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LEARNING TO SAVE: INNOVATIONS IN THE PURSUIT OF INCOME SECURITY

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BEFORE THE

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UNITED STATES SENATE

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THURSDAY, JUNE 17, 1999

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Washington, DC.

The committee met, pursuant to notice, at 2:05 p.m., in room SD–106, Dirksen Senate Office Building, Hon. Charles Grassley, (Chairman of the Committee) presiding.

Present: Senators Grassley, Collins, Reed, Hutchinson, Lincoln, and Bayh.

OPENING STATEMENT OF SENATOR CHARLES GRASSLEY, CHAIRMAN

The CHAIRMAN. If I could welcome everybody to this hearing of the Committee on Aging. I thank you all very much for coming, particularly those of you who traveled long distances, and more importantly, those who traveled long distances to participate in the hearing.

I would like to say, as we call this hearing to order, that you will see, because of business on the Senate floor and at other committee meetings, Senators coming and going. Obviously I am going to be here for the entire hearing, but both Senator Graham, who is at the table now, and myself, could have to go to the Senate Finance Committee on another issue. We thank you for understanding.

I also want to make an explanation for a very loyal member of this committee, who is usually always here. Senator Breaux cannot be with us because of other obligations. He hardly ever misses a meeting, and we always plan these meetings together.

I want to say good afternoon to everybody as I call the hearing to order. Someone once said that it is easy to meet expenses, everywhere I go, there they are. In a society where so much is available to purchase, it is difficult to focus on savings for retirement, especially when retirement can seem so far away. It is vital that we encourage our Nation's work force to build a strong foundation of retirement savings that will see them through their golden years. The lack of understanding regarding the resources of income and retirement prompted me to introduce the SAVER Act in the last Congress. You are going to hear me use the acronym SAVER. Just once I want to give you what the acronym stands for. Savings Are Vital to Everyone's Retirement. That is an act of 1997.

SAVER maps out three areas where we need to focus our energies in helping American's achieve a secure retirement:

First, motivating individuals to take steps to secure their own retirements. Second, assisting small employers to understand the pension coverage options available and build consensus on Government-created barriers, which discourage employers from offering a pension benefit. Finally, for those individuals who are especially at risk, women, minorities, those who simply cannot afford to save, SAVER legislation provides an avenue for Government and private sector to collaborate in order to prepare workers for retirement.

One year ago this month, the first of three SAVER summits was held here in Washington, DC, and Senator Graham was one of the delegates. Delegates from across the political spectrum in the public and private sector collaborated on ideas to help workers prepare for retirement and increase the national savings rates.

Today's hearing has a dual purpose: to be a follow-up event to the SAVER Summit of 12 months ago and to highlight initiatives in the public and private sector which educate people about the need to build a retirement nest egg, as well as encourage people to set financial goals and achieve them.

The philosophy behind the SAVER Act is that, in order to tackle the problem of America's low savings rate, we need to coordinate efforts of the Government, corporations, organizations, and individuals. The witnesses before the committee today will discuss efforts in each of these areas. Our first witness, Senator Bob Graham, now at the table, was a delegate to the SAVER Summit. As I have already said, he is also the main sponsor of comprehensive pension reform legislation aimed at helping small employers provide pensions to their employers, educating employees about the need to save, and assisting workers in building a retirement nest egg.

Our second panel consists of five witnesses who will showcase successful initiatives coordinated by the Government, companies and organizations, which are educating workers about setting financial goals and saving for retirement.

Finally, from our third panel, we will hear from Dallas Salisbury, who is from the Employee Benefit Research Institute. While there are a lot of successful initiatives out there, we need to keep in mind that savings rates and pension coverage rates still are not where they should be. Mr. Salisbury will discuss the findings of the Small Employers Retirement Survey and the Retirement Confidence Survey.

The findings of the Small Employers Retirement Survey hopefully will shed some light on what small employers view as barriers to offering a pension plan. I am eager to hear from all of the other witnesses, but first—well, before I ask for opening statements from members, I want to ask of you, my pattern in this committee is usually to let all members make opening statements, which are relatively short for the most part, and if you could wait for that, I would like to have it. But if you are on a tight time schedule.

[The prepared statement of Senator Grassley follows:]

PREPARED STATEMENT OF SENATOR CHARLES GRASSLEY

Good Afternoon. I call this hearing to order.

Someone once said it is easy to meet expenses, everywhere I go there they are. In a society where so much is available to purchase it is difficult to focus on saving for retirement, especially when retirement can seem so far away. It is vital that we encourage our Nation's workforce to build a strong foundation of retirement savings that will see them through their golden years.

