also, 18% believe age is a determining factor. This may be correct in many instances, since age can be a factor in determining pension eligibility. The remaining 31% are either incorrect or uncertain.

Table III-15

EMPLOYERS' ESTIMATES OF EMPLOYEES' KNOWLEDGE OF WHETHER THEY ARE VESTED
(Asked of business leaders)

Q Would you say that most of your employees know if they are vested, or not?

(Number of respondents)	Total ([illegible]11) %
Most know	91
Most do not know	9
Not sure	

Table III-16

KNOWLEDGE OF PENSION BENEFITS ELIGIBILITY REQUIREMENTS
(Asked of those current employees covered by a private pension plan)

Q.: Do you know what determines whether or not you are eligible to receive pension benefits if you leave your company or union before retirement — is it your job level, your salary level, your age, your number of years in full service, or aren't you sure?

(Number of respondents)	Total ([illegible]) %
Job level	5
Salary	7
Age	18
Years in service	51
Other*	2
Not sure	17

Fifty-six percent (56%) of those covered by private plans whose eligibility to collect benefits before retirement is determined by years of service believe that less than ten years of service is required. Nine percent (9%) believe between ten and fifteen years are necessary, 21% believe more than fifteen years are necessary, and 14% are unsure. The most common vesting schedule under ERISA provides for full vesting after ten years of service, with no vesting before that date. Thus a sizeable portion of those with private plans are wrong in their understanding of the number of years of service required for benefit eligibility. Under ERISA, an employee is generally fully vested after te· years of service. At the maximum, under the ERISA mandated 5 to 15 rule, an employee would be fully vested after fifteen years.

Table III-17

NUMBER OF YEARS REQUIRED FOR ELIGIBILITY TO COLLECT PENEFITS
(Asked of those current employees whose pre-retirement pension eligibility is determined by years of service)

Q. How many years of service are required for you to become eligible to collect benefits if you leave work before retirement?

(Number of respondents)	Total (324) %	Covered By Private Plan (324) %
Less than 10	56	56
10-15	9	9
16-20	12	12
21-30	9	9
31 and over	1	1
Not sure	14	14
Mean number of years	10.0	10.0

Observation:

Many private pension plan participants are familiar with some of the basic provisions of their plan, but the results show that there is ample room for improvement in their knowledge. Most seem to know whether or not they are vested though substantial minorities are uncertain or incorrect about vesting criteria. Also, more than half are uncertain about the size of their monthly retirement benefit. Even among those who are relatively close to retirement (50 to 64 years old), 58% do not know the approximate size of their monthly retirement benefit.

To a considerable extent, the public's limited knowledge about their pension plans is their own doing. Under ERISA, plan participants automatically receive a summary plan description and annual report summary. They may also request a personal benefits statement which will contain information about the total benefits they have personally accrued and the portion, if any, that is vested. The problem, as will be seen in a following chapter, is that a sizeable minority of employees are not interested enough in their retirement, which is years away for many, or in their pension plan to take the time to read these disclosure statements. At the same time, however, this does not absolve either government, employers, or pension experts from seeing that pension plan participants are well-informed. Perhaps if participants are made to understand the importance of retirement planning and pensions, they themselves, along with the government, employers, and taxpayers, will be better off in the future.

Some Guidelines for Retirement Planning

Many of the problems faced by tomorrow's retirees can be avoided by listening to the advice of current retirees. Some of the more important pieces of advice they have to offer younger people are shown in Table III-18.

More than anything, employees should start planning early for retirement. This piece of advice is mentioned by nearly 1 of every 2 (49%) retirees interviewed. Almost equally important, current employees should not expect to rely solely on Social Security and a pension for their retirement income period. Forty-eight percent (48%) of today's retirees advise younger people to "make sure they have put away some savings so that they don't have to rely solely on Social Security and pensions." More than 2 out of 5 (44%) advise people to work for an employer with a good pension plan.

With fast-rising inflation, having a pension plan that provides benefits which increase with the cost of living is becoming increasingly important to retiring employees. Almost 1 of every 3 retirees (32%) advise current employees to see that their pension plans have such a cost-of-living provision. Also, 28% stress the importance of being covered by a pension plan, 27% warn employees to be prepared for the financial difficulties inherent in a work-stopping disability before normal retirement, and 24% offer the obvious but apparently often ignored advice to be sure that one's total retirement income is enough to live on.

On average, current retirees feel that planning for retirement should begin in one's mid thirties.

Table III-18

MOST IMPORTANT ADVICE TO OFFER YOUNGER PEOPLE
(Asked of retired employees)

Q.: Which two or three of these pieces of advice would be most important to give to younger people?

(Number of respondents)	Total ([illegible]) %
Start planning early for retirement	48
Make sure they have put away some savings, so that they don't have to rely solely on Social Security and pensions	48
Work for an employer with a good pension plan	44
Make sure their pension plan provides benefits that increase with the cost of living	32
Make sure you're covered by a good pension plan and not rely only on Social Security and savings	28
Make sure your retirement income is sufficient to live on if you could no longer work because of disability	27
Make sure that total amount received in retirement is enough to live on	24
None	1
Not sure	2

Table III-19

AGE AT WHICH PLANNING FOR RETIREMENT SHOULD BEGIN
(Asked of retired employees)

Q.: At what age do you think people should begin planning for retirement?

(Number of respondents)	Total (396) %
Before 21	11
21-25	14
26-30	10
31-35	5
36-40	.0
41-45	5
46-50	6
51-55	6
56-60	6
Older than 60	7
It depends	12
Not sure	6
Median age	[illegible]

CHAPTER IV:

AN ASSESSMENT OF CURRENT SOURCES OF RETIREMENT INCOME

General Ratings of Major Sources of Retirement Income

Current and retired employees and business leaders were asked to provide an overall rating of four major sources of retirement income — private or company pension plans, government pension plans, union pension plans, and Social Security.

First ranked among these sources, in the view of current and retired employees, are government pension plans, which receive a 57-18% positive rating, and a relatively high 25% not sure. Next come private or company pension plans with a moderately positive rating of 43-35%, and 22% not sure. A plurality of the public (40%) are not sure how to rate union pension plans. However, the plans receive a 34-26% positive rating from those able to offer an opinion. Lastly, the public is strongly critical in its views of Social Security, with negative opinions coming from almost 2 of every 3 people interviewed.

Unlike the current and retired employees, who rate government pension plans over private pensions, business leaders give the highest general rating to private pension plans. A sizeable 84% of business leaders voice a positive view about private or company pension plans, compared with just 63% holding the same view toward government plans. Also, business leaders are more critical in their views toward union pensions than current and retired employees. Forty-eight percent give union pensions a negative rating, compared to 40% positive. Surprisingly, business leaders are slightly more positive than the employee and retiree group in their views toward Social Security, though they give the program an overwhelming 61-39% negative rating.

Table IV-1

RATINGS OF RETIREMENT INCOME SOURCES
(Asked of current and retired employees and of business leaders)

Q.: Overall, how would you rate (LIST) in the country — would you say they are excellent, pretty good, only fair or poor?

(Number of respondents)		Current and Retired Employees (1690)			Business Leaders (211)		
		Positive	Negative	Not Sure	Positive	Negative	Not Sure
Private or company pension plans	%	43	35	22	84	13	3
Government pension plans	%	57	18	25	63	26	10
Union pension plans	%	34	26	40	40	48	12
Social Security	%	30	65	5	39	61	*

Assessment of Major Sources of Retirement Income

By and large, the working public and retirees interviewed tend to be far more positive toward government pension plans and private plans than toward union plans or Social Security. Government plans are 1st ranked (43%) for providing the highest benefits followed by private plans (20%), union plans (13%), and Social Security (10%). Private

plans and government plans are thought to be the best run, followed at some distance by union plans and Social Security. While approximately 1 in 10 feel that private plans or union plans are most in need of change, Social Security is the primary focus of workers' and retirees' concern on this measure. A sizeable 53% feel that Social Security is the retirement source most in need of change.

If they had to choose one source for all their retirement income, 36% of workers and retirees would choose government pensions and 27% would choose private pensions. Only 15% would choose to have all their retirement income provided by Social Security, and a smaller 9% would opt for union pensions. Similarly, Social Security and union plans are the sources people would least prefer to rely on for all their retirement income.

Not only do a sizeable percentage of current and retired employees believe that government plans provide the highest benefits, but a plurality (33%) believe that they provide the highest benefits for the money contributed. Roughly 1 in 4 (24%) hold the same view about private plans. These views are at odds with those of business leaders, a large majority of whom (63%) feel that private or company plans provide the highest benefits for the money contributed.

Table IV-2

ASSESSMENTS OF SOURCES OF RETIREMENT INCOME
(Asked of current and retired employees)

Q. Here is a list of the plans we've been discussing. Which one source on this list would you say generally provides the highest benefits to its beneficiaries?

Q. In general, which one of these sources would you say is the best run?

Q. And in general, which one is most in need of change for the better?

Q. If you had to rely on just one of these sources for all your retirement income, which one would you most prefer?

Q. Finally, which one of these sources would you least prefer to rely on for all your retirement income?

(Number of respondents)	Highest Benefits (1686) %	Best Run (1682) %	Need Of Change (1636) %	Most Prefer (1673) %	Least Prefer (1685) %
Private pension plans covering employees in private industry	[illegible]	30	9	27	11
Government pension plans covering federal state and local government employees	[illegible]	24	6	36	4
Union pension plans	[illegible]	[illegible]	10	9	24
Social Security	[illegible]	[illegible]	53	15	37
None	*	1	1	1	1
Not sure	[illegible]	20	21	[illegible]	23

[illegible]

Table IV-3

PLAN PROVIDING BEST BENEFITS FOR MONEY CONTRIBUTED
(Asked of current and retired employees and of business leaders)

Q.: Which one of these plans — private or company pensions, government pensions, union pensions or social security — provides the best benefits for the money contributed?

(Number of respondents)	Total Current And Retired Employees (1606)	Total Business Leaders (210)
	%	%
Government pension plans	33	22
Private or company pension plans	24	63
Social Security	15	7
Union pension plans	11	3
Not sure	16	4

Like current and retired employees, business leaders are strongly negative in their views toward union plans and Social Security. But unlike employees, they are far more positive about private plans than government plans.

Business leaders differentiate between a plan which provides the highest benefits for the money contributed, and a plan which simply provides the highest benefits. Though they feel that private plans provide the highest benefits for the money contributed, a 62% majority feel that government plans provide the highest benefits. Only 22% feel that private pension plans provide the highest benefits of the plans listed. Current and retired employees do not make this distinction: substantial pluralities believe that government plans provide both the highest benefits and the highest benefits for the money contributed.

Business leaders have mixed views as to which source of retirement income is most in need of change. Exactly half feel that Social Security is most in need of change, while another 25% hold the same view about union plans, and 20% about government plans.

Interestingly, while more than half (58%) of the business leaders would recommend that employees rely on private plans if they had to rely on one plan for all their retirement income, more than 1 in 5 (21%) would recommend government pension plans, and nearly 1 in 5 (17%) would recommend Social Security. Union plans (49%) and Social Security (38%) are by far the plans least recommended for employees to rely on for all their retirement income.

Table IV-4

BUSINESS LEADER EVALUATIONS OF RETIREMENT INCOME SOURCES
(Asked of business leaders)

Q.: Now, which one source on this list would you say generally provides the highest benefits to its beneficiaries?

Q.: In general, which one of these sources would you say is the best run?

Q.: And in general, which one is most in need of change for the better?

Q.: If employees had to rely on just one of these sources for all their retirement income, which one would you personally recommend to them?

Q.: Finally, which one of these sources would you personally recommend to your employees to rely on for all their retirement income?

(Number of respondents: 212)	Highest Benefits %	Best Run %	Need of Change %	Most Recommend %	Least Recommend %
Private pension plans covering employees in private industry	22	87	1	58	3
Government pension plans covering federal, state and local government employees	62	6	20	21	4
Union pension plans	3	2	25	2	49
Social Security	7	3	50	17	38
None	—	—	—	—	1
Not sure	6	2	4	2	4

To a considerable extent, people's attitudes toward various retirement income sources are colored by their personal pension plan involvement. For instance, those participating in private plans feel private pension plans are best run and are the source they would most like to rely on for all their retirement income. Public employees feel the same way about government pension plans. The strongest degree of unanimity, however, is found in public attitudes toward the retirement income source most in need of change. Whether covered by a private plan, a public plan, or not covered by any pension plan at all, majorities of retired and current employees feel that Social Security is the program most in need of change.

Table IV-5

BEST-RUN SOURCE OF RETIREMENT INCOME
(Asked of current and retired employees)

Q.: In general, which one of these sources would you say is the best run?

(Number of respondents)	Total Current And Retired Employees ([illegible])	Current Employees: Total (1381)	Current Employees: Covered By Private Plan ([illegible])	Current Employees: Covered By Public Plan ([illegible])	Current Employees: Not Covered ([illegible])
	%	%	%	%	%
Private pension plans covering employees in private industry	30	34	40	[illegible]	29
Government pension plans covering federal, state and local government employees	29	30	29	44	25
Union pension plans	9	10	9	9	13
Social Security	10	7	7	3	8
None	1	1	1	-	2
Not sure	20	18	14	15	22

Table IV-6

MOST PREFERRED SOURCE OF RETIREMENT INCOME
(Asked of current and retired employees)

Q. If you had to rely on just one of these sources for all your retirement income, which one would you most prefer?

(Number of respondents)	Total Current And Retired Employees (1673)	Current Employees: Total (1314)	Current Employees: Covered By Private Plan ([illegible])	Current Employees: Covered By Public Plan ([illegible])	Current Employees: Not Covered (481)
	%	%	%	%	%
Private pension plans covering employees in private industry	27	30	39	18	24
Government pension plans covering federal, state and local government employees	36	37	31	62	36
Union pension plans	9	10	11	7	[illegible]
Social Security	15	12	12	5	14
None	1	1	1	--	1
Not sure	12	9	6	9	14

Table IV-7

LEAST PREFERRED SOURCE OF RETIREMENT INCOME
(Asked of current and retired employees)

Q Finally, which one of these sources would you least prefer to rely on for all your retirement income?

	Total Current And Retired Employees	Current Employees			
		Total	Covered By Private Plan	Covered By Public Plan	Not Covered
(Number of respondents)	(1665)	(1306)	(685)	(229)	(448)
	%	%	%	%	%
Private pension plans covering employees in private industry	11	11	11	11	11
Government pension plans covering federal, state and local government employees	4	4	5	1	3
[illegible]	24	24	25	25	22
[illegible]	37	43	44	52	37
[illegible]	1	1	1	*	1
[illegible]	23	18	15	11	25

Table IV-8

RETIREMENT INCOME SOURCE MOST IN NEED OF CHANGE
(Asked of current and retired employees)

Q And in general, which one is most in need of change for the better?

	Total Current And Retired Employees	Current Employees			
		Total	Covered By Private Plan	Covered By Public Plan	Not Covered
(Number of respondents)	(1636)	(1281)	(670)	(226)	(442)
	%	%	%	%	%
[illegible] pension plans covering employees in private industry	9	9	9	9	9
Government pension plans covering federal, state and local government employees	6	6	6	8	6
[illegible]	10	10	11	9	10
[illegible]	53	59	60	63	54
[illegible]	1	*	*	.	1
[illegible]	21	15	13	11	21

Employee Satisfaction with Private Pension Plans

Both before and after passage of the Employee Retirement Income Security Act of 1974, private pension plans have been criticized for being financially unsound, for promising what they may not be able to deliver, and for various inequities in the way

employees become eligible for benefits. By and large, however, these views are not shared by people currently covered by private pension plans. Regardless of the criticisms leveled against private plans, employees are basically satisfied with the way their plans are designed and administered. At the same time, however, a small but significant minority have less than full confidence in the ability of their pension plan to pay the benefits due them when they retire. Only 6% have no confidence at all in their plan.

Observation:

These findings are clearly upbeat and should be read as positive marks for private pensions. But it is important to note here that the findings cannot be interpreted as a public sanction of the status quo in the private pension system. When employees say they are satisfied with their plan, many are not thinking about the benefits they will need during retirement and many do not know what benefits their plan will provide. As will be seen in a later chapter, employees feel it is extremely important that their plans contain provisions which are included in relatively few plans today, such as cost of living benefits and survivor benefits.

Table IV-9

SATISFACTION WITH DESIGN AND ADMINISTRATION OF PLAN
(Asked of those covered by a private pension plan)

Q.: How satisfied are you with the way your plan is designed and administered — very satisfied, somewhat satisfied, somewhat unsatisfied, or very unsatisfied?

(Number of respondents)	Total ([illegible]) %
Very satisfied	43
Somewhat satisfied	35
Somewhat unsatisfied	11
Very unsatisfied	5
Not sure	6

Business leaders have a generally accurate view of their employees' attitudes toward their plans. When asked how satisfied a majority of their employees would be about the design and administration of their plans, 59% of the leaders feel a majority of their employees would be very satisfied, 38% believe their employees would be somewhat satisfied, and only 3% feel their employees would be dissatisfied. Thus a majority of the leaders interviewed are correct in their assessment that a majority of their employees are satisfied with the way their plan is designed and administered.

Table IV-10

EMPLOYERS' PERCEPTIONS OF EMPLOYEES' SATISFACTION WITH PENSION PLAN DESIGN AND ADMINISTRATION
(Asked of business leaders)

Q And how satisfied would you say the majority of your employees are about the way their benefit plans are designed and administered — very satisfied, somewhat satisfied, somewhat dissatisfied, or very dissatisfied?

(Number of respondents)	Total (211) %
Very satisfied	59
Somewhat satisfied	38
Somewhat dissatisfied	3
Very dissatisfied	—
Not sure	—

Two out of three employees covered by private plans say they have a great deal of confidence that their plan will pay the benefits they are entitled to when they retire Though this is a substantial majority, a significant percentage of employees voice some skepticism 25% have "some confidence" that their plan will pay the benefits, and 6% have "hardly any confidence."

Business leaders are far more confident than employees that their plans will pay their promised benefits Three percent have "some confidence," but an overwhelming 97% have "a great deal of confidence" that their plans will pay the benefits employees are entitled to when they retire.

Table IV-11

CONFIDENCE THAT PENSION PLAN WILL PAY BENEFITS
(Asked of current employees covered by private pension plan and of business leaders)

Q. And how much confidence do you have that your pension plan will pay the benefits you are entitled to when you retire — a great deal of confidence, some confidence, or hardly any confidence at all?

Q How much confidence do you have that your pension plan will pay the benefits employees are entitled to when they retire — a great deal of confidence, some confidence or hardly any confidence at all?

(Number of respondents)	Pension Plan Participants (593) %	Total Business Leaders (211) %
Great deal of confidence	68	97
Some confidence	[illegible]	3
Hardly any confidence	[illegible]	
Not sure	[illegible]	

One of the major criticisms against company and union pensions is that they will not be able to pay employees all they have been promised. However, no evidence of this was found among current company or union pension plan beneficiaries. When asked whether they had ever been promised a benefit which they did not or were not going to receive, 93% replied that they had not, and 4% were not sure. Of the 7 people who said they had been promised a benefit they were not going to receive, 3 people later claimed that the benefits were actually forthcoming but had been delayed.

Table IV-12

WHETHER PROMISED BENEFIT NOT RECEIVED

(Asked of retired employees receiving company or union pension benefits)

Q Have you ever thought you had been promised a pension benefit that you now know you are never going to receive, or not?

(Number of respondents)	Total ([illegible]) %
Have been promised	4
Have not been promised	93
Not sure	4

Lastly, it is interesting to note that employers and employees have radically different views as to who owns the money in pension funds. Eight out of ten business leaders feel that employees own the money in their pension fund, but just more than 1 in 3 (36%) employees express the same view. A plurality (40%) of employees feel that their employer owns the money in their pension plan.

Table IV-13

OWNERSHIP OF MONEY IN PENSION FUND

(Asked of business leaders and those covered by a private pension plan)

Q As far as you are concerned, who owns the money in your [company's] pension fund employees themselves or your employer [the company] or union?

(Number of respondents)	Private Pension Plan Participating ([illegible]) %	Total Business Leaders ([illegible]) %
Employees themselves	36	80
[illegible]	40	[illegible]
[illegible]	9	[illegible]
[illegible]	[illegible]	4
[illegible]	[illegible]	7
[illegible]	[illegible]	[illegible]

CHAPTER V:

PENSION PLAN REPORTING

Interest In and Effectiveness Of Pension Plan Disclosure Statements

The findings in Chapter III demonstrate that many employees understand the basic provisions of their pension plan, but that just as many are relying on limited or inaccurate knowledge. In this chapter we will examine employees' interest in and reaction to various pension plan disclosure statements, along with their and business leaders' concerns about what types of information should be conveyed to employees.

More than 8 of 10 participants in private pension plans (83%) have received a report from their employer describing their plan and telling them what benefits they are entitled to; 15% say they have not received such a report. Thus a sizeable majority have received either a summary plan description or a personal benefits statement.

Most business leaders (78%) say employees covered by their company's pension plan automatically receive an annual personal benefits statement, while 22% say their employees do not automatically receive such a statement. Whether or not an employee will automatically receive a personal benefits statement varies with the size of the company, with the larger companies more likely to automatically distribute the reports.

Table V-1

WHETHER RECEIVED REPORT FROM EMPLOYER DESCRIBING BENEFITS OF PENSION PLAN
(Asked of those covered by a private pension plan)

Q.: Have you ever received a report from your employer describing your pension plan and telling you what benefits you are entitled to under your pension plan, or not?

(Number of respondents)	Total (566)
	%
Have received report	83
Have not received report	15
Not sure	2

Table V-2

WHETHER EMPLOYEES AUTOMATICALLY RECEIVE ANNUAL REPORT INDICATING RETIREMENT BENEFITS
(Asked of business leaders)

Q.: Do the employees covered by your company's pension plan also automatically receive a report statement annually which indicates the benefits they as individuals will receive upon retirement, or don't they automatically receive such a report?

	Total Business Leaders	Number Of Employees		
		2,000 or Less	2,000 to 10,000	More than 10,000
(Number of respondents)	(210)	(62)	(66)	(82)
	%	%	%	%
Do automatically receive	78	74	77	81
Do not automatically receive	22	26	23	19
Not sure	-	--	--	—

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Of those who have ever received a report about their pension plan, 83% read the last report they received.

Most employers (76%) believe that between 76% and 100% of their employees who receive annual reports read them They believe that summary plan descriptions are less widely read, with 46% estimating that one-fourth or less of their employees who receive them read them. Though employees were not asked directly about summary plan descriptions, other evidence suggests that they may well be less widely read than annual reports or personal benefits statements. For instance, the topics about which employees are least well-informed, such as vesting eligibility requirements, would be found in summary plan descriptions and not annual reports. A personal benefits statement usually mentions whether or not an employee is vested, but does not state the rules for this determination.

Table V-3

WHETHER READ LAST PENSION PLAN REPORT FROM EMPLOYER
(Asked of those who have received report)

Q Did you read the last report about your pension plan that you received from your employer or not?

(Number of respondents)	Total ([illegible]) %
Read last report	83
Did not read last report	17
Not sure	[illegible]
[illegible]	

Table V-4

EMPLOYERS' ESTIMATE OF PERCENTAGE OF EMPLOYEES WHO READ ANNUAL REPORT
(Asked of those whose employees receive annual reports)

Q [illegible] who receive the report or statement do you think actually read [illegible]

(Number of respondents)	Total (184) %
[illegible]	
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

Table V-5

EMPLOYERS' PERCEPTION OF PERCENTAGE OF EMPLOYEES WHO READ THE SUMMARY PLAN DESCRIPTION
(Asked of business leaders)

Q. Your employees automatically receive a summary plan description. About what percentage of those who receive the report do you think actually read it?

(Number of respondents)	Total (211) %
None	1
1-25%	46
26-50%	21
51-75%	13
76-100%	14
Not sure	4
Mean percentage	52

A substantial 88% of employees who read their last pension plan report claim they were able to understand what was in it, and only 10% were not. Wage workers are less likely to be able to understand the material in a pension report than salaried workers, though a still high 83% of those wage workers interviewed were able to understand the last report they read.

Most business leaders have an accurate perspective on their employees' ability to understand what is in a pension report. Sixty-seven percent (67%) of the leaders interviewed feel that more than three-quarters of their employees are able to understand most of what is in the report and 85% think that more than half their employees can understand it. The summary plan description, containing more complex information, is believed to be less well-understood. Fifty-two percent (52%) of the leaders feel that half or less of their employees understand most of what is in the summary plan description, while 48% believe more than half understand it.

Table V-6

ABILITY TO UNDERSTAND PENSION PLAN REPORT
(Asked of those who have read last report)

Q. Were you able to understand most of what was in the report, or not?

		Employment	
(Number of respondents)	Total (406) %	Hourly Wage Worker (184) %	Salaried (217) %
[illegible]	88	83	92
[illegible]	10	[illegible]	6
[illegible]	2	[illegible]	2

Table V-7

EMPLOYERS' ESTIMATE OF PERCENTAGE OF EMPLOYEES WHO UNDERSTAND ANNUAL REPORT
(Asked of those whose employees receive annual report)

Q.: And what percentage of those who read the report or statement do you think are able to understand most of what is in it?

(Number of respondents)	Total ([illegible]) %
None	—
1-25%	4
26-50%	10
51-75%	18
76-100%	67
Not sure	—
Mean percentage	74

Table V-8

EMPLOYERS' PERCEPTIONS OF EMPLOYEES UNDERSTANDING OF SUMMARY PLAN DESCRIPTIONS
(Asked of business leaders)

Q.: Generally, what percentage of those who read the summary plan description do you think are able to understand most of what is in it?

(Number of respondents)	Total (211) %
None	2
1-25%	30
26-50%	20
51-75%	17
76-100%	31
Not sure	1
Mean percentage	57

Helpfulness of Disclosure Statement

Nearly two-thirds (62%) of those who read the last pension plan report they received found it very helpful. and 33% found it somewhat helpful Only 4% say the report was not helpful at all. Employers are somewhat more positive about the helpfulness of the report than are employees Eighty percent (80%) of the leaders interviewed feel the report is very helpful for employees. 16% feel that it is somewhat helpful. and 4% feel it is not helpful at all.

interestingly employers themselves tacitly acknowledge that improvements can be made in the summary plan description Only 44% of the leaders feel the summary plan description is very helpful for employees. and another 40% rate it somewhat helpful Sixteen percent (16%) feel the summary plan description is not helpful at all

Table V-9

HELPFULNESS OF REPORT IN DESCRIBING PENSION PLAN
(Asked of those who have read last report)

Q.: How helpful was the report in telling you what you want to know about your pension plan — very helpful, somewhat helpful, or not helpful at all?

(Number of respondents)	Total ([illegible]) %
Very helpful	62
Somewhat helpful	33
Not helpful at all	4
Not sure	*

*Less than 0.5%

Table V-10

HELPFULNESS TO EMPLOYEES OF ANNUAL REPORT
(Asked of those whose employees receive report)

Q.: In terms of telling them what they want to know about their pension plan, how helpful is this report or statement for employees — very helpful, somewhat helpful, or not helpful at all?

(Number of respondents)	Total ([illegible]) %
Very helpful	80
Somewhat helpful	16
Not helpful at all	4
Not sure	1

Table V-11

EMPLOYERS' PERCEPTIONS OF HELPFULNESS OF SUMMARY PLAN DESCRIPTION TO EMPLOYEES
(Asked of business leaders)

Q In terms of telling them what they want to know about their pension plan, how helpful do you think the summary is for your employees - very helpful, somewhat helpful, or not helpful at all?

(Number of respondents)	Total (211) %
Very helpful	44
Somewhat helpful	40
Not helpful at all	16
Not sure	..

The following table shows how widely pension plan reports are received, read and understood among all plan participants along with how helpful they perceive the report to be

While 83% claim to have received a report describing their pension plan, the combination of those who did not read the report and those who never received it means that just 69% of all pension plan participants read the last report about their pension plan. A total of 61% understood most of what was in the report. Lastly, the report was very or somewhat useful for 43% of plan participants

Observation:

The results here are consistent with those in the section about employees' knowledge of pension plans. Many employees are knowledgeable about their plans, and substantial majorities claim to read the information that is available to them. For the most part, employers receive positive marks for the content of the reports. Among employees who read them, many find them understandable and helpful. This is not to say, of course, that the reports cannot be improved. One-third of those who read their last report offer an unexceptional "somewhat helpful" rating.

While report contents may be improved, particularly in regard to the summary plan description, the limiting factor in employee knowledge about pension plans is not the reports themselves but that many employees fail to read them. Increased emphasis on the importance of reading these disclosure statements and perhaps some alternate approaches to presenting the information, such as seminars, counseling, or audio-visual presentations, may help employees get a better understanding of their pension plan and develop a stronger sense of what they personally must do to be prepared for retirement.

Table V-12

SUMMARY OF PENSION PLAN DISCLOSURE FINDINGS
(Asked of employees covered by a private pension plan)

(Number of respondents)	Total ([illegible]) %
Total private pension plan participants who have	
Received a report describing pension plan and telling what benefits they are entitled to	83
Read the report	69
Understood most of what was in the report	61
Found the report very or somewhat helpful	43

The Information Needs of Employees

Regardless of their level of knowledge about their pension plan, most employees feel strongly about being kept well-informed. Seventy-five percent (75%) say that it is very important they be informed about their pension plan, while 19% say it is somewhat important, and only 5% say it is not important at all. This 75% who feel it is very important to be informed about their pension plan roughly corresponds to the 69% who received and actually read their last pension plan report.

The importance of being kept informed about their pension plan is acknowledged by all employee groups, whether wage worker, salaried, or self-employed.

Business leaders' attitudes on this question closely match those of their employees. Seventy-seven percent (77%) believe being kept informed about their pension plan is

very important to employees, while 20% feel it is somewhat important, and 3% feel it is not important at all.

Table V-13

IMPORTANCE OF BEING KEPT INFORMED ABOUT PENSION PLAN
(Asked of those covered by a private pension plan)

Q.: How important is it to you that you be kept informed about your pension plan — very important, somewhat important, or not important at all?

		Employment		
(Number of respondents)	Total ([illegible])	Hourly Wage Worker ([illegible])	Salaried ([illegible])	Self-Employed ([illegible])
	%	%	%	%
Very important	75	75	75	71
Somewhat important	19	17	21	25
Not important at all	5	8	2	4
Not sure	1		1	..

Table V-14

EMPLOYER PERCEPTIONS OF IMPORTANCE OF KEEPING EMPLOYEES INFORMED ABOUT THEIR PENSION PLAN
(Asked of business leaders)

Q Among employees, do you think that being kept informed about their pension plan is very important, somewhat important, or not important at all?

(Number of respondents)	Total (211)
	%
Very important	77
Somewhat important	20
Not important at all	3
Not sure	

Employees feel very strongly about the types of information they should receive about their pension plan

An overwhelming 93% of those who read the last report think it is very important that they know how certain it is that they will be paid their pension on retirement And more than 8 out of 10 feel it is very important that they know if their employer is making the necessary contributions to the plan what their benefits will be upon retirement whether or not they are vested and what the current financial status is of the plan

Though somewhat less important than the above, a substantial 6 out of 10 believe it is very important that they know where the pension funds are being invested whether the company, the pension fund trustees, or a professional management company is handling the investments, and what the return has been on investments

Table V-15

IMPORTANCE OF VARIOUS KINDS OF INFORMATION IN REPORT
(Asked of those who have read last report)

Q.: How important is it that the report contain information about (ITEM) — very important, somewhat important, or not important at all?

(Number of respondents: [illegible])		Very Important	Somewhat Important	Not Important	Not Sure
How certain it is that you will really be paid your pension upon retirement	%	93	5	2	1
Whether your employer is making the necessary contributions to your pension plan	%	87	9	3	1
What the benefits are that you will receive upon your retirement	%	87	9	3	1
Whether you would be entitled to any benefits from your pension plan if you terminated work today	%	85	10	5	*
The current financial status of the plan	%	83	14	2	1
Where the pension funds are being invested	%	60	21	14	5
Whether the company, or the pension fund trustees, or a professional pension management company is handling the investments	%	60	23	12	4
What the return has been on investments	%	59	28	10	4

*Less than 0.5%

Business Leader Attitudes Toward Employee Information Needs

Business leaders are sharply out of line with their employees as to what information should be reported about pension plans.

Business leaders share their employees' view about the importance of knowing what benefits they will receive when they retire. They also feel, though not as strongly as employees, that it is important for employees to know how certain it is that they will really be paid their pension benefits upon retirement, and whether or not they are vested.

But only 64% of employers, compared with 87% of employees, feel it is very important that employees know whether their company is making the necessary contributions to the pension plan. Only 38% feel it is very important that employees know the current financial status of the plan — a substantial 45 percentage point difference separating employers and employees on this point. Further, only 17% of business leaders feel it is important for their employees to know who is handling their pension investments, just 16% believe it is very important that employees know what the return has been on investments, and an even smaller 10% feel it is very important to know where the pension funds are being invested. These findings separate employers from employees by gaps of 43 points, 43 points, and 50 points respectively.

Table V-16

EMPLOYERS' PERCEPTIONS OF THE IMPORTANCE TO EMPLOYEES OF VARIOUS KINDS OF INFORMATION IN REPORT
(Asked of business leaders whose employees receive annual report)

Q.: How important is it that the report or statement contain information for employees about (ITEM) — very important, somewhat important, or not important at all?

(Number of respondents: 186)		Very Important	Somewhat Important	Not Important At All	Not Sure
What the benefits are that the employees will receive upon their retirement	%	93	6	1	1
How certain it is that employees will really be paid their pension upon retirement	%	84	5	10	1
Whether the employees would be entitled to any benefits from their pension plan if they terminated work today	%	76	21	4	—
Whether your company is making the necessary contributions to the pension plan	%	64	20	17	—
The current financial status of the plan	%	38	44	18	1
Whether the company, or the pension fund trustees, or a professional pension management company is handling the investments	%	17	46	37	—
What the return has been on investments	%	16	32	51	1
Where the pension funds are being invested	%	10	40	50	1

Employee Satisfaction With Pension Plan Information Currently Received

Though they have sharply divergent views from employers about the importance of various types of information, employees are generally favorable in their assessment of the information currently provided. In terms of telling them how certain it is that they will receive pension benefits on retirement, whether or not they are vested, and whether their employer is making the necessary contributions to the plan, approximately 8 of every 10 employees who read the last pension report give it a positive rating. Also, 80% give the report a positive rating for telling them what their personal benefits will be when they retire, and 81% have positive views toward the information about the current financial status of the plan

Smaller but still substantial majorities are satisfied with information they receive about who is handling the pension investments where the funds are being invested, and what the return has been on the investments.

Observation:

The findings in this section have an important implication for business leaders and pensions experts. Business leaders widely misjudge the importance employees place on certain types of information about their pension plans. For the most part, employees are satisfied with the types of information they currently receive, but the widely divergent views between employees and employers spell employee dissatisfaction for the future. Because some employees may seem uninterested in pensions, and some may not read or request pension information, this does not mean that the concerns of those who are interested can be taken lightly

The findings suggest that business leaders should reassess their understanding of the information needs of their employees. The bulk of employees are very interested in their pension plan and are likely to become more so — with better articulated information needs — as they become more concerned with and move closer to their retirement period.

Table V-17

RATING OF REPORT ON PROVIDING VARIOUS KINDS OF INFORMATION
(Asked of those who have read last report)

Q.: And how would you rate the report in terms of telling you (ITEM) — is it excellent, pretty good, only fair, or poor?

(Number of respondents: [illegible])		Excellent	Pretty Good	Only Fair	Poor	Not Sure
How certain it is that you will really be paid your pension upon retirement	%	45	38	10	3	3
Whether you would be entitled to any benefits from your pension plan if you terminated work today	%	45	36	9	5	5
Whether your employer is making the necessary contributions to your pension plan	%	43	36	10	5	6
What the benefits are that you will receive upon your retirement	%	43	37	10	3	6
The current financial status of the plan	%	41	40	10	4	4
Whether the company, or the pension fund trustees, or a professional pension management company is handling the investments	%	36	31	12	7	14
Where the pension funds are being invested	%	35	28	13	12	11
What the return has been on investments	%	34	40	11	7	8

CHAPTER VI:
PENSION PLAN FUNDING

The Amount of Pension Plan Funding

Of many issues surrounding pension and pension plan reform, none has been more hotly debated than the question of funding and unfunded liabilities. This chapter will examine the business community's attitudes toward pension plan funding and toward the much-publicized question of unfunded pension liabilities. The findings here do not reveal the extent to which unfunded pension liabilities are or are not a problem — that is a task best left to pensions experts. But they do provide an objective assessment of business leaders' concerns about pension funding and their reactions to the problem of unfunded pension liabilities.

Certainly one of the reasons that pension funding has received so much public attention in recent times is that pension funds account for an enormous portion of the nation's investment capital. The amount of capital that currently backs the nation's private pension systems has grown rapidly in the past ten years, is presently in excess of $300 billion, and by one estimate is expected to grow by at least 11% per year to $1 trillion by the late 1980's.

Twenty-five percent (25%) of the business leaders interviewed in our sample are employed by companies having pension plans with less than $10 million in total assets, 28% by companies having between $10 and $69 million in assets, 25% by companies having between $70 and $249 million in assets, and 22% by companies having total pension fund assets of $250 million or more.

On average, the companies in our sample contributed an annual amount equal to 11.1% of their payroll costs. Company contributions to employees' pension plans as a percentage of total payroll costs vary only slightly with the size of the company, with larger companies contributing a slightly higher percentage.

Table VI-1

TOTAL ASSETS IN COMPANY'S PENSION PLAN
(Asked of business leaders)

Q. What are the approximate total assets of your company's employee pension plans (including profit sharing and employee thrift plans)?

(Number of respondents)	Total ([illegible]) %
Less than $10 million	25
$10 million to $69 million	28
$70 million to $249 million	25
$250 million or more	22

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Table VI-2

COMPANY'S ANNUAL PENSION PLAN CONTRIBUTION
(Asked of business leaders)

Q.: And what is your company's annual contribution to employee pension plans (including profit sharing and employee thrift plans), as a percentage of your total payroll costs?

		Number Of Employees		
(Number of respondents)	Total (193) %	2,000 Or Less (54) %	2,001 To 10,000 (61) %	More Than 10,000 (78) %
1-2%	4	6	2	2
3-4%	6	11	—	8
5-6%	14	15	17	11
7-8%	16	13	21	16
9-10%	16	17	21	12
11-12%	9	8	10	11
13-14%	8	4	3	16
15-16%	11	8	17	9
17-18%	4	4	5	4
19-20%	6	9	3	7
21-22%	3	—	—	5
23-25%	2	2	—	1
More than 25%	3	2	2	1
Not sure	2	4	—	—
Mean percentage	11 1	9 8	10 5	11 5

The Adequacy of Funding

As most business executives see it, their company's pension plans are well or at least adequately funded. In terms of the benefits that have been promised, 69% claim their company's plan is well funded, 29% claim it is adequately funded, and only 2% say their plan is underfunded.

Smaller companies are considerably more likely to feel their pension plan is well funded than larger companies. Still, not less than 95% of the executives interviewed within any company size grouping feel their plan is at least adequately funded.

Business leaders are clearly concerned about unfunded vested pension liabilities, though, as will be seen in the following section, they are not particularly alarmed. The results here show that companies with relatively high proportions of liabilities that are unfunded are more concerned about the adequacy of their company's pension fund than companies with smaller or no unfunded liabilities. For instance, among companies with between 1% and 25% of total vested liabilities unfunded, 72% claim their funds are well funded, but among companies with more than 25% vested liabilities unfunded, just 34% make the same claim. At the same time, it should be noted that only 5% in this latter group feel their company's pension plan is underfunded.

Table VI-3

ADEQUACY OF PENSION PLAN'S FUNDING
(Asked of business leaders)

Q.: Let's talk about funding for a minute. Would you say that your company's pension plan is well funded, adequately funded, or somewhat underfunded, in terms of the benefits that have been promised?

		Number Of Employees			Unfunded Vested Liabilities		
	Total	2,000 Or Less	2,001 To 10,000	More Than 10,000	None	1% To 25%	More Than 25%
(Number of respondents)	(210)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	(44)
	%	%	%	%	%	%	%
Well funded	69	82	58	67	83	72	34
Adequately funded	29	18	37	30	16	25	61
Underfunded	2	—	3	4	—	3	5
Not sure	*	—	2	—	1	—	—

*Less than 0.5%

Unfunded Pension Liabilities

Fifty-six percent of the companies in our sample have some portion of their vested pension liabilities that is unfunded and 44% do not. Thirty-four percent of the firms have unfunded vested liabilities amounting to 25% or less of their total vested liabilities. 17% have unfunded vested liabilities of between 26% and 50% of total vested liabilities. and 4% have unfunded vested liabilities that account for more than half of their total vested liabilities.

Unfunded vested liabilities occur least frequently among smaller companies Sixty-three percent of the firms interviewed with 2.000 employees or less report no unfunded vested liabilities. while the same claim is made by a smaller 41% of firms with between 2.000 and 10.000 employees. and 33% among firms with more than 10,000 employees Also, the percentage of unfunded vested liabilities is lowest for companies whose total plan assets are less than $10 million. and second lowest among firms with relatively large pension funds of $250 million or more. The highest incidences of companies with unfunded vested pension liabilities. and of companies with the highest percentages of unfunded vested liabilities. are found among companies whose pension plan assets are in the middle range of between $10 and $249 million

Table VI-4

PERCENTAGE OF COMPANY'S UNFUNDED VESTED PENSION LIABILITIES
(Asked of business leaders)

Q.: What percentage of your company's vested pension liabilities are unfunded?

		Number Of Employees			Pension Plan Assets			
(Number of respondents)	Total ([illegible])	2,500 Or Less ([illegible])	2,501 To 10,000 ([illegible])	More Than 10,000 ([illegible])	Less Than $10 Million ([illegible])	$10 Million To $50 Million ([illegible])	$50 Mill'on To $249 Million ([illegible])	$250 Million Or More ([illegible])
	%	%	%	%	%	%	%	%
None	44	63	41	33	67	38	29	40
1-25%	34	22	37	41	24	35	39	42
26-50%	17	13	14	21	8	20	24	13
51-75%	2	2	2	4	—	2	6	2
76-100%	2	—	6	1	—	5	2	2

There is a considerable concern about unfunded pension liabilities within the business community. Unfunded pension liabilities — understood to be the accumulated costs of all prior service not yet funded — are believed to be a major problem afflicting private pensions in this country by 27% of the business leaders interviewed. Another 61% believe unfunded pension liabilities are a minor problem, and just 8% say they are not a problem at all.

More than anything, executives who feel unfunded pension liabilities are a major problem are concerned about the danger of future financial difficulties (13%) and that the benefits for employees are not secure (11%). More than 6 out of 10 executives feel that unfunded pension liabilities present only a minor problem. This is because, they feel, most pensions are adequately funded (28%), and the liability will be worked out in time (16%). Eleven percent feel the problem has been inflated. Finally, the consensus among those who do not view unfunded liabilities as a problem is that most pensions are currently adequately funded and that the liability will be worked out in time.

Table VI-5

WHETHER UNFUNDED PENSION LIABILITIES ARE A PROBLEM
(Asked of business leaders)

Q.: In the past few years, unfunded liabilities have received a considerable amount of attention. Generally, do you think unfunded pension liabilities are a major problem afflicting private pensions in this country today, a minor problem, or not at all?

(Number of respondents)	Total (212)
	%
A major problem	27
A minor problem	61
Not a problem at all	8
Not sure	3

Table VI-6

UNFUNDED PENSION LIABILITIES
(Asked of business leaders)

Q Why do you feel that unfunded pension liabilities are

(Number of respondents: 212)	A Major Problem %	A Minor Problem %	No Problem At All %
Companies have obligations larger than assets	8	3	—
Danger of future financial difficulties	13	1	—
Benefits not secure no guarantee employee will get benefits	11	4	—
Because of inflation	3	1	—
PBGC plan obligation	*	—	—
Most pensions are adequately funded	1	28	2
Liability will be worked out in time	...	16	3
ERISA guarantee insurance lessens liability	*	6	1
Problem has been inflated	*	11	2
Amount of unfunded liabilities is not great		8	1
All other	-	--	—
Not sure		..	—

[illegible]

More than half the leaders interviewed say unfunded pension liabilities are a concern for their company. Unfunded pension liabilities are a major concern for 16% of the companies included in the sample, a minor concern for 38%, and not a concern at all for 45%.