The lack of understanding regarding the sources of income in retirement prompted me to introduce the SAVER Act in the last Congress. SAVER maps out three areas where we need to focus our energies in helping Americans achieve a secure retirement: First, motivating individuals to take steps to secure their own retirements. Second, assisting small employers to understand the pension coverage options available and build consensus on government-created barriers which discourage employers from offering a pension benefit. Finally, for those individuals who are especially at risk—women, minorities and those who simply cannot afford to save—SAVER provides an avenue for the government and private sector to collaborate to prepare workers for retirement.

One year ago this month, the first of three SAVER Summits was held here in Washington, DC. Delegates from across the political spectrum in the public and private sector collaborated on ideas to help workers prepare for retirement and increase the national savings rate. Today's hearing has dual purposes: to be a follow-up event to the SAVER Summit and to highlight initiatives in the public and private sector which educate people about the need to build a retirement nest egg as well as encourage people to set financial goals and achieve them.

The philosophy behind the SAVER ACT is that in order to tackle the problem of America's low savings rate we need the coordinated efforts of the government, corporations, organizations and individuals. The witnesses before the Committee today will discuss efforts in each of these arenas.

Our first witness, Senator Bob Graham of Florida, was a delegate to the SAVER Summit and is also a sponsor of comprehensive pension reform legislation aimed at helping small employers provide pensions to their employees, educating employees about the need to save and assisting workers in building a retirement nest egg.

Our second panel consists of five witnesses who will showcase successful initiatives coordinated by the government, companies and organizations which are educating workers about setting financial goals and saving for retirement.

Finally, on our third panel we will hear from Dallas Salisbury of the Employee Benefit Research Institute. While there are a lot of successful initiatives out there, we need to keep in mind that savings rates and pension coverage rates still are not where they should be. Mr. Salisbury will discuss the findings of the Small Employers Retirement Survey and the Retirement Confidence Survey. The findings of the Small Employers Retirement Survey hopefully will shed some light on what small employers view as barriers to offering a pension plan. I am eager to hear from all of our witnesses, but first we will hear opening statements from the other members of the Committee.

Senator GRAHAM. Senator, I would look forward to hearing the comments of such a distinguished panel of colleagues.

The CHAIRMAN. We will start with Senator Collins then from Maine, who has cooperated with me not only on this committee, but on several senior citizen bills that have been put in.

STATEMENT OF SENATOR SUSAN COLLINS

Senator COLLINS. Thank you very much, Mr. Chairman. As always, our chief witness this afternoon has already demonstrated his intelligence and skill in dealing with the Senate committee.

Mr. Chairman, I want to thank you for calling this afternoon's hearing to highlight some important new initiatives in both the public and private sectors to encourage Americans to save and invest more money for their retirement. This is a tremendously important issue. Most of us recognize that we cannot count solely on Social Security to meet all of our future retirement needs, yet very few of us have taken the necessary steps to save and invest more on our own, so that we will be able to enjoy a secure retirement.

Unfortunately, this is particularly true for American women who too often are torn between the responsibility of raising a family and their need to save and prepare for retirement. One of the most startling statistics to me is that women are much more likely than men to retire in poverty. According to a 1997 report by the Public Agenda Foundation, nearly half of all Americans say that they have less than $10,000 in savings for their retirement. Moreover, most Americans have no idea how much they do need for retirement. When asked by the Employees Benefits Research Institute how much they would need to save to maintain their pre-retirement lifestyle, 42 percent of the workers surveyed could not even give an amount.

Without better financial education and planning, millions of American workers will be facing retirement years that are anything but golden. This is particularly true, given the demographics of the next century, when a title wave of retiring baby boomers will be imposing unprecedented burdens and challenges for both Social Security and our private pension systems.

It is particularly appropriate that our colleague, Senator Graham, is able to be with us here this afternoon. Along with our distinguished chairman, Senator Graham has been a real leader in the Senate on pension reform issues, and I am very pleased to be a co-sponsor of the bill that you have jointly introduced, the Pension Coverage and Portability Act, which is intended to help working Americans build personal retirement savings through their employers. I think your legislation, which I hope will be enacted this year, would go a long way toward improving the private pension system in this country, and I am pleased to support your efforts.

Again, Mr. Chairman, thank you for calling this important hearing.

The CHAIRMAN. Thank you, Senator Collins.

Now, Senator Reed of Rhode Island.