Predictably, the larger a company's unfunded vested liability, measured as a percentage of total vested liabilities, the greater the concern about unfunded liabilities. A sizeable 40% of those in firms with more than 25% vested liabilities unfunded say that such liabilities are a major concern. Unfunded liabilities are a minor concern to another 42% of the executives in this grouping. Interestingly, even among companies that claim to have no unfunded vested liabilities, 35% are somewhat concerned about the unfunded liability problem.

Observation:

A company's ability to meet its future pension obligations and the significance of the unfunded liability problem are extremely complex issues that rest on a number of economic contingencies and actuarial assumptions and which lie beyond the scope of this report. However, it is clear that unfunded pension liabilities are a problem of some concern to the American business community. Business leaders are not alarmed — many feel the problem has been overblown and that the liabilities will be reduced by better investment performance and amortization over a number of years. But a sizeable percentage are worried about the effects of unfunded pension liabilities upon their own company.

If anything, the results point to a stark inconsistency between what the media implies is a seemingly imminent crisis facing pension plan beneficiaries and the more restrained views of the business community. It behooves pensioners, experts, government regulators, and the business community to further examine the perceived problems associated with

unfunded pension liabilities, and to provide a clearer perspective on what effect those perceived problems may have on the financial stability of American business and the economic security of future retirees.

Table VI-7

CONCERN TO COMPANY WITH UNFUNDED PENSION LIABILITIES
(Asked of business leaders)

Q.: Would you say that unfunded pension liabilities are a major concern for your company, a minor concern, or not a concern at all?

		Unfunded Vested Liabilities		
(Number of respondents)	Total (211) %	None ([illegible]) %	1% To 25% ([illegible]) %	More Than 25% ([illegible]) %
Major concern	16	7	13	40
Minor concern	38	23	54	42
Not a concern	46	68	33	19
Not sure	1	2	—	—

Attitudes Toward Socially Desirable Investment Policies

Another concern that has received considerable public attention recently has been the question of whether or not pension funds should be invested to achieve political or social goals as well as economic goals.

By 66-19%, business leaders feel pension funds should be invested wherever they bring the largest return, regardless of the social policies of the companies or countries in which they might be invested.

Employees covered by private pension plans are nearly evenly split on the issue. This question was asked of pension plan participants in two stages. First, they were asked, "Which do you think — that pension funds should not be invested in companies or countries with socially undesirable policies, or funds should be invested wherever they bring the largest return?" In response, 41% favor investing funds wherever they bring the largest return, while a 47% plurality feel that funds should not be invested in companies or countries with socially undesirable policies.

Next, respondents who felt pension funds should not be invested in certain companies or countries were asked whether they would still favor withholding such investments if it meant a lower return on the investments, which would in turn mean lower pension benefits for them. Here a surprisingly high 84% claim they would still favor withholding investments from socially undesirable companies or countries, and only 9% alter their view, with 6% not sure. This leaves a total of 38% who support socially desirable funding policies, and 45% who feel funds should be invested wherever they bring the largest return.

Observation:

The question of socially desirable funding policies is a latent but potentially powerful issue that may become more publicly salient in the future. A substantial minority of those covered by private pensions — people likely to be hurt by poor investment performance — are strongly opposed to investing pension funds in companies or countries with socially unde-

sirable policies. Even if it meant lower benefits for them, the overwhelming majority of this group would still favor withholding investments from certain companies or countries. Though it is unlikely that there will be across-the-board demands for socially desirable funding policies, business leaders should not be surprised to encounter sporadic instances of stiff opposition to investing in companies or countries whose policies are particularly antithetical to various subgroups in the population.

Table VI-8

WHETHER PENSION FUNDS SHOULD BE INVESTED IN COMPANIES OR COUNTRIES WITH SOCIALLY UNDESIRABLE POLICIES

(Asked of employees covered by private pension plans and of business leaders)

Q.: Some people feel that pension funds should not be invested in companies or countries that practice certain types of socially undesirable policies, like Rhodesia. Others feel that pension funds should be invested wherever they will bring the largest return, regardless of the policies of the companies or countries. Which do you think — that pension funds should not be invested in companies or countries with socially undesirable policies, or funds should be invested wherever they bring the largest return?

Q.: How do you feel about where pension funds should be invested — that pension funds should be invested wherever they bring the largest return, or that funds should not be invested in companies or countries with socially undesirable policies?

(Number of respondents)	Private Pension Plan Participants (983) %	Total Business Leaders (287) %
Fund should not be invested in companies/countries with socially undesirable policies	47	19
Funds should be invested wherever they bring the largest return	41	66
Not sure	12	15

Table VI-9

WHETHER FAVOR WITHHOLDING INVESTMENT FROM CERTAIN COMPANIES OR COUNTRIES IF WOULD RESULT IN LOWER BENEFITS

(Asked of employees who believe funds should not be invested in companies or countries with socially undesirable policies)

Q Suppose not investing in certain companies or countries meant there would be a lower return on investments that could mean lower benefits to you In this case, would you still favor withholding investments from certain companies or countries, or not?

(Number of respondents)	Total (270) %
Would still favor withholding investments	84
Would not still favor withholding investments	9
Not sure	6

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CHAPTER VII:

PRIVATE PENSIONS: SOME POLICY CONSIDERATIONS

Employees' and Retirees' Attitudes on Characteristics of Pension Plans

Current and retired employees have some strong ideas about the importance of various features of a pension plan. So too does the business community, and more often than not the two groups have notably different views.

Respondents were asked about the importance of several characteristics of pension plans, including survivor benefits, portability, the right to receive vested benefits, benefit guarantees, the provision of enough income to maintain an acceptable standard of living after retirement, and the provision of benefits that go up with the cost of living.

To current and retired employees, by far the most important of these characteristics is that the plan have benefits that go up with the cost of living. A significant 66% list this pension plan characteristic as extremely important, and another 27% call it very important. Current and retired employees are also deeply concerned about being able to receive the benefits for which they are eligible, regardless of pension fund investment performance. Sixty-one percent feel this is an extremely important characteristic to have in their plan. Also high on the list is the provision of survivor benefits, mentioned as extremely important by 56% of those interviewed. Other features are of less, but still considerable importance to people in the group. They would prefer a plan that provides enough money for them to maintain the same standard of living as before retirement (47% extremely important), a plan that permits them to collect vested benefits if they leave work before retirement (43%), and a plan that permits them to transfer accrued benefits to another pension plan if they change employers (39%).

When asked which two or three of these features are most important to have in their plan, current and retired employees most frequently mention cost of living benefits (58%) and the provision of enough money to maintain a pre-retirement standard of living (46%), followed by survivor benefits (38%) and benefits that are guaranteed regardless of fund investment performance (33%).

Demands for pension benefits that increase with inflation and the cost of living are likely to get stronger and louder in the future. Among retirees who receive company or union pension benefits, just 30% say they have received cost of living increases and 66% say they have not. Moreover, among those who receive cost of living benefits, nearly one third (30%) received their last cost of living increase between one and five years ago.

Observation:

[illegible] pension plans with cost of living provisions are [illegible] and the 30% of pension plan beneficiaries who claim their plan contains such a provision is somewhat suspicious (Table VII 3). It seems [illegible] that many respondents on the question were referring to [illegible] they have received in their benefit check rather than [illegible] cost of living [illegible]

Table VII-I

IMPORTANCE OF VARIOUS PENSION PLAN CHARACTERISTICS
(Asked of current and retired employees)

Q.: I'm going to read several characteristics of pension plans. For each, please tell me how important you think it is that a pension plan have that characteristic — extremely important, very important, only somewhat important, or not important at all.

(Number of respondents: 1981)	Extremely Important %	Very Important %	Somewhat Important %	Not Important %	Not Sure %
That your pension benefits will go up as the cost of living goes up	66	27	5	1	1
That you are guaranteed to receive the pension benefits you are eligible for, regardless of what happens to the pension fund investments made over the years you have been working	61	31	4	1	3
That your pension provides survivor benefits for your spouse in case you die	56	27	7	7	2
That your pension provides enough money for you to maintain the same standard of living as before your retirement	47	37	13	3	1
Once you have qualified for some pension benefits with a particular employer, that you are able to collect these benefits when you retire, even if you work for another employer before retirement	43	36	11	5	5
Once you have qualified for some pension benefits with a particular employer, that you are able to transfer those benefits to another pension plan if you change employers	39	35	13	8	5
That your pension provides less money than when you worked, but enough for you to maintain an acceptable standard of living	32	40	17	6	5

Table VII-2

MOST IMPORTANT PENSION PLAN CHARACTERISTICS
(Asked of current and retired employees)

Q.: And which two or three of these characteristics I've just read would you say are the most important to have in your pension plan?

(Number of respondents)	Total ([illegible]) %
That your pension benefits will go up as the cost of living goes up	58
That your pension provides enough money for you to maintain the same standard of living as before your retirement	46
That your pension provides survivor benefits for your spouse in case you die	38
That you are guaranteed to receive the pension benefits you are eligible for, regardless of what happens to the pension fund investments made over the years you have been working	33
That your pension provides less money than when you worked, but enough for you to maintain an acceptable standard of living	16
Once you have qualified for some pension benefits with a particular employer, that you are able to collect those benefits when you retire, even if you work for another employer before retirement	16
Once you have qualified for some pension benefits with a particular employer, that you are able to transfer those benefits to another pension plan if you change employers	15
None	*
Not sure	2

*Less than 0.5%

Table VII-3

WHETHER PENSION HAS COST-OF-LIVING INCREASE PROVISION*
(Asked of retired employees receiving company or union pension benefits)

Q.: Does your pension have a provision to have the benefits increase as the cost of living increases, or not?

(Number of respondents)	Total (169) %
Has provision	30
Does not have provision	66
Not sure	4

*[illegible]

Table VII-4

TIME OF LAST INCREASE
(Asked of retired employees who have received an increase from company or union plan)

Q.: When was the last time you received an increase — within the last 6 months, 6 months to a year ago, 1 to 5 years ago, or more than 5 years ago?

(Number of respondents)	Total (91) %
Within the last 6 months	33
6 months to 1 year ago	30
1 to 5 years ago	30
More than 5 years ago	3
Not sure	—

Business Leaders' Attitudes on Desirable Characteristics of Pension Plans

Business leaders consider cost of living benefits to be far less important than do current and former employees. Only 13% of the leaders feel that having pension benefits that go up as the cost of living goes up is an extremely important characteristic of a pension plan. Thirty-eight percent rate this characteristic very important, but a sizeable 47% say it is either only somewhat important or not important at all. Also, while this feature ranks 1st in importance among the employee group, it ranks only 5th among business leaders.

The leaders interviewed feel it is important that an employee be guaranteed the benefits he is eligible for regardless of investment performance (46% extremely important), and that once the employee has qualified for benefits, he will be able to collect them when he retires even if he has changed jobs before retirement (46%).

Somewhat surprisingly, business leaders share the employee concerns about survivor benefits, rated extremely important by 43% of those interviewed. But business leaders and current and retired employees are again at odds on the question of the amount of money that should be provided through a pension. Business leaders would prefer that a pension provide less money to a retiree than when he worked, but enough for him to maintain an acceptable standard of living (35%). However, the employee and retiree group would prefer that a pension provide enough money for the retiree to maintain the same standard of living as before retirement, a feature that is listed as extremely important by only 11% of the business leaders interviewed.

Lastly, portability has a relatively low priority among current and retired employees though it is felt to be extremely important by a substantial minority (39%). It also receives a low priority in the business community, where it is perceived to be extremely important by a significantly lower 8%.

Observation:

It [illegible] interesting to note that [illegible] leaders feel it is important for [illegible] pension plan to have a [illegible] benefits. Making such a [illegible] under consideration by Congress as part [illegible] ERISA [illegible] [illegible]

as a mandatory part of a pension plan are two entirely different matters, and the results here simply do not permit an assessment of business's position on the matter. As for employees, it is clear that they feel survivor benefits are a matter of great importance.

The most important issue for employees, however, is the problem of inflation. As it is currently planned, the ERISA Improvements Act does not deal with inflation or address employee demands for benefits that increase with inflation and the cost of living. Yet the problem is not going to go away; in fact, it is likely to become the number-one source of difficulties for pensions in the years ahead. Business leaders are also deeply concerned about inflation. Though they claim that cost of living benefits are relatively unimportant features of pension plans, this is not because they feel they are unimportant per se. Rather, they are worried about the costs that cost of living benefits would entail.

Unless the public debate is turned more directly to the problem and unless efforts are taken to help future retirees successfully combat inflation, the problems being addressed by the ERISA Improvements Act will seem small compared to what lies ahead.

Table VII-6

BUSINESS LEADERS' PERCEPTIONS OF IMPORTANCE OF VARIOUS CHARACTERISTICS OF PENSION PLANS
(Asked of business leaders)

Q: I'm going to read several characteristics of pension plans. For each, please tell me how important you think it is that a pension plan have that characteristic -- extremely important, very important, only somewhat important, or not important at all.

(Number of respondents: 212)	Extremely Important	Very Important	Only Somewhat Important	Not Important	Not Sure
That the employee is guaranteed to receive the pension benefits he is eligible for regardless of what happens to the pension fund over time [illegible]	[illegible]	[illegible]	[illegible]	3	3
[illegible] the employee has qualified for some pension benefits [illegible] able to collect those benefits [illegible] for another [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
That the pension provides survivor benefits [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
That the pension provides less money to the retiree than when he worked but enough for [illegible] living	[illegible]	[illegible]	8	[illegible]	1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
That the pension [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Calculating and Distributing Retirement Income

Findings throughout this survey show that there is a small but substantial minority of current and retired employees who feel that retirement income should be based on an individual's need regardless of how much he or she made before retirement. When asked directly, 28% of the current and retired employees and 5% of business leaders believe that retirement income should be based on need. However, 58% of the public and an overwhelming 90% of business leaders feel that retirement income should be based on the amount of money made and the amount of time worked before retirement.

Table VII-6

PREFERENCES FOR RETIREMENT INCOME ELIGIBILITY REQUIREMENTS
(Asked of current and retired employees and of business leaders)

Q. When someone retires, do you think their retirement income should be based on the amount of money they made and how long they worked before retirement, or on their need, regardless of how much they made before retirement?

	Total Current And Retired Employees	Total Business Leaders
(Number of respondents)	(1694)	(210)
	%	%
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	
[illegible]		[illegible]
[illegible]		

[illegible] current and retired employees would prefer a plan that gave [illegible] money to a smaller number of people who have longer service [illegible] amount of money to as many [illegible] in this regard with [illegible] a smaller number with longer service.

Observation:

[illegible]

Table VII-7

PREFERRED DESIGN OF PENSION PLAN
(Asked of current and retired employees and business leaders)

Q In terms of government policy toward pension plans, do you think pensions should be designed to give a small amount of money to as many people as possible, or to give an adequate amount of money to a smaller number of people who have longer service with an employer?

(Number of respondents)	Total Current And Retired Employees ([illegible])	Total Business Leaders ([illegible])
	%	%
Give a small amount to many	27	6
Give an adequate amount to a smaller number who have longer service	48	79
It depends	15	12
Not sure	11	[illegible]

When it comes to the trade-off between small pension benefits that are guaranteed and larger benefits which are not guaranteed, both current and retired employees and business leaders would opt for a plan with guaranteed but small benefits

By 75-6%, current and retired employees say they would rather have a pension plan that provides smaller benefits they are guaranteed to get, rather than a plan with larger benefits that are not guaranteed. Fifty percent of the leaders interviewed have an accurate understanding of their employees' preferences in this regard, while 33% feel that a majority of their employees would prefer a plan with larger, unguaranteed benefits

A plan with small, guaranteed benefits is also the type of plan preferred by business leaders for their company. Fifty-two percent say they would prefer such a plan, compared with 27% who would prefer a plan having larger unguaranteed benefits. Preferences for plans with small, guaranteed benefits are strongest among smaller firms, though nearly half the leaders interviewed would prefer such plans, regardless of the number of workers employed by their firm

Table VII-8.

PREFERENCE FOR PLAN WITH GUARANTEED SMALL BENEFITS OR UNGUARANTEED LARGER BENEFITS
(Asked of current and retired employees and of business leaders)

Q.: And would you rather have a pension plan that provides small benefits that you are guaranteed to get, or a plan that provides larger benefits that you are not guaranteed to get?

Q.: Which do you think a majority of your employees would prefer — a plan with guaranteed small benefits, or a plan with non-guaranteed larger benefits?

(Number of respondents)	Total Current And Retired Employees (1898)	Total Business Leaders (212)
	%	%
Small benefits	75	50
Larger benefits	6	33
It depends (vol.)	8	7
Neither (vol.)	7	5
Not sure	4	5

Table VII-9

PREFERENCE BETWEEN PENSION PLAN THAT GUARANTEES SMALL BENEFITS OR LARGER BENEFITS NOT GUARANTEED
(Asked of business leaders)

Q.: And would you rather have a pension plan for your company that provides small benefits that employees are guaranteed to get, or a plan that provides larger benefits that employees are not guaranteed to get?

		Number Of Employees		
(Number of respondents)	Total (211)	2,000 Or Less (82)	2,001 To 10,000 (65)	More Than 10,000 (64)
	%	%	%	%
Small benefits	52	56	54	48
Larger benefits	27	19	25	33
It depends (vol.)	7	6	8	6
Neither (vol.)	12	16	11	11
Not sure	2	2	3	2

Integrated Benefit Formulas

Integrated benefit formulas, by which the amount a person will receive from Social Security is taken into account when determining the size of his pension benefits, are met with opposing views by business leaders and current and retired employees. By 77-22%, a majority of business leaders feel that Social Security benefits should be taken into account when determining the size of a pension benefit. But by 55-37%, a majority of current and retired employees believe that Social Security benefits should not be taken into account. This view is held more strongly by those covered by private and public pension plans.

Table VII-10

ATTITUDES TOWARD INTEGRATED BENEFIT FORMULAS
(Asked of current and retired employees and of business leaders)

Q When the size of the benefit that a person will receive from a pension plan is being [illegible] do you think the amount they will receive from Social Security should be taken into account or not?

(Number of respondents)	Total Current And Retired Employees (1699)	Pension Plan Coverage: Private Plan (992)	Pension Plan Coverage: Public Plan (230)	Pension Plan Coverage: Not Covered (467)	Total Business Leaders (212)
	%	%	%	%	%
[illegible]	[illegible]	35	28	39	77
[illegible]	55	60	67	53	22
[illegible]	8	5	5	7	1

Portability

[illegible] have mixed views as to how their pension benefits should be [illegible] before retirement, but they clearly do not favor transferring [illegible] government held account. A narrow 34% plurality feel that their accrued benefits [illegible] be kept in their original pension plan and the benefits paid out when they [illegible] would prefer that the money be transferred to a separate account of their own [illegible] IRA and paid to them when they retire. An almost equal 29% would prefer that the money be transferred to their new pension plan.

[illegible] almost evenly on these three proposals, they are virtually [illegible] of support for the idea of having their benefits held by the federal government [illegible] retirement. Only 2% indicate a preference for this proposal.

A [illegible] among the business community, where 72% would prefer [illegible] original pension plan and paid out when the employee [illegible] the greater the assets in a company's pension plan [illegible] this alternative. Among firms with pension plans [illegible] small but substantial minority (27%) would [illegible] who leaves work before retirement be [illegible] IRA. Still a 55% majority of those with under [illegible] that the money be kept in the original [illegible]

Table VII-11

PREFERRED MEANS OF MAINTAINING BENEFITS IF CHANGE JOBS
(Asked of business leaders and those covered by private pension plans)

Q. When you change jobs, there are several possible ways to maintain the pension benefits you have earned. Which one of the ways on this card would you prefer to be used to maintain your benefits if you change jobs?

Q. As you know, when employees change jobs, there are several possible ways to maintain the pension benefits they have earned. Which one of the ways on this card would you prefer to be used to maintain employees' benefits if they change jobs?

	Current Employees Covered By Pension Plan	Business Leaders	Pension Plan Assets			
		Total	Less Than $10 Million	$10 Million To $69 Million	$70 Million To $249 Million	$250 Million Or More
(Number of respondents)	([illegible])	(208)	([illegible])	([illegible])	([illegible])	([illegible])
	%	%	%	%	%	%
[illegible]	34	72	55	75	76	80
[illegible]	31	14	27	13	10	9
[illegible]	29	11	12	11	12	7
[illegible]	2	1	2	--	--	2
Not sure	5	2	4	2	2	2

Contributions and Individual Retirement Accounts

[illegible] employees were asked whether they would favor a change in the [illegible] permit employees to contribute to pension plans at work and [illegible] from federal taxes until they retire. Nearly half (49%) would [illegible] the pension law while 28% disapprove of the change. Seventeen [illegible]

[illegible] support in the business community, where 89% say [illegible] tax deductible employee contributions to pension [illegible] considering this proposal is that the [illegible] own contribution to the employee's [illegible] interviewed do not favor making such [illegible] employers do not see the law as a way to [illegible] pension plans

Table VII-12

APPROVAL OF LAW PERMITTING EMPLOYEE CONTRIBUTION TO PENSION PLANS
(Asked of current and retired employees)

Q.: Right now Congress is considering new laws that would permit employees to contribute to pension plans at work and deduct their contribution from federal taxes until they retire. The advantage of this measure is that it would permit employees to save more for retirement than they are saving now without paying full taxes on the money. The disadvantage is that the employer might expect the employee to pay more than he is paying now, so that the employer can reduce his own contribution. In general, would you approve or disapprove of such a law?

(Number of respondents)	Total (1667) %
Approve	49
Disapprove	28
Neither	6
Not sure	17

Table VII-13

BUSINESS LEADERS' ATTITUDES TOWARD PLAN TO PERMIT EMPLOYEES TO DEDUCT CONTRIBUTIONS TO PENSION PLAN FROM INCOME TAX
(Asked of business leaders)

Q.: Right now Congress is considering new laws that would permit employees to contribute to pension plans at work and deduct their contribution from federal taxes until they retire. In general, would you approve or disapprove of such a law?

(Number of respondents)	Total (212) %
Approve	89
Disapprove	11
Not sure	*

*Less than 0.5%

Table VII-14

BUSINESS LEADERS' ATTITUDES TOWARD MANDATORY EMPLOYEE CONTRIBUTIONS TO PENSION PLAN
(Asked of business leaders)

Q. If such deductions were permitted would you favor making employees' contribution mandatory to help cover the cost of providing pension benefits or not?

(Number of respondents)	Total (211) %
Would favor	23
Would not favor	75
Not sure	2

Another piece of legislation being considered would permit employees who are covered by a company or union pension plan to also put the money into their own Individual Retirement Account. The money would be exempt from taxes until retirement.

Such a change in the pension law would be welcomed by current pension plan participants. Thirty-one percent of those currently covered by a private pension plan say they would be very likely to contribute to their own retirement account and another 29% would be somewhat likely to do so. Thirty-one percent say they would be unlikely to open a retirement account in addition to their company pension.

The law would also be welcomed in the business community. Eighty-eight percent of the leaders interviewed say they would approve of such a law while only 9% would disapprove.

Observation:

Both the business community and employees are strongly in favor of employee contributions to pension plans. These include contributions to company plans at work and contributions to individual plans in addition to the employees' company plans. Permitting such contributions would seem to be an excellent way of helping today's employees fight the financial pressures they will face when they retire.

Table VII-15

LIKELIHOOD OF OPENING PERSONAL RETIREMENT ACCOUNT IN ADDITION TO EMPLOYER OR UNION PLAN

(Asked of current employees covered by private pension plan)

Q: Suppose the pension law were changed, and, in addition to your employer or union pension plan, you would be able to put some of your income into your own retirement account. You would pay no taxes on the money that you contribute but you would pay taxes on the money you would receive after you retire. If the pension law were changed in this way, how likely would you be to open your own retirement account — very likely, somewhat likely, somewhat unlikely, or very unlikely?

(Number of respondents)	Pension Plan Participants Total (892) %
Very likely	31
Somewhat likely	29
Somewhat unlikely	12
Very unlikely	19
Depends	4
Not sure	5

Table VII-16

BUSINESS LEADERS' ATTITUDES TOWARD PERMITTING BOTH PENSIONS AND TAX SHELTERED IRAs (Asked of business leaders).

Q. Suppose the pension law were changed and, in addition to their employer or union pension plan, employees would be able to put some of their income into their own retirement account. They would pay no taxes on the money that they contribute but would pay taxes on the money they would receive after retirement. In general, would you approve or disapprove of such a change in the pension law?

(Number of respondents)	Total (212) %
Approve	88
Disapprove	9
It depends (vol.)	3
Not sure	*

*Less than 0.5%

Private Pensions: Defined Benefit or Defined Contribution

After hearing a description of a defined benefit plan and a defined contribution plan, current and retired employees were asked to rate the plans and indicate which they would prefer to be covered by. In looking at the following tables, it should be understood that the results indicate little more than their initial reaction to the various advantages and disadvantages of each plan and are not strongly held attitudes. Concepts such as defined benefit plan and defined contribution plan are complex and relatively unknown to the public, and one cannot expect to receive a well-thought-out response. Nevertheless, the results do provide a useful assessment of the gut reactions of current and retired employees to each funding formula.

After hearing the advantages and disadvantages of both types of plans, respondents are more favorably inclined toward defined benefit plans than defined contribution plans. Defined benefit plans receive a 49-41% positive rating, while defined contribution plans receive a 51-38% negative rating. And by 45-33% the working public and retirees in the sample would prefer to have a defined benefit plan over a defined contribution plan.

Table VII-17

RATING OF "DEFINED BENEFIT PLAN"
(Asked of current and retired employees)

Q.: There are several ways that employers can provide retirement income to their employees. In one of the ways, called a "**defined benefit plan,**" the benefit that employees will get when they retire is set in advance, and the employer uses statistical estimates to determine how much to contribute to the pension fund each year. The advantage of this plan is that the employees know how much, in dollars, they are going to receive when they retire regardless of investment losses. The disadvantage is that the employee does not get any additional benefits from good investment results. In general, how does this type of plan sound to you — excellent, pretty good, only fair or poor?

(Number of respondents)	Total (1890) %
Excellent	9
Pretty good	39
Only fair	32
Poor	9
Not sure	10
Positive	49
Negative	41

Table VII-18

RATING OF "DEFINED CONTRIBUTION PLAN"
(Asked of current and retired employees)

Q.: In another type of plan, called a "**defined contribution plan,**" the employer's yearly contribution to the pension fund is set in advance as a percentage of the employee's pay. The employer puts the money into an individual account for the employee, and when the employee retires he receives all the money in the account including investment results. The advantage of this plan is that the employee has a separate account of his own, and he can benefit from good investment results. The disadvantage is that the investment results may be poor or the benefits are likely to be smaller than in other plans, because if an employee's salary is small when he first starts working, or if he enters the plan at an older age, only a small contribution will be made to the account. In general, how does this type of plan sound to you — excellent, pretty good, only fair or poor?

(Number of respondents)	Total (1890) %
Excellent	[illegible]
Pretty good	[illegible]
Only fair	[illegible]
Poor	[illegible]
Not sure	[illegible]
Positive	[illegible]
Negative	[illegible]

Table VII-19

WHETHER PREFER "DEFINED BENEFIT PLAN" OR "DEFINED CONTRIBUTION PLAN"
(Asked of current and retired employees)

Q.: Now, of the two plans I have read — the defined benefit plan and the defined contribution plan — which type of plan would you personally prefer to have?

(Number of respondents)	Total ([illegible])
	%
Defined benefit plan	45
Defined contribution plan	33
Neither	9
Not sure	14

Employers feel much more strongly than employees about the advantages of defined benefit plans for employees. By 73-15%, employers feel that a defined benefit plan is better for employees than a defined contribution plan.

However, employers are not quite as certain about which type of plan is better for their company. Forty-nine percent feel a defined benefit plan would be best for their company, while 41% have the same view about defined contribution plans.

Table VII-20

WHETHER A DEFINED BENEFIT PLAN OR A DEFINED CONTRIBUTION PLAN IS BETTER FOR EMPLOYEES
(Asked of business leaders)

Q.: What type of plan is better for employees — a defined benefit plan or a defined contribution plan?

(Number of respondents)	Total (211)
	%
Defined benefit	73
Defined contribution	15
Neither (vol.)	[illegible]
Not sure	9

Table VII-21

WHETHER A DEFINED BENEFIT PLAN OR A DEFINED CONTRIBUTION PLAN IS BETTER FOR COMPANY
(Asked of business leaders)

Q. And which is better for your company — a defined benefit or a defined contribution plan?

		Number Of Employees		
(Number of respondents)	Total (208)	2,000 Or Less (61)	2,001 To 10,000 (64)	More Than 10,000 (83)
	%	%	%	%
Defined benefit	49	51	44	52
Defined contribution	41	33	48	42
Neither (vol.)	2	3	--	4
Not sure	7	13	8	2

CHAPTER VIII:

EMPLOYEE CONTRIBUTIONS TO PENSION PLANS

Business Leader Outlook on Pension Costs

Inflation, demands for increased benefits, poor investment performance — all these are factors that are sure to push up pension costs in the future. Two out of every three executives interviewed say there is a strong possibility that their pension costs will increase as a percentage of pay in the future.

Regardless of the size of their firm, well more than half the business leaders feel there is a strong possibility of increased pension costs in the future. However, the chances for an increase in pension costs are highest among the largest firms, among whom 70% cite a strong possibility of increasing costs as a percentage of pay. It should be noted here that on average, the firms in the sample contribute an annual amount equal to 11.1% of payroll costs.

Part of the concern among business leaders about unfunded liabilities is fueled by the understanding that, barring dramatically improved investment results, pension costs will have to increase if liabilities are to decrease. Three out of every four leaders whose firms have more than 25% vested liabilities unfunded say there is a strong possibility of an increase in pension costs. A smaller but still substantial 58% say there is a strong possibility of increased costs among those whose pension funds have no unfunded vested liabilities.

Table VIII-1

POSSIBILITY OF PENSION COSTS INCREASING AS A PERCENTAGE OF PAY (Asked of business leaders)

Q.: What is the possibility that your pension costs will increase as a percentage of pay in the future — a strong possibility, a slight possibility, or no possibility at all?

		Number of Employees			Unfunded Vested Liabilities		
(Number of respondents)	Total (210) %	2,000 Or Less (61) %	2,001 To 10,000 [illegible] %	More Than 10,000 (84) %	None (99) %	1% To 25% (68) %	More Than 25% (44) %
Strong possibility	66	59	68	70	58	70	75
Slight possibility	28	31	26	27	30	28	25
No possibility at all	5	10	3	2	9	3	—
Not sure	1	—	3	—	2	—	—

Employee Willingness to Contribute to Pension Plans

Part of the solution to the projected increases in pension costs may lie with employees themselves. A surprisingly high 68% of those currently covered by pension plans say they would be willing to contribute or to contribute more than they do now, to a pension plan if it increased the benefits they would receive when they retire. Twenty-four percent say they would not be willing to make such contributions. Thus, in general, it may not be unrealistic to expect workers to begin to contribute more than they do now to their pension

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plan in exchange for increased benefits. Employee willingness to contribute to their pension plan rises to a high 71% among hourly wage workers who are currently covered by a private pension plan.

Business leaders greatly underestimate their employees' willingness to contribute to pension plans. Only 38% feel that a majority of their employees would be willing to contribute or to contribute more than they do now, while 54% feel a majority of their employees would not be willing.

Table VIII-2

WILLINGNESS TO CONTRIBUTE MORE TO PENSION PLAN FOR INCREASED BENEFITS

(Asked of employees covered by private pension plans and of business leaders)

Q. Generally would you be willing to contribute to, or to contribute more than you do now to a pension plan if it increased the benefits you receive when you retire, or not?

Q. Generally, do you think a majority of employees would be willing to contribute to, or to contribute more than they do now to your company's pension plan if it increased the benefits they receive when they retire, or not?

	Pension Plan Participants				
		Employment			
	Total	Hourly Wage Worker	Salaried	Self-Employed*	Total Business Leaders
(Number of respondents)	([illegible])	([illegible])	([illegible])	([illegible])	([illegible])
	%	%	%	%	%
Would be willing	68	71	66	63	38
Would not be willing	24	21	27	30	54
Not sure	8	8	8	7	3
Depends (vol.)	x	x	x	x	5

[illegible]
[illegible] of employees

Employee Willingness to Accept Smaller Pay Increases

Employees are much less willing to accept smaller pay increases in exchange for a larger pension than to make additional contributions to their plans—just 39% say they would be willing to take a smaller pay increase while 49% would not. Again, the greatest measure of willingness on this measure is found among hourly wage workers, who would be willing to accept smaller pay increases by a razor-thin margin of 46-45%.

Business leaders are much more attuned to their employees' attitudes toward accepting smaller pay increases than they are about attitudes toward increasing pension plan contributions. By 88 6%, most employers feel that a majority of their employees would not be willing to take small pay increases in order to get a larger pension

Table VIII-3

WILLINGNESS TO TAKE SMALLER PAY INCREASES FOR LARGER PENSION BENEFITS

(Asked of employees covered by private pension plans and of business leaders)

Q.. Would you be willing to take small pay increases in order to get a larger pension, or not?

Q Do you think a majority of employees would be willing to take smaller pay increases in order to get a larger pension, or not?

	Pension Plan Participants				
		Employment			
(Number of respondents)	Total ([illegible])	Hourly Wage Worker ([illegible])	Salaried ([illegible])	Self-Employed* ([illegible])	Total Business Leaders (212)
	%	%	%	%	%
Would be willing	39	46	36	26	6
Would not be willing	49	44	[illegible]	52	88
Not sure	11	10	11	22	1
Depends (vol.)	*	*	*	*	5

[illegible]

Benefits Desired in Exchange for Employee Contributions

More than anything, employees would be willing to increase their contributions to their pension plan if the plan provided benefits that increased with inflation and the cost of living (74-16% willing). By smaller margins, employees say they would be willing to increase contributions if their plan let them become eligible to receive benefits at an earlier age (61-27%), if the plan had a 100% guarantee that they would receive pension benefits (60-29%), and if the plan provided survivor benefits to their spouse (58-31%).

Business leaders underestimate their employees' willingness to contribute more to their pension plan on each of these potential plan provisions. The leaders are most closely attuned to the attitudes of their employees on the question of cost-of-living increases. Fifty percent of the leaders feel a majority of their employees would be willing to contribute to their plan in exchange for benefits that increase with the cost of living, while 32% feel a majority would not be willing to increase contributions for this provision. Only relatively small percentages of the leaders feel that employees would be willing to increase their contributions in exchange for any of the other provisions listed.

Table VIII-4

WILLINGNESS TO CONTRIBUTE MORE TO PENSION PLAN IF PENSION PROVIDED VARIOUS FEATURES
(Asked of employees covered by private pension plan and of business leaders)

Q.: And would you be willing to contribute to, or to contribute more than you do now, to your pension plan if your pension (ITEM), or not?

Q.: And would a majority of employees be willing to contribute to, or to contribute more than they do now to, their pension plan if their pension (ITEM), or not?

(Number of respondents)		Pension Plan Participants ([illegible])			Business Leaders ([illegible])			
		Willing	Not Willing	Not Sure	Willing	Not Willing	Already Provided (vol.)	Not Sure
Provided benefits that increased with inflation and the cost of living	%	74	16	10	50	32	5	13
Let them become eligible to receive benefits at an earlier age	%	61	27	11	28	36	31	5
Had a 100% guarantee that they would receive pension benefits	%	60	29	11	13	57	25	5
Provided survivor benefits to their spouse	%	58	31	11	18	30	48	4

Benefits Desired in Exchange for Smaller Pension Benefits

In addition to increasing their pension contributions in exchange for various changes in the benefits they will receive, employees say they would be willing to accept smaller pension benefits if their plan provided features such as benefits that increased with the cost of living, earlier benefit eligibility, survivor benefits, and a 100% guarantee of receiving benefits. In general, however, employees are more positively inclined to increase their own contributions in exchange for these provisions.

Again, employees say they are most willing to accept smaller benefits if their pension provided benefits that would increase with inflation and the cost of living. This notion is favored by current pension plan participants by 74-16%. Majorities also say they would be willing to receive smaller benefits if their plan let them become eligible to receive benefits at an earlier age (58-31% willing), and if their plan provided survivor benefits to their spouse (57-32%). Lastly, receiving smaller benefits in exchange for having a 100% guarantee of receiving benefits is favored by a narrow 45-39% plurality.

More than half of the business leaders (58%) are aware of their employees' willingness to receive smaller pension benefits in return for receiving benefits that increase with inflation and the cost of living. They are less positive, as are employees themselves, about employee willingness to accept smaller pension benefits in exchange for the other provisions listed. Also, early retirement benefits, survivor benefits, and guaranteed benefits are already provided by many of the firms interviewed.

Observation:

Certainly these findings should be approached with some caution. The difference between what people say they are willing to accept and what they are actually willing to accept can be considerable, particularly when it concerns their present and future income. However, if employees understand exactly how they will benefit in retired life, they are very likely to make

sacrifices today. Increased emphasis on employee contributions to pension plans may provide a way to ease the upward pressure on employers' pension costs while meeting the growing demands of retired workers.

Table VIII-5

WILLINGNESS TO RECEIVE SMALLER PENSION BENEFITS IF PENSION PROVIDED VARIOUS FEATURES

(Asked of employees covered by private pension plans and of business leaders)

Q.: Would you be willing to receive smaller pension benefits in the future if your pension (ITEM), or not?

Q.: Do you think a majority of employees would be willing to receive smaller pension benefits in the future if their pension (ITEM), or not?

(Number of respondents)		Pension Plan Participants ([illegible])			Business Leaders ([illegible])			
		Willing	Not Willing	Not Sure	Willing	Not Willing	Already Provided (vol.)	Not Sure
Provided benefits that increased with inflation and the cost of living	%	74	16	10	58	25	6	11
Let them become eligible to receive benefits at an earlier age	%	58	31	11	35	29	33	4
Provided survivor benefits to their spouse	%	57	32	11	26	19	53	2
Had a 100% guarantee that they would receive pension benefits	%	45	39	15	9	64	25	4

Business Leaders' Attitudes on Employee Contributions

It is interesting to note that while a majority of employees say they would be willing to contribute to their pension plan, most employers do not think they should be required to do so. Just 26% of the leaders interviewed say employees should be required to contribute to their pension plan, and 72% say they should not. Interestingly, nearly 3 of every 4 executives do not feel employees should be required to contribute to their plan.

Though a majority of leaders do not feel employees should be required to contribute, many would be willing to accept a plan with voluntary employee contributions. A total of 61% would prefer some type of employee-contribution: 22% would prefer a pension plan that required employee contributions; 39% would prefer a plan with voluntary employee contributions. Still, nearly 4 out of 10 (39%) would prefer a pension plan with no provision for employee contributions.

A desire for employee contributions is strongest among those from companies with 2,000 employees or less and those from companies with more than 10,000 employees.

Table VIII-6

EMPLOYER ATTITUDES TOWARD REQUIRING EMPLOYEE CONTRIBUTIONS TO PENSION PLANS

(Asked of business leaders)

Q.: Do you feel that your employees should be required to make a contribution to the plan, or not?

(Number of respondents)	Total ([illegible]) %
Should be required	26
Should not	72
Not sure	1

Table VIII-7

EMPLOYER PREFERENCES FOR EMPLOYEE CONTRIBUTIONS TO PENSION PLANS

(Asked of business leaders)

Q.. Generally, which would you prefer for your company — a pension plan that required employee contributions, a plan that called for voluntary employee contributions, or a plan with no provision for employee contributions?

		Number Of Employees		
(Number of respondents)	Total (211) %	2,000 Or Less ([illegible]) %	2,001 To 10,000 ([illegible]) %	More Than 10,000 ([illegible]) %
A pension plan that required employee contributions	22	21	27	19
A pension plan with voluntary employee contributions	39	44	28	44
A plan with no employee contributions	39	35	45	37
Not sure	—	—	—	—

Desirable Size of Contributions to Pension Plans

What percentage of their salary would employees be willing to contribute to their pension plans? Nearly 1 out of 3 (31%) are unsure, but of the remainder, 25% say they would be willing to contribute between 9% and 10%, 26% say they would be willing to contribute between 1% and 8%, and 12% say they would be willing to contribute more than 10% of their salary to their pension plan. The mean percentage that employees would be willing to contribute is 8.8%.

As has been shown by the foregoing data, most business leaders feel that employees should not be required to contribute to their plan. Among those who feel employees should contribute, however, the mean percentage that employers feel employees should contribute is 4%.

Table VIII-8

PERCENTAGE OF SALARY WILLING TO CONTRIBUTE TO PENSION PLAN
(Asked of employees covered by private pension plans)

Q: How much would you be willing to contribute to your pension plan, in terms of a percentage of your salary, so that you would have an adequate retirement income?

(Number of respondents)	Total ([illegible]) %
0%	5
1-2%	3
3-4%	2
5-6%	18
7-8%	3
9-10%	25
11-15%	5
16-20%	3
21-30%	3
31% and over	1
Not sure	31
Mean percentage	8.8

Table VIII-9

EMPLOYERS' ATTITUDE TOWARD PERCENTAGE OF SALARY EMPLOYEES SHOULD CONTRIBUTE TO PENSION PLAN
(Asked of business leaders)

Q: What [illegible] of their salary do you think employees should contribute to the plan?

(Number of respondents)	Total (209) %
[illegible]	72
[illegible]	5
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	

Lastly, many employees (33%) do not know what percentage of their salary their employer should contribute to their plan. Among those able to offer an opinion, however, the mean response is a high 14.3%. This is a full 3% higher than employers say they are now paying.

Table VIII-10

PERCENTAGE OF SALARY EMPLOYER SHOULD CONTRIBUTE TO PENSION PLAN

(Asked of employees covered by private pension plans)

Q.: And how much do you think your employer should contribute to your pension plan, as a percentage of your salary, so that you would have an adequate retirement income?

(Number of respondents)	Total (881) %
0%	1
1-2%	3
3-4%	2
5-6%	13
7-8%	3
9-10%	19
11-15%	6
16-20%	4
21-30%	1
31% and over	13
Not sure	33
Mean percentage	14.3

CHAPTER IX:

BUSINESS LEADERS' ATTITUDES TOWARD PENSIONS AND ERISA

Advantages and Disadvantages of Pension Plans to Companies

Business leaders are firmly committed to private pensions, seeing in them a number of important advantages for their companies. But at the same time, they are deeply concerned about growing pension costs and about the administrative complexity that they believe stems from increased government regulation.

More than anything else, business leaders feel that pensions are a powerful vehicle for attracting and retaining top quality employees. The chief advantage of a pension plan, according to the executives interviewed, is that it permits their company to compete with other companies for the best employees (54%). More than half (52%) feel that it provides a powerful incentive for employees to stay with the firm. Many employers cite the advantages of pensions to employees themselves. One out of three say the main advantage of a pension plan to the company is that it provides security and an orderly future for employees. In addition, 24% feel that it provides an important sense of security for both employees and employers.

But these plans are not without their disadvantages. A high 61% of the leaders cite [illegible] in an inflationary economy as the main disadvantage of a pension plan to their company. [illegible] the main disadvantage is the complexity of administration and paperwork. Similarly, [illegible] 22% the primary drawbacks of pension plans are the [illegible] placed upon them by government.

Table IX-1

ADVANTAGES OF PENSION PLAN TO COMPANIES
(Asked of business leaders)

Q. [illegible] company of a pension plan?"

(Number of respondents)	Total (212) %
[illegible]	[illegible]

Table IX-2

DISADVANTAGES OF PENSION PLAN TO COMPANIES
(Asked of business leaders)

Q.: And what would you say are the main disadvantages?

(Number of respondents)	Total (216)
	%
Increasing costs in an inflationary economy	61
Complexity of administration/paperwork	25
Government controls/restrictions (ERISA)	22
Startling costs but well spent, worth it	2
Mismanagement, increases in Social Security has effect on pension plans	*
All other reasons	13
None	14
Not sure	1

*Less than 0.5%

Pension Plan Terminations

One of the chief criticisms of the Employee Retirement Income Security Act of 1974 (ERISA) is that the law has significantly increased pension costs and created time-consuming administrative burdens that have resulted in the termination of thousands of plans. According to one source, at least 24,000 programs have been terminated since 1975. Proponents of ERISA argue that the law has had a favorable impact in this regard as it has resulted in terminations primarily among plans that were financially unsound to begin with. Critics argue that the law has done more to reduce the number of people covered by a plan than to prompt pension plan growth, as was originally intended.