STATEMENT OF SENATOR JACK REED

Senator REED. Thank you, Mr. Chairman, for calling this hearing, and also I want to recognize my colleague, Senator Graham, who is a true leader in all of these issues in the U.S. Senate.

Basically, the three pillars of retirement are pension, individual savings, and Social Security. And what we found out is that far too much reliance has been placed on Social Security, and it is our task to develop the pension system and individual retirements so that they can make up the difference, as people go forward and looking to have decent retirement incomes.

It is estimated, also, that about 37 percent of workers have not yet considered very seriously about their retirement needs and their income needs. So this hearing is extremely important and extremely timely.

Mr. Chairman, last year you worked, along with Congressman Fawell, on the National Summit on Retirement Security, which is a good start. And I look forward to working with you again in developing some of the themes that you uncovered and advocated during the National Summit on Retirement Security.

Also, I am looking forward to hearing about the Choose to Save program and the Money 2000 program, which are important vehicles in which to encourage more savings for seniors. In my home State of Rhode Island, we have to do a lot more. I hope this hearing will give us some insights of how we can do much more to help our seniors prepare for the future.

Again, thank you, Mr. Chairman, for this hearing.
The CHAIRMAN. Thank you.
Senator Hutchinson.

STATEMENT OF SENATOR TIM HUTCHINSON

Senator HUTCHINSON. Thank you, Mr. Chairman. I, also, appreciate you calling this hearing. The need for education concerning retirement and retirement savings was impressed upon me this week when a cousin of mine who teaches in the DODS program, the Defense Department Schools Overseas, and is a dedicated teacher and a wonderful person, he had heard that my son, Jeremy, is in investment banking in Little Rock. She sent me a letter, and she said, "Send this to your son." She wrote to my son, and she said, "I am within 10 years of retirement, I think I want to start investing, and I would like you to take me on as a client," and she enclosed a thousand dollar cashier's check. My son responded, "It is kind of hard to diversify with a thousand dollars. I guess we will put it in mutual funds."

This is a prime example, I believe, of the need to start early, and impress upon all generations the value and the importance of planning for retirement years. As has been said, Social Security benefits alone cannot come near meeting the needs of retired Americans nor was it, frankly, ever intended to.

With the retirement of the baby boomers and a shrinking payroll tax base, many people fear that Social Security will not even be there when they get older, and we hope we can address that and ensure that that does not happen. I recall one survey a year or so ago of young Americans under the age of 21, and there were more who believed in UFOs than these who believed that Social Security would be around when they reached retirement. There is a lot of skepticism.

There are also those who question the rate of return on Social Security investments versus those in the private market. So it is now more important than ever to encourage alternative saving strategies. Pension plans, individual retirement accounts, mutual funds and stocks. They are all very valuable tools for accruing retirement savings, and Americans need to learn more about them and increasingly utilize them.

So I commend the witnesses today, and commend Senator Graham and those who are involved in educating people and promoting retirement savings opportunities.

Mr. Chairman, thank you for calling the hearing today.
The CHAIRMAN. Thank you.
Now Senator Lincoln.

STATEMENT OF SENATOR BLANCHE LINCOLN

Senator LINCOLN. Thank you, Mr. Chairman. As always, you have chosen a subject that I think everyone recognizes as a national priority and I appreciate your leadership in this committee and the fact that you bring up these important issues that impact all Americans and I am delighted to be here to talk about retirement and pleased our colleague, Senator Graham can join us.

As the youngest Senator on this committee and a baby boomer at the bottom of the baby boomer list myself, I represent a generation of spenders not savers. That is not something that I am proud of, but it is a fact much. Studies have ranked the United States very poorly as a Nation of savers, and we certainly need to do a better job of raising awareness to younger generations about the importance of supplementing their Social Security. No doubt, there are many in my age group that are wary of Social Security. A lot of that is due to the fact that we have not done a good job in educating people that Social Security was intended to be a supplement to our retirement.

My parents grew up during the Depression, and they certainly instilled in me and my brother and sisters the importance of saving for a rainy day, as well as for our own retirement. But there are numerous reasons why many Americans do not or cannot save adequately for their retirement.

Some low wage earners do not have access to employer-based pension plans. Many baby boomers are supplementing long-term care costs for their aging parents. In addition, single-parent families, usually headed by women today, struggle to meet child care costs and other basic household expenses and other families make sacrifices every day in order to pay rising college tuition costs for their children. They do not have a great deal of expendable income. These are just a few examples of why people are having a hard time putting money away towards their retirement.