Regardless of the merits of either argument, the results here show that the wave of terminations following ERISA has slowed to a trickle. It appears that most plans that were likely candidates for termination have been either already dropped or satisfactorily altered to comply with government regulations.

When asked whether their company has ever considered terminating its employee pension plan in the past ten years, just 5% acknowledge that it has, while 94% claim that they have not considered terminating their plan in the ten-year period. Pension plan terminations are most likely to have been considered by smaller firms. Thirteen percent of those with 2,000 or fewer employees say they have considered terminating their plan, while only 5% offer the same response among companies with between 2,000 and 10,000 employees, and none has considered termination among companies with more than 10,000 employees.

Among the 11 employers (5% of those interviewed) that have considered terminating their plan, 7 mention federal regulations or ERISA as the factor prompting their concern and 6 mention high costs. All 11, however, have decided to continue offering their plan to employees.

Table IX-3

TERMINATION OF PENSION PLAN
(Asked of business leaders)

Q. In the past ten years has your company ever considered terminating its employee pension plan, or not?

		Number Of Employees		
	Total	2,000 Or Less	2,001 To 10,000	More Than 10,000
(Number of respondents)	(212)	(83)	(65)	(64)
	%	%	%	%
Considered terminating	5	13	5	—
No, not considered	94	86	94	100
Not sure	1	2	2	—

Attitudes on ERISA

Overall, business leaders have a generally negative opinion of ERISA. Only 2% say they feel ERISA is an excellent law, 36% feel it is pretty good, 38% rate it only fair, and 23% say ERISA is a poor law. There is little differentiation in opinions toward ERISA among different sized firms. Roughly 6 out of 10 leaders interviewed give ERISA a negative rating regardless of the number of workers employed by their firm.

Table IX-4

ATTITUDES TOWARD ERISA
(Asked of business leaders)

Q. Let's talk about ERISA for a minute. Generally, do you feel that ERISA is an excellent, pretty good, only fair, or poor law?

		Number Of Employees		
	Total	2,000 Or Less	2,001 To 10,000	More Than 10,000
(Number of respondents)	(212)	(83)	(65)	(64)
	%	%	%	%
Excellent	2	5	2	1
Pretty good	36	30	40	37
Only fair	38	35	38	39
Poor	23	25	20	23
Not sure	1	-	-	-

Though business leaders are generally negative on ERISA, their views are mixed on the law's specific provisions. For instance, by an overwhelming 90-10%, business leaders approve of the vesting requirements mandated by ERISA. They are also strongly positive in their view of ERISA's pension eligibility requirements (78-20% positive), joint and survivor benefits (87-10%), and IRA and Keogh Plan provisions (85-8%).

Somewhat surprisingly, in light of all the controversy they have engendered, ERISA's funding standards (76-16% positive) and fiduciary standards (76-21%) are also highly favorably regarded by business executives. Milder approval is found for plan termination insurance (58-36%) and for ERISA's investment limitations (55-36%). By a narrow 49-41%, business leaders also mildly favor ERISA's rollover portability provisions.

If one considers their strongly positive views toward many of ERISA's provisions, one wonders why the law is so negatively rated in general among business leaders. The answer lies with the law's reporting and disclosure requirements. Primarily because of the amount of time that executives must personally devote to them, ERISA's reporting and disclosure requirements meet a strong (71-28%) disapproval among business leaders. Lastly the leaders disapprove of the limitations on pension benefits set by ERISA by 63-28%.

Table IX-5

DEGREE OF APPROVAL OF VARIOUS ITEMS MANDATED BY ERISA
(Asked of business leaders)

Q Would you say you strongly approve, mildly approve, mildly disapprove, or strongly disapprove of the (ITEM) mandated by ERISA?

(Number of respondents: 212)		Strongly Approve	Mildly Approve	Mildly Disapprove	Strongly Disapprove	Not Sure
Pension eligibility requirements	%	33	45	14	6	1
Vesting requirements	%	43	47	6	4	*
Joint and survivor benefits	%	48	39	6	4	4
Funding standards	%	30	37	15	1	7
[illegible]	%	[illegible]	[illegible]	23	18	11
[illegible]	%	[illegible]	36	19	17	5
[illegible]	%	34	42	15	6	4
[illegible] requirements	%	*	[illegible]	33	38	1
[illegible]	%	[illegible]	[illegible]	33	30	[illegible]
[illegible] ERISA [illegible]	%	[illegible]	[illegible]	[illegible]	3	[illegible]
[illegible]		[illegible]	[illegible]	37	9	9

B[illegible] were asked about the impact of ERISA on their particular company [illegible].

A[illegible] ERISA has generally had either a positive [illegible] effects have been negative on [illegible] pension plan and the time executives must [illegible]. By [illegible], business leaders say ERISA has had [illegible] a pension plan. And by 57-34%, [illegible] must spend dealing with [illegible].

[illegible] effect ERISA has had on their employ[illegible] about their employees [illegible] have been [illegible] (38 [illegible]). At the [illegible] employees' confidence in [illegible] ERISA has had no impact on the way [illegible] has been positive [illegible].

Majorities feel that ERISA has had no impact on the level at which their company's pension plan is funded, the investment performance of their pension funds, and the economic security of their company's future retirees.

Lastly, 74% say that ERISA has had no impact on the economic health of their company while 19% say its impact has been negative. Just 6% feel that ERISA has had a positive effect on their company's economic health.

Table IX-6

IMPACT OF ERISA ON COMPANIES AND EMPLOYEES
(Asked of business leaders)

Q. What impact has ERISA had on (ITEM) — a very positive impact, a somewhat positive impact, a somewhat negative impact, a very negative impact, or no impact at all?

(Number of respondents: 211)	Very Positive Impact	Somewhat Positive Impact	Somewhat Negative Impact	Very Negative Impact	No Impact At All	Not Sure
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15	2
[illegible]	[illegible]	[illegible]	[illegible]	27	9	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	1	[illegible]	3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

[illegible]

non-existent among larger funds. Only 4% of leaders in companies whose pension plan assets total $250 million or more believe their fund investment strategies are more conservative as a result of ERISA.

Observation:

These findings set the record straight on the business community's reactions to ERISA. They will be of considerable interest to the law's proponents and opponents alike. Many of the major criticisms of the law, such as its effect on investment performance, fiduciary standards, and pension eligibility requirements, are not shared by the bulk of business executives. Business's concern about ERISA focuses sharply on pension costs and the time required to administer a plan. Importantly, it should be understood that the leaders' concern about cost relates only partly to the contribution a company makes to its employees' pension fund. By 76-16%, executives are strongly positive about the funding standards set by ERISA, and a large majority feel that the law has not had any impact on the overall economic health of their company. Instead, much of their concern about the cost stems from the high cost of executive time required to deal with pension matters, particularly the time required to meet ERISA's reporting and disclosure requirements. Notwithstanding the problem of pension costs, many of the business community's concerns about pensions and objections to ERISA may be mitigated by easing the administrative burden and costly paperwork that beset regulated private pension plans.

Table IX-7

EFFECT OF ERISA ON PENSION FUND INVESTMENTS
(Asked of business leaders)

Q Which one of the statements on this card best represents the effect that ERISA has had on the investments made with your company's pension funds?

		Pension Plan Assets			
(Number of respondents)	Total (211) %	Less Than $10 Million (61) %	$10 Million To $[illegible] Million ([illegible]) %	$70 Million To $[illegible] Million ([illegible]) %	$[illegible] Million Or More ([illegible]) %
Little or no effect	69	69	63	70	78
More conservative investment strategies	15	18	23	12	4
Different but not necessarily more conservative strategies	14	10	13	18	18
Not sure	2	4	2	—	—

CHAPTER X:

AN EMPLOYEE AND LEADERSHIP ASSESSMENT OF SOCIAL SECURITY

Confidence in Social Security

The Social Security System has been the target of increasing criticism in recent years. The adverse publicity has instilled concern and skepticism among current and retired employees about the financial stability of the Social Security System.

More than 3 of every 4 (78%) employees and retirees understand that Social Security taxes are used to pay for benefits that people are collecting today; while 8% believe the taxes people pay are set aside in a fund for their own retirement, and 14% are unsure. This understanding of how Social Security is funded is fairly widespread, regardless of educational attainment.

Table X-1

PERCEIVED USE OF SOCIAL SECURITY TAXES
(Asked of current and retired employees)

Q Let's talk about Social Security for a minute. As far as you know, do the Social Security taxes people pay get set aside in a fund for their own retirement, or are they used to pay for Social Security benefits that people are collecting today?

		Education		
	Total	8th Grade	High School	College
(Number of respondents)	(1688)	(209)	(796)	(723)
	%	%	%	%
Get set aside	8	9	9	7
Are used today	78	63	76	85
Not sure	14	28	15	8

One of the implications of the direct funding of Social Security benefits is that Social Security taxes will have to increase as the number of retirees increases over the next several decades. But current and retired employees are not at all confident in the willingness of future generations to pay higher Social Security taxes. Only 12% have a great deal of confidence that future generations will be willing to pay higher Social Security taxes, while 41% have some confidence, and another 41% have hardly any confidence at all.

Significantly, confidence on this question is lowest among those who are most likely to be paying increased Social Security taxes. Forty six percent of those between 18 and 24 years old and a full 50% of those between 25 and 34 years old have hardly any confidence in the willingness of future generations to pay higher Social Security taxes.

Business leaders share the skepticism of younger employees. An even half of the leaders interviewed have hardly any confidence in the willingness of future generations to pay higher taxes for Social Security, and 44% have some confidence. Only 6% voice a great deal of confidence on this question.

Table X-2

CONFIDENCE IN FUTURE GENERATIONS TO PAY HIGHER SOCIAL SECURITY TAXES

(Asked of current and retired employees)

Q Actually. Social Security taxes are used to pay for benefits that people are receiving today What this means is that if people are going to receive Social Security benefits in the future, the money is going to have to come from taxes paid by future generations. Since the number of older people in this country is going to increase continuously over the next several decades, the tax burden on future generations will also increase. How much confidence do you have in the willingness of future generations to pay higher taxes for Social Security benefits for retirees — a great deal of confidence, some confidence, or hardly any confidence at all?

		Age				
	Total	18-24	25-34	35-49	50-64	65 And Over
(Number of respondents)	(1686)	(150)	(377)	(435)	(423)	(300)
	%	%	%	%	%	%
A great deal of confidence	[illegible]	13	10	11	15	13
Some confidence	41	33	38	42	44	45
Hardly any confidence	41	46	50	45	37	30
Not sure	[illegible]	6	2	2	5	12

Table X-3

BUSINESS LEADER CONFIDENCE IN WILLINGNESS OF FUTURE GENERATIONS TO PAY HIGHER SOCIAL SECURITY TAXES

(Asked of business leaders)

Q How much confidence do you have in the willingness of future generations to pay higher taxes for Social Security benefits for retirees — a great deal of confidence, some confidence, or hardly any confidence at all?

(Number of respondents)	Total (212)
	%
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

The business community is somewhat more confident about Social Security's ability to pay benefits to future retirees. One in four have hardly any confidence in Social Security's ability to pay. 54% have some confidence, and 19% express a great deal of confidence.

Observation:

These findings provide another early warning signal of trouble ahead. An overwhelming majority of today's work force is counting on Social Security to provide income when they retire. Yet substantial numbers, particularly among younger employees, have little confidence in Social Security's ability to pay their retirement benefits. And one does not have to depend solely on the findings presented here to know that the public is becoming increasingly opposed -- and actively resistant -- to higher taxes. Increasing skepticism about the Social Security System, along with a growing demand for retirement income is likely to bring a substantial upsurge of political pressure on government and the Social Security System. Raising Social Security taxes, an approach used more or less successfully in the past, is less and less likely to receive an enthusiastic response. Alternative funding policies and other sources of retirement income are likely to be turned to as alternatives to increasing Social Security taxes.

Table X-4

CONFIDENCE IN SOCIAL SECURITY TO PAY RETIREMENT BENEFITS
(Asked of current employees)

Q And how much confidence do you have that the present Social Security System will be able to pay you benefits when you retire -- a great deal, some, or hardly any confidence at all?

				Age		
(Number of respondents)	Total (1682)	18-24 (148)	25-34 (380)	35-49 (434)	50-64 (422)	65 And Over (287)
	%	%	%	%	%	%
A [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	28	34
[illegible]	[illegible]	[illegible]	[illegible]	44	[illegible]	38
[illegible]	42	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7

Table X-5

BUSINESS LEADER CONFIDENCE IN SOCIAL SECURITY SYSTEM
(Asked of business leaders)

Q And how much confidence do you have that the present Social Security System will be able to pay benefits to your employees when they retire -- a great deal, some, or hardly any confidence at all?

(Number of respondents)	Total (209)
	%
A [illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

The Role of Social Security During Retirement

An overwhelming majority of current and retired employees understand that Social Security is intended to provide a basic level of retirement income, to be supplemented with other sources of income. Most are well aware that Social Security alone will not provide enough to live on. By 77-19%, current and retired employees reject the statement, "I don't have to worry about my retirement, because Social Security will take care of me." Moreover, the bulk of the survey respondents believe that providing a basic level of retirement income is the role that Social Security should have in our society.

If one considers their relatively low assessment of Social Security compared with public and private pension plans, and their lack of confidence in Social Security's ability to pay benefits to future retirees, it comes as no surprise that current and retired employees have little enthusiasm for the notion of providing all retirement income through Social Security. By 76-17%, current and retired employees feel that Social Security's proper role should be to provide a basic level of retirement income, and not all retirement income.

Thirty-one percent of those interviewed feel Social Security should provide a basic level of retirement income, taking into account a person's previous income. More than 1 in 5 (22%) feel Social Security should provide a basic level of retirement income, regardless of a person's pre-retirement income. Another 23% feel Social Security should be used to provide a basic level of income which should provide a supplement to other retirement income.

Lower income groups are most likely to feel that all retirement income should be provided through Social Security, although the notion is supported by no more than 1 in 5 among those earning under $15,000 a year. Generally speaking, there is little variation in the public's attitudes toward the proper role of Social Security, regardless of income group.

Respondents who indicated they felt that Social Security should provide all retirement income were asked whether they would still favor the idea if it meant a possible increase in taxes. Those favoring an increased role for Social Security split down the middle on this question, with 39% opposing an increased role for Social Security if it meant an increase in taxes, and 38% favoring it regardless of the tax consequences (23% were not sure).

Table X-6

ATTITUDES TOWARD THE PREFERRED ROLE OF SOCIAL SECURITY
(Asked of current and retired employees)

Q.: People have different ideas about what the role of Social Security should be in our society. Which one of the statements on this card best describes the role you feel Social Security should have?

	Total	Income Under [illegible]	[illegible]	[illegible]	[illegible] And Over
(Number of respondents)	([illegible])	([illegible])	([illegible])	([illegible])	([illegible])
	%	%	%	%	%
Provide a basic level of retirement income regardless of a person's pre-retirement income	22	28	20	24	19
Provide a basic level of retirement income, taking into account a person's previous income	31	26	32	33	29
Provide a basic level of retirement income, to be used as a supplement to other retirement income	23	10	19	24	37
Provide all retirement income either regardless of a person's pre-retirement income or by taking a person's previous income into account	11	12	12	9	8
Provide all retirement income taking a person's previous income into account up to a certain cutoff point	6	8	7	7	4
Not sure	7	16	9	4	4

Table X-7

SUPPORT FOR PROVIDING ALL RETIREMENT INCOME THROUGH SOCIAL SECURITY WITH AN INCREASE IN TAXES
(Asked of those who feel Social Security should provide all retirement income)

Q. Suppose providing all retirement income through Social Security meant a sizeable increase in taxes. Would you still favor providing all retirement income through Social Security or not?

	Total
(Number of respondents)	([illegible])
	%
Favor	38
Oppose	[illegible]
Not sure	23

Virtually every business leader interviewed believes that Social Security should provide a basic level of retirement income. Forty-two percent believe it should be used as a supplement to other retirement income. Thirty-two percent believe that Social Security should provide a basic level of income while taking into account a person's previous income and 21% believe it should provide a basic level regardless of a person's pre-retirement income.

Table X-8

BUSINESS LEADER ATTITUDES TOWARD THE PREFERRED ROLE OF SOCIAL SECURITY
(Asked of business leaders)

Q People have different ideas about what the role of Social Security should be in our society Which one of the statements on this card best describes the role you feel Social Security should have?

(Number of respondents)	Total[a] (212) %
Provide a basic level of retirement income regardless of a person's pre-retirement income	21
Provide a basic level of retirement income taking into account a person's previous income	32
Provide a basic level of retirement income to be used as a supplement to other retirement income	45
Provide all retirement income either regardless of a person's pre-retirement income or by taking a person's previous income into account	*
Provide all retirement income taking a person's previous income into account up to a certain cutoff point	*
Not sure	1

* [illegible]

Part of the reason for low interest among current and retired employees in having all retirement income provided through Social Security is a lack of confidence in the government's ability to manage such a program Nearly half the respondents (49%) have hardly any confidence in the government's ability to run a program in which all retirement income would be distributed through the federal government and funded by taxes Another 37% have some confidence in the government's ability to handle such a plan while only 10% have a great deal of confidence

Business leaders have even less confidence in the government's ability to manage such a plan with [illegible] giving the "no confidence" response

Table X-9

CONFIDENCE IN GOVERNMENT'S ABILITY TO MANAGE PLAN TO FUND ALL RETIREMENT INCOME THROUGH TAXES

(Asked of current and retired employees and of business leaders)

[illegible] retirement income in this country were funded by taxes and distributed [illegible] government. How much confidence do you have in the government's [illegible] such a plan [illegible] deal of confidence, some confidence, or hardly [illegible] at all?

(Number of respondents)	Total Current And Retired Employees (1682)	Total Business Leaders (212)
	%	%
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]

Alternative Revenue Sources for Social Security

[illegible] increase in demands for larger Social Security [illegible] of current and retired employees feel that Social Security benefits [illegible] over the next five years [illegible] as is now in effect [illegible] Less than 1 in [illegible] benefits should be kept the same over the next five years [illegible] benefits.

[illegible] toward [illegible] However [illegible] 3 [illegible] the same.

Table X-10

WHAT SHOULD HAPPEN TO SOCIAL SECURITY BENEFITS OVER THE NEXT 5 YEARS

(Asked of current and retired employees and of business leaders)

[illegible]

(Number of respondents)	Total Current And Retired Employees (1692)	Total Business Leaders (212)
	%	%
[illegible]	[illegible]	[illegible]

A previously discussed finding shows that a majority of current and retired employees agree in principle that more money should be collected from working people so that the income of retirees can keep up with inflation. The results here show that people have mixed views as to what moneys should be used to provide benefits to current retirees.

When asked about the recent legislation raising the Social Security tax, a full 77% of current and retired employees agree that additional funds should have been found for Social Security, and only 7% feel that Social Security taxes should have been kept the same with a reduction in Social Security benefits. However, by 47-30%, the sample would have preferred that other taxes be used to help support Social Security, rather than increasing Social Security taxes.

Nearly half (49%) of the business leaders interviewed agree that Social Security taxes should have been increased, while 23% feel that other taxes should have been used to help support Social Security. More than 1 in 5 (22%) feel that Social Security taxes should have been kept the same with a reduction in the benefits paid out.

Table X-11

ATTITUDES TOWARD RECENT SOCIAL SECURITY TAX HIKE
(Asked of current and retired employees and of business leaders)

Q. (As you know,) last year Congress passed a law that increases the Social Security taxes paid by employers and employees every year for the next 10 years. This was done so that the funds coming into the Social Security System could keep up with the benefits being paid out. Before the law was passed, more money was being paid out than was being collected. Which do you think should have been done -- to increase Social Security taxes, to keep Social Security taxes the same and reduce the benefits being paid out, or to keep Social Security taxes the same and use other taxes to help support Social Security?

(Number of respondents)	Total Current And Retired Employees (1678) %	Total Business Leaders (208) %
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]

Current and retired employees split down the middle on the question of what tax moneys should be used to support Social Security. Forty five percent feel Social Security benefits should be paid from Social Security taxes, and a marginally smaller 42% feel that part of the money should come from other taxes. Just 5% feel that all Social Security benefits should be paid from other taxes, but this results in a total of 47% who feel that all or part of the money required for Social Security benefits should come from sources other than Social Security taxes.

[illegible] Only [illegible] that all or part of [illegible] should [illegible] A [illegible] majority [illegible] Social Security taxes.

[illegible]

Observation:

Again, the findings suggest increased political pressure on Social Security in the future, much of which may be in the form of an increased demand to use general revenues or other revenue sources to fund Social Security. Employees are strongly behind the notion of providing benefits that increase with the cost of living and inflation, and the demands upon the Social Security system are likely to be considerable. At the same time, raising Social Security taxes further is likely to meet with stiff opposition. As demands for increased benefits rise, law-makers and the public are likely to look more favorably upon general revenues as a source for Social Security funds.

Table X-12

PREFERRED MEANS OF FUNDING SOCIAL SECURITY
(Asked of current and retired employees and of business leaders)

Q. In general, do you think Social Security benefits should be paid from Social Security taxes, or should all or part of the money come from other sources?

(Number of respondents)	Total Current And Retired Employees ([illegible]) %	Total Business Leaders (212) %
Social Security taxes	45	79
All from other taxes	5	3
Part from other taxes	42	17
Not sure	9	1

Opting Out of Social Security

Currently, people who work for federal, state or local governments do not have to be covered by Social Security, while people who work for private companies must be covered and pay Social Security taxes. Few people among the public or the business community are satisfied with this situation.

Only 12% of current and retired employees feel that the present system covering only private sector employees should remain as it is. Nearly half (49%) feel that all workers should be part of the Social Security System, while a smaller but substantial 34% feel that workers themselves or a company should be able to decide if they want to become a part of the Social Security System.

Employees covered by a private pension plan are most likely to feel that all workers should be part of Social Security (52%). However, the same response is found among a 40% plurality of those covered by public pension plans. Only 19% of those covered by public plans feel the present system should remain as it is.

Business leaders voice a strong consensus (68%) for including all workers in the Social Security System. Another 20% of the leaders feel that people themselves or companies should be able to decide about involvement in Social Security, and only 9% feel the present system should remain.

Table X-13

WHETHER ALL WORKERS SHOULD PARTICIPATE IN SOCIAL SECURITY SYSTEM
(Asked of current and retired employees and of business leaders)

Q Currently people who work for federal, state or local governments don't have to be covered by or pay taxes to the Social Security System if their employees choose not to be covered. Do you think that all workers should be required to be part of the Social Security System, that people who work for themselves or a company should be able to decide if they want to be part of the Social Security System, or should the present system remain as it is? (Asked of business leaders)

Q Right now people who work for themselves or for a company are covered by Social Security and must pay Social Security taxes. However, people who work for federal, state or local governments are not always covered by or required to pay taxes to the Social Security System if they choose not to. Do you think that all workers should be required to be part of the Social Security System, that people who work for themselves or a company should be able to decide if they want to be part of the Social Security System, or should the present system remain as it is? (Asked of current and retired employees)

	Total Current and Retired Employees	Current Employees				Total Business Leaders
		Total	Covered By Private Plan	Covered By Public Plan	Not Covered	
(Number of respondents)	(1696)	(1320)	(668)	(229)	(488)	(212)
	%	%	%	%	%	%
[illegible]	[illegible]	38	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	38	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible] to leave the Social Security System at will would [illegible] the number of people covered by Social Security [illegible] whether or not to be covered by Social Security, 26% of current and [illegible] currently employed would choose to leave the [illegible]

[illegible] Thirty seven percent [illegible] out of the Social Security System [illegible] the system. And more than [illegible] between 1,001 and 10,000 employees would opt out of [illegible]

Table X-14

WHETHER WOULD CHOOSE TO PARTICIPATE IN SOCIAL SECURITY SYSTEM
(Asked of current and retired employees and of business leaders)

Q. If you could choose whether or not you/your company would be in the Social Security System, what would you choose — to be in the Social Security System or to get out of the system?

	Total Current And Retired Employees	Current Employees				Total Retired Employees	Business Leaders	Number Of Employees		
		Total	Covered By Private Plan	Covered By Public Plan	Not Covered		Total	2,000 Or Less	2,001 To 10,000	More Than 10,000
(Number of respondents)	(1687)	(1322)	(692)	(229)	(400)	(365)	(211)	([illegible])	([illegible])	([illegible])
	%	%	%	%	%	%	%	%	%	%
To be in Social Security	68	61	60	55	66	88	61	63	46	70
To get out	26	32	33	37	29	7	37	35	52	27
Not sure	7	7	8	8	6	5	2	2	2	4

CHAPTER XI:

PUBLIC PENSIONS: SOME POLICY CONSIDERATIONS

Attitudes Toward Regulation of Public Plans

Strong majorities of current and retired employees and of business leaders feel that public pension plans should be subject to the same regulations for funding, reporting, and eligibility requirements as are private pensions. Public plan compliance with private plan regulations is favored by 68% of current and retired employees (14% opposed), and by an overwhelming 93% of business leaders. Moreover, such compliance is favored by a sizeable 65% majority of employees currently covered by public plans and opposed by only 18%.

For the most part, current and retired employees feel that public and private pensions should be subject to the same regulations because they believe all workers should be treated equally. Respondents seem to feel that the current system affords public employees special advantages, and they favor public and private plan compliance because it will eliminate these advantages. Those opposed to bringing public plans under private pension regulations say that the government is different because it is larger than private companies and that public plans cannot be run in the same manner as private plans.

Business leaders also feel that it would be fairer if public pensions fell under the same regulations as private pensions. They are also concerned that the benefits in public plans are established with no concern for funding adequacy, and that private pension disclosure regulations should be followed because the public has a right to know how government plans are managed. Also, many feel there should be more fiduciary responsibility in government. Interestingly, relatively few people among business leaders or current and retired employees mention the problem of double dipping as a reason for public plan compliance with private plan regulations.

Table XI-1

WHETHER PUBLIC PENSIONS SHOULD BE SUBJECT TO SAME REGULATIONS AS PRIVATE PENSIONS

(Asked of current and retired employees and of business leaders)

Q. (As you know,) right now, pension funds for government employees are not subject to the same controls or regulations as private pension funds such as funding, reporting and eligibility requirements. Do you think these public pensions should be subject to the same regulations as private pensions, or not?

		Current Employees				
(Number of respondents)	Current And Retired Employees ([illegible]) %	Total (1322) %	Covered By Private Plan ([illegible]) %	Covered By Public Plan (230) %	Not Covered (464) %	Total Business Leaders (212) %
Should be subject to same regulation	68	72	75	65	70	93
Should not be subject to same regulation	14	14	14	18	14	6
Not sure	18	14	11	16	[illegible]	1

Table XI-8

WHY PUBLIC PENSIONS SHOULD OR SHOULD NOT BE SUBJECT TO SAME REGULATIONS AS PRIVATE ONES

(Asked of current and retired employees)

Q.: Why do you say that? Anything else?

(Number of respondents: [illegible])	Total Current And Retired Employees %
It should be more fair, all workers should be treated equally	25
Should be same regulations/controls for all	19
There should be no difference, all pension plans should be same	15
Government employees should get no special treatment/advantages	14
Public has a right to know what government is doing, accountability	7
We pay taxes, government workers get benefits, loopholes	7
Government employees are no better than anyone else	6
Danger of abuse/corruption/double dipping by government employees	5
Government is different/larger, cannot be run same	4
Government is more stable, assured future	4
Private company should have individually based pensions	3
There are too many government controls on everything already	1
Government should stay out of business/free enterprise	1
Any other answer	8
Not sure	16

Table XI-3

BUSINESS LEADERS' ATTITUDES TOWARD WHY PUBLIC PENSIONS SHOULD OR SHOULD NOT BE SUBJECT TO SAME REGULATIONS AS PRIVATE ONES
(Asked of business leaders)

*Q.: Why do you say that? Anything else?

(Number of respondents)	Total ([illegible]) %
Should be same regulations/controls for all	35
Government employees should get no special advantages	16
Benefits established with no concern for ability to fund	15
Public has right to know accountability	14
There should be no difference	13
It should be more fair	13
Should be more fiduciary responsibility in government	1.3
Government employees are no better than others	10
We pay the taxes government workers get the benefits	10
Danger of abuse/corruption/double dipping	7
Should make sure people get benefits they have been promised	5
Private companies should not have to compete with excessive government benefits	5
Government is more stable more assured future	3
Too many government controls on everything already	2
Just creates more paperwork and red tape adds to bureaucracy	2
Government is different larger cannot be run the same	1
Same level of funding adequacy impractical considering fiscal and tax implications	1
Government should stay out of business	*
Private companies should have adequately funded pensions	[illegible]
All other	[illegible]
Not sure	*
[illegible]	[illegible]

Survey respondents were also asked specifically whether the eligibility requirements for government pensions should be the same as those for private pensions and whether public pensions should be funded on the same basis as private pension plans. In both instances majorities of business leaders and of current and retired employees favor public plan compliance with private regulations.

By 65-19%, current and retired employees think the eligibility for government pensions should be the same as that for private pensions. This proposal is also favored by employees covered by public pension plans, though the margin here is a narrower 50-36%. Public plan compliance with private plan eligibility requirements is favored by an overwhelming 88% of all business leaders interviewed.

[illegible]

*[illegible]

Table XI-4

ATTITUDES TOWARD PUBLIC PLAN COMPLIANCE WITH PRIVATE PLAN ELIGIBILITY REQUIREMENTS
(Asked of current and retired employees and of business leaders)

Q.: (And now this one) Under most private pension plans, full pension benefits are not generally payable until a person reaches 65 years of age. These benefits are paid out of funds that have been invested in previous years. Under some government pensions plans, full pensions are generally payable after 29 years of service, regardless of a person's age. These benefits are generally paid for out of current taxes Would you favor or oppose making the eligibility requirements for government pensions the same as the eligibility requirements for private pensions?

	Total Current And Retired Employees	Current Employees: Total	Current Employees: Covered By Private Plan	Current Employees: Covered By Public Plan	Current Employees: Not Covered	Total Business Leaders
(Number of respondents)	([illegible])	([illegible])	([illegible])	([illegible])	([illegible])	(212)
	%	%	%	%	%	%
Favor	65	68	72	50	67	98
Oppose	19	20	19	36	16	*
Not sure	16	13	10	14	17	1

* [illegible]

Table XI-5

ATTITUDES TOWARD PUBLIC PLAN COMPLIANCE WITH PRIVATE PLAN FUNDING REQUIREMENTS
(Asked of current and retired employees and of business leaders)

Q Presently, companies with pension plans are required to set aside money today for the future pension benefits of their current employees Most government plans do not fund pensions this way, but use today's taxes for today's pension benefits This means lower taxes today but probably higher taxes or lower benefits for government workers tomorrow Would you favor or oppose putting the funding of government pension plans on the same basis as company pension plans?

Q Presently ERISA requires companies with pension plans to set aside money today for the future pension benefits of their current employees. As you know most government plans do not pre-fund, but use today's taxes for today's pension benefits. Would you favor or oppose putting the funding of government pension plans on the same basis as company pension plans?

	Total Current And Retired Employees	Current Employees: Total	Current Employees: Covered By Private Plan	Current Employees: Covered By Public Plan	Current Employees: Not Covered	Total Business Leaders
(Number of respondents)	(1685)	(1320)	(690)	(230)	(454)	(212)
	%	%	%	%	%	%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Double Dipping

There has been much discussion about double dipping, a term that generally refers to the practice of retiring early from a job to work at another job, then retiring from the second job to collect pensions from both. Critics of this practice have focused primarily on government employees who sometimes may retire from a job after as little as 20 years' service. The results here show that there is only mild public opposition to the practice of double dipping.

By 51-42%, a narrow majority of current and retired employees believe that people who retire after 20 years of service on a government job should be able to collect a government pension while working at a second job. Support for this notion is strongest among employees covered by public pension plans (64-32%), though it is also supported by a majority (51-43%) among those covered by private plans. Business leaders take an opposite view, believing by 50-30% that retired government workers should not be able to collect a government pension while working at a second job.

Respondents were also asked whether people who retire after 20 years of government service and who then work and retire from a second job should be able to collect two pensions -- one for each job they have had. Strong support for this measure is found among both business leaders and current and retired employees. Sixty-seven percent of current and retired employees and 82% of business leaders believe that people who work two jobs should be able to collect two pensions.

Table XI-6

ATTITUDE TOWARD RETIRED GOVERNMENT WORKERS COLLECTING A PENSION WHILE WORKING A SECOND JOB

(Asked of current and retired employees and of business leaders)

Q Suppose people who retire after 20 years of service on a government job begin working at another job. Should these people be able to collect a government pension while they are working at a second job, or not?

	Total Current And Retired Employees	Current Employees				Total Business Leaders
		Total	Covered By Private Plan	Covered By Public Plan	Not Covered	
(Number of respondents)	(1687)	(1323)	([illegible])	([illegible])	(484)	(212)
	%	%	%	%	%	%
Should be able	51	52	51	64	49	30
Should not	42	42	43	32	43	60
Depends (vol.)	*	--	--	--	-	8
Not sure	7	7	6	4	8	1

Table XI-7

ATTITUDE TOWARD RETIRED GOVERNMENT WORKERS COLLECTING TWO PENSIONS
(Asked of current and retired employees and of business leaders)

Q.: Now suppose people who retired after 20 years of government service work at another job until they reach the normal retirement age for that second job. Should these people be able to collect two pensions — one for each job they have had — or not?

	Total Current And Retired Employees	Current Employees				Total Business Leaders
		Total	Covered By Private Plan	Covered By Public Plan	Not Covered	
(Number of respondents)	([illegible])	(1322)	([illegible])	([illegible])	([illegible])	(212)
	%	%	%	%	%	%
Should be able	67	69	70	79	65	82
Should not	28	26	26	17	28	14
Not sure	6	5	4	4	7	4

Today, approximately 3% of those who are working full-time have retired from a previous job. Working at a second job after having retired from a first job occurs more frequently among those covered by a public pension plan (5%) than among those covered by a private plan (2%).

Table XI-8

WHETHER RETIRED FROM A PREVIOUS JOB
(Asked of current employees)

Q. Before you had your present job, did you have another job that you retired from, or not?

(Number of respondents)	Total ([illegible])	Covered By Private Plan (687)	Covered By Public Plan (227)	Not Covered ([illegible])
	%	%	%	%
Retired from another job	3	2	5	3
Did not retire from another job	97	98	95	98

APPENDIX:
METHODOLOGY

Fieldwork

All the data for this survey were collected from in-person interviews conducted by Harris interviewers, under the control and supervision of the Harris Field Director and Regional Supervisors. Fifteen percent of all interviews were validated by telephone to ensure that the interviews had been honestly and accurately carried out.

All the interviews with the leadership groups were carried out by executive interviewers belonging to the Harris executive field force, under the control of the Executive Field Director, in August 1978.

The Sample Design

A. **The national cross-section of current and retired employees:** The sample was designed to be representative of the adult civilian population 21 years or older, who are currently or were formerly full-time employees. It is restricted to the continental United States, excluding Alaska and Hawaii, and excluding those in prisons or hospitals. The sample design was based on updated census information on the population of each state, and on the population living in urbanized areas and in more rural areas throughout the country. The sample was stratified to ensure that it would reflect within one percentage point the actual proportion of those living in different regions and in different size of place areas (city, suburb, town, rural). Within each stratum the selection of the ultimate sampling unit (a cluster of adjacent households) was achieved by multi-stage cluster sampling. Within each of sixteen strata (four regions within four size of place categories) first states, then counties, then minor civil divisions and, where possible, census tracts and city blocks were selected proportional to census estimates of their respective populations.

In a proportional sample, the number of interviews that would be obtained with respondents who had retired from full-time work would have been too small for reliable analysis. Therefore, the cross-section contains an oversample of respondents retired from full-time work. The oversample was then statistically reweighted to its proportionate size within the larger sample. Thus, the cross-section is a proportionate representation of current and retired full-time employees.

Interviewers in the field were provided with detailed maps of the ultimate sampling units, and conducted interviews within the assigned respective areas. The national sample consisted of 200 such interviewing areas (sample points) throughout the country. At each sample point one respondent from each of eight different households was interviewed. At each household the respondent was chosen by means of a random selection pattern geared to the number of adults of each sex living in that household. The representativeness of the sample is shown in the following table.

PROFILE OF THE PUBLIC SAMPLE OF CURRENT AND RETIRED EMPLOYEES

	Number in Sample* #	Weighted Percentage %
Total Public	*1,699*	*100*
Region **		
East	493	29
Midwest	465	27
South	457	27
West	292	17
Size of Place		
Cities central cities in urbanized areas (generally 50,000 or more)	528	31
Suburbs urbanized areas outside central cities	491	29
Towns other urban areas (generally 2,500 to 49,000)	290	17
Rural anything not included above	388	23
Age		
21-24	151	9
25-34	380	23
35-49	438	25
50-64	425	24
65 and over	303	19
Race		
White	1,49[illegible]	88
Non-white	195	11
Income		
Under $7,000	238	15
$7,000-$14,999	536	31
$15,000-$24,999	554	33
$25,000 and over	310	18
Sex		
Male	1,006	62
Female	690	38

[illegible]

B. The leadership sample: The leadership sample consisted of a representative cross section of 21[illegible] companies drawn from the Fortune 1250 listing and the *Dun and*

Bradstreet Million Dollar Directory. The sample was stratified and is representative of companies according to the number of people employed.

In each case the Chief Executive Officer was contacted and asked to designate someone who was felt to represent the company's views on pensions and retirement. Interviews were obtained as follows:

Number of Interviews	Position
31	President, Chief Executive Officer
16	Sr. VP or Executive VP
46	VP Personnel, Pensions or Benefits
14	VP Financial
10	Other VPs
65	Managers, Directors
9	Treasurer, Chief Financial Officer, Comptroller
5	Assistant Treasurer
5	Benefit Administrator/Officer
2	Assistant Secretary
1	Benefit Specialist
1	Employee Retirement & Welfare Coordinator
1	Assistant to President
1	Senior Specialist
1	Consultant to Investment Committee
1	General Counsel
3	No Specific Title Given (Blank)

APPENDIX 2

1979 Study of American Attitudes Toward Pensions and Retirement

Louis Harris and Associates, Inc.

Johnson & Higgins

TABLE OF CONTENTS

Johnson Higgins
95 Wall Street
New York, New York 10005

February 1979

Dynamic changes in American society are prompting a searching reevaluation of the nation's retirement patterns and systems. Decisions being made today will have serious implications for the American public with truly major impact on the labor force, capital formation, corporate health, tax policy, Social Security and all private and public pension systems.

It is imperative that the policymakers formulating these decisions and the people affected thereby, both in the private and public sector, have available to them all the relevant information it is possible to obtain. Accordingly, we recently commissioned a nationwide [illegible] focus on retirement problems and what to do about them. [illegible] and other interested people will find the survey results [illegible] in the developing dialogue on these issues.

Richard I. Purnell
Chairman

Robert V. Hatcher, Jr.
President

A [illegible] of the attitudes of [illegible] and business leaders toward pensions and retirement

[illegible]

A [illegible]

PREFACE

The past decade has seen the emergence of major changes in social and economic forces directly affecting retirement. Reaction to these pressures has already produced significant legislation such as ERISA, sweeping amendments to Social Security taxes and benefit levels, changes in sex discrimination statutes and moves toward non-mandatory retirement.

This is a fast-paced ongoing process. Long-term pressures generated by the shift in the age and sex composition of the labor force will be magnified and accelerated by the more immediate pressures caused by an overheated inflationary economy. The future will witness additional major changes in the American retirement system to accommodate these pressures – changes in legislation, in employment practices, in retirement patterns and in the systems used to fund and pay retirement income.

Johnson & Higgins believes these coming changes, and the direction they will or should take, must be hammered out in the real world and not developed solely through theoretical think-tank studies of what is best for America. An essential step in the real world is an examination of the attitudes of the American public, and business leaders, about retirement and retirement income – problems, perceptions, expectations and intentions.

Accordingly, we commissioned Louis Harris and Associates, Inc. to conduct a nationwide survey of American employees, retirees and business leaders to determine these attitudes.

From the beginning of this project we allowed Louis Harris and Associates a completely free hand in the development of the methodology and in the analysis and interpretation of the results. Our input was limited to advice and assistance in designing the survey and drafting the questionnaires, and in the funding of the project. All observations and conclusions which appear in the *Introduction* and *Overview and Summary* sections extracted from the full Report are those of the Harris organization and do not necessarily reflect the views of Johnson & Higgins. The Johnson & Higgins *Commentary* containing our views appears separately beginning on page 1.

Major findings having far-reaching implications emerged in these areas:

- Inflation and the quality of retired life
- Mandatory retirement changes
- Attitudes toward private pensions
- Attitudes toward Social Security

In some cases the results are about as expected. But in other cases the results are quite surprising!

This comprehensive survey is [illegible] and most timely. The findings are extensive and should be of major significance to the American public – and in particular to government [illegible] managers, consultants, actuaries and [illegible] making the American retirement system work.

Johnson & Higgins [illegible] present the results of this landmark survey.

Johnson & Higgins

INTRODUCTION

American Attitudes Toward Pensions and Retirement is a major study of employee, retiree and business leader attitudes toward pensions and the retirement income system in the United States.

In spite of the considerable amount of commentary and public attention it has engendered in the recent past, the issue of retirement and its financial implications is surrounded by as much confusion and uncertainty as ever before. The effects of ERISA, changes in the mandatory retirement law, impending major population shifts, inflation, and the prospect of further pension legislation — all these are contributing to the atmosphere of confusion and creating difficulty for the public and providers of retirement income alike. **American Attitudes Toward Pensions and Retirement** has been commissioned by Johnson & Higgins in hopes of reducing some of the uncertainty which surrounds the retirement income system. The survey findings reported in these pages contain a wealth of reliable information, which, it is hoped, will be both illuminating and useful to policy makers, businessmen, and all those with an interest in the retirement income system in the United States

Readers will be both consoled and concerned by the findings reported here. The survey brings a clear perspective to many issues confronting the private pension system Many criticisms of private pensions conveyed by the media are not shared by business leaders or their employees, and both groups have much to say that is positive about pension legislation currently being considered But some of the results are troubling. Many conventional assumptions are called into question, and the findings point to a number of potentially serious difficulties awaiting retirees and the providers of retirement income in the years ahead

Above all, the results will set the record straight on attitudes toward retirement and pensions They cast a much-needed light on the actions, attitudes, and concerns of employees regarding pensions and retirement They bring into focus the difficulties faced by today's retirees, and suggest several ways the problems might be avoided in the future Equally important, at a time when Congress is considering major changes in the pension laws, the findings provide a sharp portrait of the business community's attitudes toward ERISA and their concerns about the future of private pensions

The survey is based on interviews with two separate samples a national cross-section of 1699 current and retired employees, and a representative cross-section of 212 companies drawn from the Fortune listing and the *Dun and Bradstreet Million Dollar Directory* The survey of employees consisted of 1330 interviews with full-time employees, and 369 interviews with people retired from full-time work The focus of the study is on current

and retired employees, rather than the entire adult public, because the former are primary contributors and beneficiaries of the Social Security System, and because they form that portion of the public most affected by pension legislation. For the sample of companies, interviews were conducted with corporate executives designated by their chief executive to speak on behalf of their company about pensions and retirement. All the fieldwork was conducted in August 1978. Details of the sample and methodology are given in the Appendix.

Louis Harris and Associates is grateful for the advice and assistance provided by Johnson & Higgins in designing the survey and drafting the questionnaires. However, the final responsibility for the design and implementation of the survey rests with the Harris firm. It does not necessarily follow that Johnson & Higgins agrees or disagrees with any of the answers given by the employee or leadership groups, or with any of the observations or comments made in this report.

It should be noted that percentages in the tables may not always total 100%, because of rounding or the acceptance of multiple responses.

OVERVIEW AND SUMMARY OF MAJOR FINDINGS

From among the hundreds of results emerging from these surveys of employees, retirees and business leaders, four sets of major findings have particularly important and far-reaching implications for the retirement and retirement income policies of government and business:

I Inflation and the Quality of Retired Life.
II Mandatory Retirement:
III. Attitudes Toward Private Pensions.
IV Attitudes Toward Social Security

The following is an overview and summary of these sets of major findings. Readers should be forewarned that many of the details and nuances of the results are unavoidably lost when summarizing a study of this size. Those whose interest is spurred by the findings below are urged to examine the full report

I. INFLATION AND THE QUALITY OF RETIRED LIFE

Perhaps the most striking finding in this survey of business leaders and current and retired employees is the pervasive impact of inflation on attitudes toward pensions and retirement income expectations. The rapidly rising cost of living is imposing severe financial difficulties on sizeable proportions of today's retirees, particularly on those who do not receive pension benefits. More than 4 of every 10 retirees and more than 5 of every 10 retirees who do not receive pension benefits claim that inflation has seriously reduced their standard of living. Current employees are also feeling the impact of inflation, which is limiting their ability to save for retirement while increasing the amount of money they believe they will need during retirement.