But, today, we are here to look at ways to encourage people to save. Some of our expert witnesses have done a marvelous job at getting the word out to Americans about the importance of saving for retirement, and certainly others have offered creative and successful plans for saving.

Our friend and colleague, Senator Graham, has done a great job in putting together a bill and we are looking forward to his description of his legislative proposal to expand pension coverage for small businesses.

So, once again, I want to applaud the chairman and thank him for his leadership and all that he has done in bringing this issue before the Aging Committee.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Lincoln.

Senator Bayh. And then we will go to Senator Graham.

STATEMENT OF SENATOR EVAN BAYH

Senator BAYH. Thank you, Mr. Chairman. I am looking forward to hearing from our colleague, Senator Graham, who has been such a distinguished leader not only here, but at the State level, and I know, Senator, that these issues of savings and retirement security are particularly important in your State, although they are applicable to the rest of the country as well.

I would just, very briefly, Mr. Chairman, say that this is a very important issue for both macroeconomic reasons and for reasons that touch the security and well-being of every family across our country and each of our States.

I was particularly concerned to see that in each of the last two quarters, for the first time since the Great Depression, our Nation experienced a negative savings rate. This does not bode well for the longer term. People are living for today and not putting away what we need to for tomorrow.

Now, the Government has gotten its act together a little bit more. We have balanced our budget, and hopefully can start putting something away contributing to the national savings rate, but we need to listen to ideas such as that from Senator Graham and from others to see what we can do to promote individual savings as well.

And in that regard, Mr. Chairman, I would just like to note another trend that has been of some concern to me, and that is these surveys that you see indicating that when they ask investors and folks who are saving for retirement what they expect that their savings will generate in the way of income every year or how much they will grow due to their investments, and the figures recently have been in the mid–20 percent, 25–27 percent per annum. Well, if that is what you are anticipating, obviously the need to save is not going to be that great, but I do not believe we can necessarily, Mr. Chairman, expect to see the gains of recent years extrapolated out as far as the eye can see. It would be sort of a blessed paradise, but put me down as somewhat skeptical at least, in terms of those kind of returns.

So we need to get the word out to educate the public about the importance of savings, the security of those savings and the anticipated return that they can expect, and as Senator Lincoln was saying, and I apologize for being a little bit late, but as she was saying as I came in, how those savings will be supplemented by other Government-sponsored programs to create a safety net that will be there for the generations.

So having said that, Mr. Chairman, again, I would like to thank you for your leadership and say I am looking forward to hearing from my friend and colleague, the Senator from Florida.

The CHAIRMAN. Senator Graham, thank you very much for being patient.

STATEMENT OF SENATOR BOB GRAHAM

Senator GRAHAM. Thank you very much, Senator. I appreciate your inviting your colleagues to make those opening statements which were very thoughtful, and constructive and indicated the depth of interest in these issues.

I think it is interesting, as I look at the panel, Senator, that you have some of the youngest Members of the Congress, certainly of the Senate, on your committee. That is appropriate. There is a tendency to think that issues of retirement belong exclusively to those who are retired. In fact, the issues of retirement are most important to those who are many years from retirement. Because it is when you are in your twenties and thirties that you can do the best planning that will assure that you will have the kind of quality of life in retirement that we all hope for. So I would present a picture of this committee as a metaphor for the importance of thinking about this issue on an early basis.

My good friend, Senator Grassley, has been a leader in this for many, many years. In fact, a reason that we are here this afternoon is because of his legislation of 3 years ago which established the SAVER Summit, which was held last year, and also called then for subsequent hearings on the results of that SAVER Summit. So, in a way, we are at the birthday party of Senator Grassley's child and with more birthday parties to come in the future as we benefit by his efforts.

We are here today to focus on two questions. The first is retirement education, preparing Americans with the best information to make good decisions in their own interests, and then, second, preparing public policy so that those individual decisions will have a fertile environment in which to grow.

It has been said, and unfortunately true for too many, that Americans will spend more time in 1999 preparing for their 2 weeks of summer vacation than they will for their two decades or more of retirement. One of the purposes of this hearing today and our effort is to encourage Americans to give the sober attention to their retirement that it deserves.

I, as a lifetime resident of Florida, I have had the firsthand opportunity to see some of the benefits of prudent preparation and the negative consequences of failure to prepare for retirement. I have witnessed the emotional strain, the physical consequences of not planning ahead and having a family or the remainder of a family exhaust a lifetime of resources too early in their retirement years.