Having far-reaching consequences for the providers of retirement income, the pressures of inflation are boosting retirement income needs and expectations. The survey findings, coupled with projections of demographic shifts which will significantly increase the number of employees reaching retirement age beginning in the 1980's, suggest that today's employees are likely to exert considerable pressure for higher benefits from business and government as they approach retirement.

At the same time, however, the findings show that part of the solution to future increases in pension costs may be with employees themselves. Employees are willing to make contributions to their [illegible] contributions can be made in exchange for larger benefits [illegible]. More than two-thirds of the employees [illegible] more than they [illegible] benefits. More than anything, employees would be willing to [illegible] of their plan would provide benefits that increase with the cost of living [illegible] willing. Certainly these findings [illegible] between what people will actually [illegible]. However, at the [illegible]

[illegible]

A. Inflation is clearly the number one problem facing retirees and the providers of retirement income today. [illegible]

retirees who are not receiving pension benefits. More than 4 of 10 retired employees say that inflation has seriously reduced their standard of living, and roughly another 4 in 10 say it has reduced their standard of living to some degree. Among those not receiving pension benefits, a full 53% say inflation has seriously reduced their standard of living compared with a smaller 28% holding the same view among pensioners.

Business leaders are also feeling the pressures of inflation. When asked about the disadvantages of pension plans to their company, a sizeable 61% cite increasing costs in an inflationary economy as the main disadvantage.

The government and government spending (Federal, Congressional, state and local) are among the major causes of inflation today according to current and retired employees and business leaders.

B. A majority of retirees are satisfied with the quality of retired life, but for many, retirement is a time of financial hardship. Sixty-five percent of those who are currently retired from full-time work believe the quality of retired life is at least as good as the quality of working life. However, 34% feel the quality of retired life is worse than the quality of working life, and nearly two-thirds of the retirees in this group say that financial problems are at the root of their dissatisfaction.

Over half (58%) of those retired from full-time jobs feel that their current standard of living is at least adequate, but a sizeable 42% feel that their income provides a standard of living which is less than adequate. Having a pension clearly makes a difference in a person's standard of living during retirement. More than half of those (56%) who do not receive pension benefits but just 23% of those who receive pension benefits believe that their current income provides a less than adequate standard of living.

The findings further suggest that many retirees are not able to afford some of life's basic necessities. In response to a question in which retirees were asked what they would do if they had an additional $100 a month, small but significant percentages report that they would buy food (18%), buy clothes (12%), pay off old debts (14%), or go to a doctor or dentist (7%).

C. Spurred by inflation, retirement income expectations are rising, and the providers of retirement income are likely to feel increasing pressure for larger benefits in the years ahead. To current and retired employees, by far the most important of several possible characteristics of pension plans (i.e., guaranteed benefits, portability, vesting, etc.) is that the plan have benefits that go up with the cost of living. A significant 66% list this pension plan characteristic as extremely important, and another 27% call it very important.

D. Though many retirees are dissatisfied with their standard of living, overwhelming majorities of employees and business leaders feel the standard of living during retirement should be about the same as it was before retirement – a goal which may lead to increased demands for higher and more liberal benefits as inflation continues to erode retirement incomes. Eighty-one percent of current employees and 84% of retirees feel that the standard of living during retirement should be about the same as before retirement; only 8% of each group think the standard of living during retirement should be higher than before retirement. This is in dramatic contrast to the 42% of retirees that feel that their income provides a standard of living which is less than adequate. And while nearly 2 out of 10 business leaders think retirement income should be less than pre-retirement income, a high 82% feel it should be about the same as before retirement.

E. Employees are willing to contribute to their pension plans, or to contribute more than they do now, in exchange for various types of additional pension benefits

Sixty-eight percent of the employees interviewed would be willing to increase their contributions if it increased their retirement benefits. Employees say they would be most willing to increase their contributions to their pension plan if the plan provided benefits that increased with inflation and the cost of living (74-16% willing). By smaller margins, employees say they would be willing to increase contributions if their plan let them become eligible to receive benefits at an earlier age (61-27%), if the plan had a 100% guarantee that they would receive pension benefits regardless of investment performance (60-29%), and if the plan provided survivor's benefits to their spouse (58-31%).

II. MANDATORY RETIREMENT

Though the survey findings point to mounting financial pressures on retirees and the providers of retirement income in the years ahead, they also reveal a trend that, in the long run, may significantly lessen the pressure on retirement benefit costs. Stemming from a number of economic and demographic trends as well as the recent change in the mandatory retirement law, the current trend toward early retirement may be reversed in the not-too-distant future. More than half of today's employees would prefer to continue working – either full-time or part-time, at the same job or a less demanding job – instead of retiring, and just less than half say they actually plan to continue working and defer retirement. Also, workers between 18 and 49 years of age are significantly less likely to look forward to retiring than older workers. This may be a perception that will change as workers grow older, but it also may point to an increasing preference for deferred retirement as the work force ages.

A. Pushing back the mandatory retirement age from 65 to 70 is welcomed by both current and retired employees and the business community, but only total abolition of mandatory retirement will satisfy public opinion. A large majority of current and retired employees and a smaller but still substantial majority of business leaders are firmly opposed to any mandatory retirement age whatsoever. By 88-10%, current employees believe that "nobody should be forced to retire because of age, if he wants to continue working and can still do a good job." The same view is held by 2 of every 3 (67%) business executives interviewed.

B. While a majority of employees look forward to retirement, significant percentages would prefer to work – either full-time or part-time, at the same job or a less demanding job – as an alternative to retirement. More than 1 in 4 (26%) employees would prefer to retire when they reach the normal retirement age for their employment. Another 22% would like to retire before they reach the normal retirement age for their employment. However, a total of 51% say they would prefer to continue with some type of employment.

Though older workers are more likely to say they look forward to retirement than younger workers, there is little difference between the two groups in actual retirement intentions. Roughly half (48%) of those between the ages of 50 and 64 say they intend to continue working instead of retiring, as do an almost equal percentage of younger workers. Among workers between 50 and 64, 95% are covered by Social Security, 62% are covered by a private pension plan, and 28% are covered by a government employee plan.

C. A substantial percentage of today's retirees voice a strong desire to work during or instead of retirement. Nearly half (46%) of today's retirees would prefer to be working, while an even half (50%) would not. Not only would significant numbers of retired people prefer to work, but more than half would have preferred to continue work-

ing instead of retiring. Assuming they had an adequate retirement income, 31% of current retirees would have preferred to retire when they reached the normal retirement age. Another 12% would have preferred to retire before they reached the normal retirement age. A majority of 53% would have preferred to continue in some kind of employment.

III. ATTITUDES TOWARD PRIVATE PENSIONS

Both before and after the Employee Retirement Income Security Act of 1974, private pension plans have been criticized for being financially unsound, for promising what they may not be able to deliver, and for various inequities in the way employees become eligible for benefits. Whatever the possible merits of these criticisms, they are not, for the most part, fully shared by people currently covered by private pension plans. Most employees (78%) claim to be basically satisfied with the way their plans are designed and administered. And while approximately 1 in 3 (31%) express less than full confidence in their plans, a 68% majority have a great deal of confidence that their plans will pay the benefits to which they are entitled upon retirement. Of those who are not fully confident, only 6% have no confidence at all in their plans.

At the same time, these positive attitudes cannot be interpreted as public acceptance of the status quo in the private pension system. While employees say they are satisfied with plan design and administration, many place a high priority on types of provisions which are not found in most private plans today. Foremost among these are cost of living benefits, which are likely to become an increasingly central focus of employee demands if high levels of inflation persist, benefits which will permit the same standard of living as before retirement and survivor benefits.

The Employee Retirement Income Security Act has brought substantial changes in the types and amounts of information about pensions given to employees. The survey findings show that receiving information about their pension plan is extremely important to employees, but employees and employers have widely divergent views as to the types of information that should be reported. Employees place a higher priority than employers think necessary on receiving information about the current financial status of their pension plans in areas such as where funds are being invested, who is managing the funds, and the return on investment. However, it should be noted that employees are generally satisfied with the information they currently receive and majorities say they find the reports they receive from their employers understandable and helpful. While the contents of reports may be improved, the limiting factor in employee knowledge about pension plans is not the reports themselves but that many employees fail to read them.

In the final analysis, having a pension plan at work is extremely important to today's employees. While employers and employees are not without criticisms of private plans, if anything the findings suggest that both groups would favor an expansion of the private pension system:

A. Having a pension plan is a high priority among current employees. By 80-16%, employees feel that "every employer should be required by law to provide a reasonable pension plan for his employees." Employers have generally favorable attitudes toward pension plans and see many advantages in them for their company. However, they disagree that they should be required by law to provide such plans by 67-33%.

B. Employees covered by private plans voice relatively high levels of satisfaction with the way their plans are designed and administered, and a majority (68%) have a great deal of confidence that their plans will pay them the benefits to which they are entitled when they retire. Seventy-eight percent of those covered by private

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plans are at least somewhat satisfied with the way their plans are designed and administered while 16% are at least somewhat dissatisfied. Although a commendable two-thirds of private plan participants have a great deal of confidence in their plan's ability to deliver, 25% are less than fully confident. Six percent have no confidence in their plan at all.

C. Private pension plans get generally high ratings from business leaders when compared with plans for government employees, union plans, and Social Security. Current and retired employees are mildly positive about private plans, but they are most positive about plans for government employees. Similar to business leaders, current and retired employees are most negative about union plans and Social Security. Business leaders, not surprisingly, are most positive about private plans, believing them to offer the highest benefits for the money contributed, and to be the best run. Business leaders are highly negative in their views toward union plans and Social Security, claiming that they are the sources of retirement income most in need of change.

A plurality (33%) of current and retired employees feel that plans for government employees offer the highest benefits for the money contributed and (by a 36% plurality) would prefer that type of plan over all others if they had to rely on only one plan for all their retirement [illegible]. Like business leaders, current and retired employees hold generally negative views of union plans and Social Security.

D. While employees say they are generally satisfied with plan design and administration, many place a high priority on types of provisions which are not found in most private plans today. By far the most important feature to have in a pension plan, according to current and retired employees, is a provision for benefits which increase with the cost of living. A [illegible] rate this characteristic as at least very important. Sizeable majorities also feel it is at minimum "very important" to have guaranteed benefits regardless of investment performance, and to have survivor benefits. Business leaders consider cost of living benefits to be much less important than do current and retired employees. Instead, they feel it is most important that employees be guaranteed benefits regardless of investment performance, and that employees be guaranteed to receive vested benefits if they [illegible] retirement. Business leaders share the views of employees [illegible] of having a provision for survivor benefits in pension plans.

E. Many employees, retirees, and employers would favor changes in the pension law to permit tax deductible employee contributions. Nearly half (49%) of the working [illegible] would favor [illegible] the pension law which would permit employees [illegible] and deduct their contributions from federal taxes [illegible] of the change. The proposal receives [illegible] they would approve of a law [illegible] plans at work.

[illegible] the establishment [illegible] pension plan.

F. While a majority of employees say they would be willing to contribute to their pension plan, most employers do not think they should be required to do so. [illegible] contribute to their pension [illegible]

G. Though employees are relatively satisfied with the pension information they currently receive, business leaders widely misjudge the importance employees place on certain types of information about their pension plans. [illegible] important that

they receive information about the current financial status of their plan (83%), where pension funds are being invested (60%), who is managing pension funds (60%), and the return on investment (59%). However, among business leaders whose employees receive annual reports, just 38% feel it is "very important" that the report contain information about the current financial status of the plan, and less than 20% believe it is important to include information about who is managing the funds, where the funds are invested, and the return on investment. Nonetheless, majorities of those who have read their last pension report rate it positively for the information provided.

H. Many private pension plan participants are familiar with some of the basic provisions of their plan, but the results show that there is ample room for improvement in their knowledge. Most seem to know whether or not they are vested, though substantial minorities were uncertain or incorrect about vesting criteria. Also, more than half are uncertain about the size of their monthly retirement benefit. Even among those who are relatively close to retirement (50 to 64 years old), 58% do not know the approximate size of their monthly retirement benefit.

I. Portability: employees have mixed views as to how their pension benefits should be handled if they change jobs before retirement. A narrow 34% plurality feel that their accrued benefits should be kept in their original pension plan and the benefits paid out when they retire. Thirty-one percent would prefer that the money be transferred to a separate account of their own, like an IRA, and paid to them when they retire, while an almost equal 29% would prefer that the money be transferred to their new pension plan. Only 2% of employees covered by a pension plan and 1% of business leaders would prefer that the money be transferred to the federal government until retirement.

J. Integrated benefit formulas, by which the amount a person will receive from Social Security is taken into account when determining the size of his pension benefits, are met with opposing views by business leaders and current and retired employees. By 77-22%, a majority of business leaders feel that Social Security benefits should be taken into account when determining the size of a pension benefit; by 55-37%, a majority of current and retired employees believe that Social Security benefits should not be taken into account.

IV. ATTITUDES TOWARD SOCIAL SECURITY

A large majority of today's work force expects to receive income from Social Security when they retire. Yet substantial numbers, particularly among younger employees, have little confidence in Social Security's ability to pay their retirement benefits. More than 8 out of 10 current employees have less than full confidence that Social Security will pay them benefits to which they are entitled when they retire; 42% have "hardly any confidence at all."

The findings suggest increased political pressure on Social Security in the future, much of which may be in the form of an increased demand to use general revenues or other revenue sources to fund Social Security. A majority of current and retired employees generally agree that, if necessary, more money should be collected from working people so the income of retirees can keep up with inflation. This, coupled with the growing number of employees who will be retiring in the years ahead, suggests an upward demand and increasing political pressure for larger Social Security benefits and, consequently, higher Social Security taxes. Moreover, while 45% of current and retired employees feel that Social Security benefits should be paid out of Social Security taxes, 47% feel that at least part of the money should come from other taxes.

Employees and retirees want the Social Security System to work, and most (76%) want it to work as was originally intended — a program to provide a basic level of retirement income that will supplement other retirement income sources. What is needed, the findings suggest, are ways to restore the public's confidence in the Social Security System.

A. The vast majority of the working public are relying on Social Security for income during retirement, yet many are skeptical about the system's ability to pay out future retirement benefits. Eighty-seven percent of today's employees expect to receive benefits from Social Security when they retire. However, more than 4 out of 5 employees have less than full confidence that Social Security will be able to pay the benefits owed them when they retire, and more than 2 out of 5 have hardly any confidence at all. Moreover, employees list Social Security over government employee plans, private plans and union plans as the source of retirement income most in need of a change for the better.

B. Current and retired employees feel strongly that Social Security benefits should be increased with the cost of living, as is done now, but they have mixed views as to what moneys should be used to provide benefits to current and future retirees. Eighty-six percent of current and retired employees feel that Social Security benefits should increase at least as fast as the cost of living over the next five years, while only 9% believe they should be kept the same. With a view sharply divergent to that of business leaders, a narrow plurality (47%) of current employees and retirees feel that at least part of the money for Social Security benefits should come from sources other than Social Security taxes: 42% feel that part should come from other taxes, and 5% that *all* benefits should come from other taxes. By 79-20%, business leaders feel all Social Security benefits should be paid from Social Security taxes.

C. A 76% majority of current and retired employees believe that Social Security should provide a basic level of retirement income, while 17% believe it should provide all retirement income. Among those who feel Social Security should provide a basic level of retirement income, 22% believe it should provide a basic level of income regardless of pre-retirement income and 31% believe that it should provide a basic level of income while taking previous income into account. Another 23% feel Social Security should provide a basic level of income which should be used as a supplement to other retirement income. Part of the reason for low interest among current and retired employees in having all retirement income provided through Social Security is a lack of confidence in the government's ability to manage such a program. Nearly half the respondents (49%) have hardly any confidence in the government's ability to run a program in which all retirement income would be distributed through the federal government and funded by taxes.

ADDITIONAL FINDINGS

BUSINESS ATTITUDES TOWARD ERISA

1. Business leaders have mixed views on ERISA: in general, they rate the law negatively, yet they hold strongly positive views toward a number of the law's basic provisions. Negative business attitudes toward ERISA stem primarily from the time, paperwork, and costs required to administer a plan. Many of the major criticisms frequently heard about ERISA, such as its effect on investment performance, fiduciary standards, and pension eligibility requirements, are not shared by the sizeable percentages of the country's business leaders who are involved with company pensions. ERISA's fiduciary standards, for instance, receive a 76-21% positive rating from business leaders. The law's vesting requirements are rated positively by 90-10%. Also viewed favorably are ERISA's pension eligibility requirements (78-20%), joint and survivor benefit regulations (87-10%), funding standards (76-16%) and plan termination insurance (58-36%).

Overall, however businessmen give the law a 61-38% negative rating. The reason for this rating lies primarily with the law's reporting and disclosure requirements, and the cost, paperwork, and executive time which they engender. ERISA's reporting and disclosure requirements meet a strong 71-28% disapproval among business leaders. By 57-34% leaders say ERISA has a negative impact on the time it takes executives to deal with pension matters. And the law is thought to have had a negative impact on a company's cost of having a pension plan, by 54-30%.

2. A full 69% of the leaders interviewed feel that ERISA has had little or no effect on the basic investment strategy for their company's pension fund. Another 14% claim that the funding and fiduciary requirements of ERISA have resulted in different, but not necessarily more conservative, investment strategies for pension funds. Just 15% charge that ERISA's funding and fiduciary requirements have resulted in more conservative investment strategies for their company.

BUSINESS ATTITUDES TOWARD PENSION FUNDING AND UNFUNDED LIABILITIES

1. Most business leaders feel their company's pension plan is at least adequately funded. In terms of the benefits that have been promised 69% claim their company's plan is well funded, 29% claim it is adequately funded, and only 2% say their plan is under-funded. Generally, the larger the percentage of vested liabilities which are unfunded, the less positive business leaders are about the adequacy of their plan's funding.

2. Fifty-six percent of the companies in the sample have some portion of their vested pension liabilities which is unfunded and 44% do not. Thirty four percent of the firms have unfunded vested liabilities amounting to [illegible] or less of their total vested liabilities, [illegible] have unfunded vested liabilities of between [illegible] and 50% of total vested liabilities, and [illegible] have unfunded vested liabilities which account for more than half of their total vested liabilities.

3. Business leaders are considerably concerned about the problem of unfunded pension liabilities, but they are generally not alarmed. Many feel that the problem has [illegible] reduced by better investment results, and [illegible]

4. **By 68-19%, business leaders feel pension funds should be invested wherever they bring the largest return, regardless of the social policies of the companies or countries in which they might be invested.** Employees covered by private pensions are nearly evenly split on the issue, with a narrow plurality favoring investing funds wherever they bring the largest return if following socially desirable investment policies meant retirees would receive lower pension benefits. It should be noted that a substantial minority feel strongly that funds should not be invested in companies or countries with socially undesirable policies.

PRE-RETIREMENT PLANNING

1. **The experience of today's retirees shows that pre-retirement planning is critical to a secure retirement:** current retirees who had inadequately planned for their retirement are considerably more likely than others to have an inadequate amount of retirement income. Among those who feel they had done enough planning, for instance, 10% claim their income is less than adequate. But the same claim is made by 56% of the retirees who say they had done far too little or no planning at all.

2. **Sizeable percentages of today's employees feel they have done little planning and made few preparations for their retirement. This is true for older as well as younger employees.** Thirty percent of current employees have done no planning at all for their retirement, as have a smaller but substantial 20% of those between the ages of 50 and 64 Forty-eight percent of employees between 50 and 64 years of age (and 58% among all employees) have not given any thought to how much money they will need when they finally retire. More than 1 in 5 of these older employees intend to retire without a pension.

GOVERNMENT EMPLOYEE PENSION PLANS

Strong majorities of current and retired employees and of business leaders feel that public pension plans should be subject to the same regulations for funding reporting, and eligibility requirements as are private pensions Public plan compliance with private plan regulations is favored by 68% of current and retired employees (14% opposed), and by an overwhelming 93% of business leaders Moreover, such compliance is favored by a sizeable 65% majority of employees currently covered by public plans and opposed by only 18%.

DOUBLE DIPPING

There is only mild public opposition to the practice of double dipping By 51-42% a narrow majority of current and retired employees believe that people who retire after 20 years of service on a government job should be able to collect a government pension while working at a second job Business leaders take an opposite view, believing by 50-30% that retired government workers should not be able to collect a government pension while working at a second job Lastly both current employees and retirees as well as business leaders feel that people who retire after 20 years of government service and who then work and retire from a second job should be able to collect two pensions one for each job they have had

JOHNSON & HIGGINS COMMENTARY

The study of a social issue as complex as retirement requires a constant effort to avoid losing sight of the main question. It is quite easy to become side-tracked while examining many of the interrelated sub-issues and the mass of facts and opinions which are elements of the overall problem.

Economics, labor force composition, capital formation, demographics, political realities, productivity, inflation, taxation and funding must be considered along with past performance and current attitudes in order to evaluate the potential future directions this issue could take.

For the sake of establishing a framework in which the available information can be organized and evaluated, J&H would hypothesize that:

> A coordinated retirement policy should aim for an adequate retirement income, upon retirement and thereafter for a worker and spouse, taking into account all available sources of income.

This framework specifically excludes the broader question of income transfers based on need without regard to prior employment, length of service or past earnings. While some retired employees may need such assistance, income transfers of this type are not related to retirement per se. It is not possible to provide all perceived social income needs through a retirement system. The question under study should not be obscured by blending it into a larger problem.

The elements of the theorem can be used to arrange available information under the following categories:

What is an Adequate Retirement Income?
- at the time of retirement
- during the period of retirement

What Should the National Policy be Toward Retirement Age?
- employment beyond age 65
- intentions of employees

How Should Retirement Income be Defined and Determined?
- what type of income should be replaced
- should benefits be based on earnings or need

What Should National Policy be Toward . . .?
- personal savings for retirement
- integration of private pensions and Social Security
- portability
- mandatory pensions

How Should Retirement Income Sources be Funded?
- private pension plans
- public plans (for government employees)
- Social Security

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What is an Adequate Retirement Income?

Should "adequate" be measured in comparison to pre-retirement spendable income," pre-retirement standard of living, desired standard of living or something less?

The overwhelming majority of employees (86%), retirees (92%) and employers (82%) believe that the post-retirement standard of living should be equal to or better than the pre-retirement standard of living. This goal is optimistic and will become less realistic as the retiree to worker ratio increases in future years and inflation takes its toll.

A more achievable goal would seem to be one where the combined retirement income available from a pension plan and Social Security provides a standard of living somewhere between "comfortable subsistence" and the pre-retirement standard. This would then be supplemented by personal savings and other assets.

The adequacy goal should be defined in terms of a percentage of the spendable after-tax income level shortly before retirement, weighted to favor the lower paid individual. Ideally, the initial benefit would be adjusted, within the constraints of financial feasibility, for post-retirement increases in the cost of living. 93% of employees and retirees and 51% of business leaders believe it is important that pension plan benefits increase as the cost of living goes up.

Even with the more optimistic pre-retirement standard of living in mind, the study shows that 76% of retirees who are receiving pensions claim to have a standard of living which is adequate or more than adequate while only 43% of retirees who do not receive pensions feel the same way.

This means the overall system needs improvement because a substantial minority claim to have a less than adequate standard of living to some degree – 23% of pensioners and 56% of those who are not receiving pension benefits.

These results also highlight the dramatic difference in the standard of living between those retirees who are receiving pensions and those who are not and clearly shows:

(A) Social Security has not, in the aggregate, provided adequate retirement benefits to the American public. The stated intention of the Social Security system initially was to provide only a basic floor of protection.

(B) Pension plans have, to a very large degree, done the job they were designed to do – i.e. bridge the gap between a basic level of Social Security benefits and an adequate standard of living. This is true despite the fact that retiree expectations are high and current retirees have by and large, retired under less generous plans than will future retirees.

The pension system already covers a large majority of employees

(A) 60% of current workers are covered by private plans (about 7 out of 10 who work in the private sector) and 23% by public employee plans

(B) Of employees age 50 and over, 62% are covered by private plans and 28% by public plans.

NOTE There may be some duplication of those covered by private and public plans – e.g. "Double Dippers"

The pension system must be expanded to cover an even larger percentage of employees. The federal government is moving in the right direction by encouraging simplified pension plans and IRA accounts to fill the coverage gap among employees of small employers.

Assuming employees are covered by a pension plan and Social Security, which together provide an adequate standard of living at retirement, there remains the problem

of how to maintain this standard in a period of sustained, high-level inflation. 84% of current retirees claim that inflation has reduced their standard of living. We believe that this is a major problem that must be dealt with by the private pension system.

One scenario that pops up as a trial balloon from time to time runs as follows:

(A) Private pension plans cannot keep pace with increases in the cost of living;

(B) Social Security is indexed to the cost of living;

(C) Therefore, we should eliminate private pensions, with their tax "subsidies", and provide all retirement income through Social Security.

We believe the survey shows a number of major defects in this line of thought.

(A) The Social Security system cannot provide the level of benefits needed to maintain an adequate standard of living. Simply maintaining the present levels of replacement ratios would eat up an estimated 21% (excluding Medicare) of covered payroll by the end of the first quarter of the next century. Only 30% of employees and 49% of business leaders agree that the 1977 Amendment increasing taxes was the proper approach. Clearly, the wage-based Social Security tax is approaching an upper limit of tolerance — politically and economically.

(B) Most Americans would not want the Social Security system to provide all their retirement income. Only 17% of current and retired employees would favor this approach. 42% of current employees have hardly any confidence that the Social Security system will be able to pay their benefits when they retire.

(C) The pension system is making a major contribution toward mitigating the impact of inflation. 53% of retired employees who are not receiving pension benefits claim that their standard of living is being seriously reduced. Only 28% of retired employees who are receiving pension benefits are feeling the same degree of impact.

(D) There is a widespread distrust on the part of workers and business leaders in the government's ability to manage Social Security. As an indication of this, 32% of current employees and 37% of business leaders would, if given a choice, get out of the system.

The underlying question is whether a sufficient portion of the real wealth (goods and services) being produced currently can be allocated to maintain the standard of living of current retirees. If the economy can afford this, it can be done through private and public pensions as adequately in the future as this survey shows has been done in the past. If the economy cannot afford this allocation of current wealth, eliminating private pension plans and promising fully adequate and indexed benefits from Social Security or other governmental programs will not work. All that is accomplished is deferral of the cost of current benefits to future generations of wealth producers — at a time when the retiree/worker ratio is beginning to increase. If too much of a burden is shifted to the future, the succeeding generations of workers may simply refuse to honor the "pledges" of their predecessors.

The real problem is inflation — not pension plan adequacy. If the inflation problem itself is not solved, government retirement benefit schemes can only hide and defer the true cost. While pension plans cannot solve the problem of inflation, the private pension industry has developed a number of techniques that mitigate the full impact of inflation on retirement benefits. Plan sponsors should utilize available techniques within the limits of available funds lest the perceived benefit gap be filled by a federal deficit-financed scheme which would assure continuation of the vicious inflation spiral.

In addition to existing techniques, one new approach to be explored would be to earmark employee contributions to provide some cost-of-living protection as the initial benefit provided by the plan begins to be eroded by inflation. This approach would be more attractive if the employee contributions were deductible for federal and state income tax purposes. The study shows that 68% of plan participants state they would contribute if it increased their retirement benefits.

Johnson & Higgins believes that an employer achieves good results in employee benefits with features that are valued and appreciated by plan participants. Pension plan provisions that come to grips with the inflation problem will address what the survey shows is the principal concern of participants. It is likely that pension plan improvements of this type will be the most effective.

What Should the National Policy be Toward Retirement Age?

The conventional wisdom regarding the impact of the recent amendment to the Age Discrimination Act of 1967 on retirement ages holds that:

- there is a well-established trend toward early retirement.
- changes in the mandatory retirement age will not affect the number of employees who retire before normal retirement age.
- it will have little effect on the percentage of employees who will work beyond normal retirement age.
- the overall impact on pension plans and costs will be minor.

The responses obtained from the employees and retirees themselves cast great doubt on the long-term accuracy of this conventional wisdom. Only 47% of all current employees (52% of private pension plan participants) say they intend to stop working on or before normal retirement age. Another 8% in both categories intend to retire and take a job with another employer. In addition to this 8%, approximately 41% of employees and 38% of private pension plan participants say they intend to work as long as they can at the same job, a less demanding job or a part-time job.

This surprising result among active employees correlates with the preferences of retired employees – 46% of whom would prefer to be working now and 53% of whom would have preferred to continue working instead of retiring.

It is not determinable whether most employees will do what they say they intend to do. It does seem abundantly clear that a far greater number of older employees than employers have anticipated will continue in the work force in some capacity.

It is difficult to forecast accurately how this will impact costwise on private retirement income plans. There will be no plan savings for the 60% of plan participants who intend to retire on or before normal retirement age. Unless the plan provides a credit for post age 65 service, there should be a savings for the 17% who intend to remain full time in the same job or in a less demanding job. The 21% who intend to remain in part-time employment will probably represent modest savings only. They would most likely not take part time work with the same employer if it meant the loss of current pension payments.

The effect of continued employment on the Social Security system will depend on the earnings limitation test, the extra credit for working beyond age 65, additional Social Security taxes paid during "post retirement" employment and any future changes in the retirement age to qualify for full benefits.

With the emergence of a substantial number of employees who intend to remain in employment at the older ages, the demographic shift in the retiree/worker ratio and

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sustained inflation, a number of approaches will undoubtedly be evaluated by Congress and by employers:

- a gradual deferral of the age at which unreduced pension and Social Security benefits commence
- require additional pension credits for employment beyond age 65
- elimination of inducements for early retirement under private and public pension plans and greater reliance on personnel practices to weed out lagging performers.

How Should Retirement Income be Defined and Determined?

Retirement income from Social Security and pension plans should be limited to the replacement, to a worker and spouse, of income lost because of a permanent removal from the working force by reason of retirement due to age or permanent disability.

The survey showed, however, that eighty-three percent (83%) of both employees and business leaders believe that it is very important or extremely important that a pension plan provide survivor income benefits to the spouse of a deceased employee. This is a proper and desirable benefit for employees who have or could have retired and started receiving benefits.

Nevertheless, we believe that a retirement income system should not be used to provide for other types of income needs not related to retirement — such as death benefits to dependents, health benefits or sick pay. The issue of retirement and retirement income maintenance must be clearly defined and limited if a nati nal policy is to be developed. Interjecting tangential income needs into the retirement issue merely serves tc divert attention and funds from the main problem.

If pension pla.is are mandated to provide pre-retirement death benefits and other types of benefits not specifically related to retirement income, then the primary objective of retirement incrme maintenance is lost. Furthermore, funds which could have been used to increase retirement income would be diverted to other uses.

Responses from employees and business leaders on the determination of retirement income levels lead to a consensus that:

- Social Security benefits should provide a basic level of retirement income
  (76% of employees and 98% of business leaders).
- this basic Social Security benefit should be related to the worker's previous income or should supplement other retirement income
  (54% of employees and 77% of business leaders).
- pension plan benefits should be based on earnings and length of employment
  (58% of employees and 90% of business leaders).

When asked whether a basic level of retirement income, regardless of pre-retirement income, should be provided

(A) from Social Security,
only 22% employees and 21% business leaders said yes, and

(B) from pension plans,
only 28% employees and 5% business leaders thought so.

This consensus reflects a broad structure for determining retirement income benefits.

- a basic level of retirement benefits paid from Social Security geared to prior earnings but with a minimum benefit amount.
- a pension plan benefit based on prior earnings and employment with a supplemental minimum benefit where needed to reinforce the Social Security minimum.

This retirement income would be supplemented by personal savings and other assets. If any benefits are to be payable solely on the basis of need without a relationship to prior earnings they should come from an income-transfer system other than Social Security and should not be confused with the retirement income maintenance supported by payroll taxes and pension plans.

National Policy Issues

The survey shows that 54% of employees believe they should share some responsibility to provide for their retirement income along with the government and/or the employer. A substantial 39% believe the government and/or their employer should bear the whole burden while 7% are not sure.

This 39% who feel that employees have no responsibility for providing for their own retirement income represents a clear danger signal for a national retirement income policy. This attitude is reflected in figures reported in a recent study showing that Americans save far less than citizens of other industrial countries and that the rate of savings is decreasing. In 1967, consumer savings in America totalled 7.5% of consumer after-tax income. This dropped to 5.1% in 1977. All other industrial countries in the report (Canada, Britain, West Germany, France and Japan) showed increases in the savings rates. By 1977 Canada with the lowest rate, was saving 9.8% and Japan, with the highest rate, 21.5%.

The statistics for American savings rates can be attributable to many elements — erosion of purchasing power through inflation, slow-down of the economic growth rate, more comprehensive social programs, lack of tax incentives to save — but the trend confirms a growing unwillingness or inability of Americans to save for their own retirement.

This is a particularly disturbing trend when coupled with a possible peaking of the ability of the Social Security system to raise additional funds by payroll taxes and the ever-present demand on pension plans for increased benefits and cost-of-living protection.

Johnson & Higgins feels that any long-range policy for a retirement income system must re-emphasize the responsibility of the employee to share in the cost of providing his own retirement security. This policy should be supported by tax incentives for individual retirement plans and for employee contributions to employer sponsored pension plans.

In response to the question of whether Social Security benefits should be taken into account when determining the amount to be received from a pension plan -- that is, whether private pension plan benefits should be coordinated ("integrated") with Social Security benefits -- 55% of all employees and 22% of business leaders said no. 60% of workers covered by private plans and 67% of those covered by public plans said no.

Interestingly enough, however, when asked how the post-retirement standard of living should compare with the pre-retirement standard of living, 81% of employees and 82% of business leaders replied that they should be about the same. (Only 8% of employees and no business leaders believed it should be higher)

This combination of responses is contradictory and shows a lack of understanding of the interplay of Social Security with pension plans. If the consensus is that the post-retirement standard of living should be relatively the same as the pre-retirement standard of living then both Social Security benefits and pension plan benefits must be taken into account and coordinated.

For example, consider a pension plan which provides a benefit of $10 per month for each year of employment (a typical benefit level for a "non-integrated" plan). An average employee who retires in 1980 with 30 years of service would receive an annual benefit of $3,600. When added to the amount ($7,973) of Social Security benefit payable to a worker and spouse (assuming the worker earned the average wage covered by Social Security, about $11,000 in 1979), this produces a combined (integrated) retirement income of $11,573. This means a total income of about 105% of pre-retirement gross income and 128% of pre-retirement spendable income.

Now consider a pension plan which integrates directly in the plan formula. For example, a plan that provides 50% of the final five-year average pay reduced by 50% of the primary Social Security benefit after 30 years of service. The same worker earning the average covered Social Security wage would receive a plan benefit of $2,343 plus $7,973 from Social Security for a total "integrated" retirement income of $10,316 — about 94% of pre-retirement gross income and 115% of pre-retirement spendable income.

The point is that Social Security benefits do exist whether taken into account or not. Only by taking them into account in designing pension plan benefits can a combined retirement income program be produced that meets the standard of living objective. It should also be noted that the combined retirement income favors lower-paid employees because it replaces a higher percentage of pay at the lower income levels.

Another point of considerable interest on the subject of sources of retirement income arises from attitudes on portability. Thirty-four percent (34%) of employees would prefer to have their old pension plan hold the accrued benefits if they were to change jobs. 29% would prefer that the funds be transferred to their new plan: 31% would prefer that the funds be transferred to an individual account, like an IRA.

Only 2% of employees would want their funds transferred to the federal government pending their retirement. This chilling lack of enthusiasm for transferring private pension funds to the federal government coincides with the need to maintain these accumulated assets in the capital-generating private sector.

The issue of mandatory pension plans is one that will take considerable study. While 80% of employees feel that every employer should be required to provide a reasonable pension plan for his employees only 33% of business leaders agree. As previously mentioned, the survey shows that for employees near retirement (age 50 and over), 62% are covered by private pension plans and 28% by public pension plans - leaving relatively few employees without pension coverage at retirement. Johnson & Higgins believes that the private pension system is an essential part of an overall retirement income system and that coverage of employees in private pension plans is to be fully encouraged. But a mandated "minimum pension plan" law could result in many small businesses closing up entirely. We think that national policy should continue to provide tax incentives for employees of small employers to establish individual retirement accounts and should develop incentives for small employers to establish pension plans. A variety of vehicles will be needed to maximize coverage among this group.

How Should Retirement Income Sources be Funded?

Private Pension Plans

The "broken promise" atmosphere of the early 1970's seems to have cleared. 93% of plan participants have confidence that their plan will pay their promised benefits and 78% of plan participants are basically satisfied with the way their plans are designed and administered.

The funding status of private pension plans is not a major concern for most companies, does not impose a burdensome cost on employers, and pension plans are, for the most part, adequately funded to pay the promised benefits.

Survey results show that the contribution to employee pension plans, including profit sharing and thrift plans averaged 11% of payroll for 193 responding companies. A separate survey conducted by Johnson & Higgins among a very large sample of Fortune 500 companies shows an average contribution for pension plans (excluding in most cases profit sharing and thrift plans) of 8% of payroll during 1977 fiscal years. This same J&H survey showed pension costs, on the average, to be 12.4% of pretax profits.

The Harris survey shows that 98% of business leaders think their plans are adequately funded. However, 16% consider unfunded liabilities as a major concern for their company. The J&H survey shows that 27% of the sample of Fortune 500 companies had no unfunded vested liabilities at all: three-quarters had unfunded vested liabilities of less than 10% of net worth and only 5% had unfunded vested liabilities of 30% or more of net worth. Unfunded liabilities (vested plus non-vested) were less than 10% of net worth for 52% of the sample of Fortune 500 companies. There were only 9% with unfunded liabilities of 30% or more of net worth.

The overall conclusion is that private pension plans are, on the whole, adequately funded and are likely to remain so. The minimum funding requirements of ERISA and the guarantees of the Pension Benefit Guaranty Corporation are additional safeguards.

Public Pension Plans

There is substantial agreement that public pension plans should be funded on the same basis as private pension plans. This opinion was expressed by 66% of all current and retired employees, 69% of employees covered by public plans and 90% of business leaders. In our view, national policy should be directed at requiring minimum funding standards for public pension plans. It is hoped that any constitutional issues can be overcome in addressing this issue.

Social Security

Social Security funding problems continue to be of major concern. The American public does understand that benefits are being paid from current Social Security taxes — only 8% labor under the formerly widespread delusion that their taxes are set aside in their own account. **There is a crisis of confidence among employees which leads to doubt that the Social Security system will pay their benefits when they retire.** This attitude is most pronounced at the younger ages but, in total, 42% of current employees (over 50% of those under age 35) have hardly any confidence in receiving these benefits. This minimum confidence in receiving benefits is matched by a lack in confidence that future working generations will be willing to pay higher Social Security taxes to support those benefits — again 41% of current and retired employees have hardly any confidence. The assessment here is probably right on target as witnessed by the present stiffening of resistance to the tax increases mandated by the 1977 Amendments.

This reluctance of the American public to fund Social Security benefits by sharply increased payroll taxes is already leading to suggestions for alternate means of funding to support present and even increased benefit levels. Forty-seven percent (47%) of employees believe that funding for Social Security benefits should come partly from sources other than payroll taxes. Only 17% of business leaders agree with this attitude. Alternate sources include the possibility of general revenue tapping or, as some have suggested, the imposition of a value-added type of tax. Of course, it is difficult to see how general revenue can be a viable solution when, even in the best of times, the government manages to run high deficits. A value-added tax would be inflationary, just like diverting general revenues, and would merely mask the real problem — the benefits are too rich to pay to the demographic wave of future beneficiaries. A heavy use of non-payroll taxation could result in irresponsible election year goodies and perhaps the eventual demise of Social Security.

Conclusion

Johnson & Higgins is of the opinion that the real answer lies in the proper balancing of benefits and funding. Social Security benefits should be limited to a basic level of retirement benefits and funding by payroll taxes. It is not possible or practical to provide adequate retirement income to all Americans through the Social Security system. This fact should become a fundamental tenet of national policy. Responsibility for benefits over and above a basic level should be transferred to employers and employees. Expansion of pension plan coverage should be encouraged. Minimum funding standards should be applied to public as well as private plans.

The national confirmation of such a policy will go a long way toward solving our capital formation needs and will in turn help to assure the productive growth of our economy.

We urge the policymakers to move to this logical solution.

APPENDIX I

METHODOLOGY USED TO CONDUCT SURVEY

Fieldwork

All the data for this survey were collected from in-person interviews conducted by Harris interviewers, under the control and supervision of the Harris Field Director and Regional Supervisors. Fifteen percent of all interviews were validated by telephone to ensure that the interviews had been honestly and accurately carried out.

All the interviews with the leadership groups were carried out by executive interviewers belonging to the Harris executive field force, under the control of the Executive Field Director, in August 1978.

The Sample Design

A. The national cross-section of current and retired employees: The sample was designed to be representative of the adult civilian population 21 years or older, who are currently or were formerly full-time employees. It is restricted to the continental United States, excluding Alaska and Hawaii, and excluding those in prisons or hospitals. The sample design was based on updated census information on the population of each state, and on the population living in urbanized areas and in more rural areas throughout the country. The sample was stratified to ensure that it would reflect within one percentage point the actual proportion of those living in different regions and in different size of place areas (city, suburb, town, rural). Within each stratum the selection of the ultimate sampling unit (a cluster of adjacent households) was achieved by multi-stage cluster sampling. Within each of sixteen strata (four regions within four size of place categories) first states, then counties, then minor civil divisions and, where possible, census tracts and city blocks were selected proportional to census estimates of their respective populations.

In a proportional sample, the number of interviews that would be obtained with respondents who had retired from full-time work would have been too small for reliable analysis. Therefore, the cross-section contains an oversample of respondents retired from full-time work. The oversample was then statistically reweighted to its proportionate size within the larger sample. Thus, the cross-section is a proportionate representation of current and retired full-time employees.

Interviewers in the field were provided with detailed maps of the ultimate sampling units, and conducted interviews within the assigned respective areas. The national sample consisted of 200 such interviewing areas (sample points) throughout the country. At each sample point one respondent from each of eight different households was interviewed. At each household the respondent was chosen by means of a random selection pattern geared to the number of adults of each sex living in that household. The representativeness of the sample is shown in the following table:

PROFILE OF THE PUBLIC SAMPLE OF CURRENT AND RETIRED EMPLOYEES

	Number in Sample*	Weighted Percentage
	#	%
Total Public	***1,699***	***100***
Region**		
East	493	29
Midwest	455	27
South	457	27
West	292	17
Size of Place		
Cities: central cities in urbanized areas (generally 50,000 or more)	526	31
Suburbs: urbanized areas outside central cities	491	29
Towns: other urban areas (generally 2,500 to 49,900)	290	17
Rural: anything not included above	388	23
Age		
21-24	151	9
25-34	380	23
35-49	438	26
50-64	425	24
65 and over	303	19
Race		
White	1,492	88
Non-white	195	11
Income		
Under $7,000	236	15
$7,000-$14,999	536	31
$15,000-$24,999	554	33
$25,000 and over	310	18
Sex		
Male	1,006	62
Female	690	38

*Subgroup totals do not always come to 1,699 because of some non-response.

**East includes Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, and West Virginia.

Midwest includes Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

South includes Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, and Virginia.

West includes Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

B. The leadership sample: The leadership sample consisted of a representative cross-section of 212 companies drawn from the Fortune 1250 listing and the *Dun and*

Bradstreet Million Dollar Directory. The sample was stratified and is representative of companies according to the number of people employed.

In each case the Chief Executive Officer was contacted and asked to designate someone who was felt to represent the company's views on pensions and retirement. Interviews were obtained as follows:

Number of Interviews	Position
31	President, Chief Executive Officer
16	Sr. VP or Executive VP
46	VP Personnel, Pensions or Benefits
14	VP Financial
10	Other VPs
66	Managers, Directors
9	Treasurer, Chief Financial Officer, Comptroller
5	Assistant Treasurer
5	Benefit Administrator/Officer
2	Assistant Secretary
1	Benefit Specialist
1	Employee Retirement & Welfare Coordinator
1	Assistant to President
1	Senior Specialist
1	Consultant to Investment Committee
1	General Counsel
3	No Specific Title Given (Blank)

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