After the leadership of Senator Grassley with the National SAVER Summit, I hosted two Retirement Summits in Florida; in 1998 in Tampa and just this past May in Jacksonville. As you might expect, there were a substantial number of retirees who came to these Summits, but I was impressed with the fact that there were a large number of younger people, working people, professional people, people from all types of backgrounds who were there to learn about what they could do to prepare for their own retirement.

The Summits brought to light the extensive work needed to make the United States a Nation of savers. Our Federal Government should serve as a role model for providing information to the public which the public will need to prepare for retirement.

The Department of Labor has created very effective resources, and I was glancing at the materials that were on display here. One of those is called "The Top Ten ways to Beat the Clock and Save for Retirement." I look forward to hearing Leslie Kramerich discuss the Department of Labor's current efforts.

I know that retirement education is one of Secretary Herman's top priorities. There is work that we in Congress can do. Over the past several years, Senator Grassley and I have introduced bipartisan pension reform legislation, and now we are joined by 14 co-sponsors, including many members of this committee, which has, as the goal, to enhance readiness for retirement.

Senator Breaux has been an original co-sponsor since the beginning of this effort, and I am pleased that Senator Collins is also an original co-sponsor. The Pension Coverage and Portability Act was developed using the lessons that Americans taught us at our Retirement Summits. And what were these lessons?

First, we need to create an environment that encourages small businesses to offer retirement plans.

Second, we need to assure that women are financially secure in retirement, and I appreciate the comments that Senator Collins made on that subject.

Three, we need to adjust pensions so that savings, like employees, can move effectively from job to job.

Fourth, we need to protect retirement assets and company pension plans from malfeasance.

Fifth, we should promote retirement education initiatives which encourage workers to save earlier and save more.

And, finally, we need to reduce regulatory burdens.

Let me briefly comment on those principles which have come out of the Retirement Summit. Many businesses hesitate to start retirement plans because they fear the administrative complexity which will be associated with those plans. The legislation that we have introduced addresses those goals in several ways, and I might say the legislation that we have introduced has over 50 specific provisions. I am not going to talk about all 50 this afternoon, but let me cite a few as illustrative.

We want to make it easier for small businesses to start retirement plans. Statistics tell us how much work we have got to do. Fifty-one million Americans have no retirement plan through their employer, fifty-one million Americans have no retirement plan through their employer.

Most of these businesses employ less than 100 people. In fact, if you work for a firm that employs 100 or more people, you have an 80-percent chance of having a retirement benefit plan. If you work for a company that employs less than 25 people, you have only a 17-percent chance of being covered by a pension plan. And in my State of Florida, over the last 5 years, a period of tremendous job creation, as it has been across the country, 71 percent of the new jobs created in my State have been by firms of under 20 employees. I would suspect that a similar percentage is true in your State.

We need to reduce the administrative burden and expense for small businesses that wish to offer retirement benefits. Senator Max Baucus has worked hard on this issue, and because of that, our legislation includes a tax credit to encourage employers to start a plan, particularly small business employers.

The second point is women. Women face extra challenges in preparing for retirement. They have a longer life expectancy. The average male who reaches 65 has a life expectancy of approximately 16 years. The average female has a life expectancy of 20 years. So the retiring woman in America has an additional 4 years of life to finance in retirement.

Typically, women have worked at lower paying employment sectors, and they often are out of the work force for some amount of time during that career for family and other responsibilities. One of the things our legislation will do is to shorten the vesting period for 401(k) employer match retirement plans. Currently, the vesting period is 5 years. We reduce it to 3 years. So that women, particularly, will have a better chance of retaining benefits even if they need to leave the work force after less than 5 years for child care, elder care or other family responsibilities.

Senator Jeffords has been the force behind this pension portability section of our legislation. He recognizes that America is becoming a more mobile society. The average employee will have seven to nine different employers in a lifetime. It would be helpful to be able to take your retirement assets with you each time you change a job. The lack of pension portability forces a tremendous amount of retirement money out of the retirement system each year. And the statistics that I am about to give I think are the most compelling of my remarks.

From 1996, the statistics are that when a person changes a job and has the opportunity to recapture their pension retirement benefits, 33 percent of the retirement benefits are rolled over into an Individual Retirement Account, 7 percent are rolled into a new company plan, the new employer's plan, 60 percent of the benefits are cashed out and spent, most likely lost from the retirement stream forever.

The security assets in the retirement system is strengthened by allowing firms to invest more of their money than currently allowed by law into their defined pension benefit plan. This assures that sufficient assets are available when workers do retire.

Next, we reduce administrative complexity by allowing well-funded pension plans to use the previous year's data to determine what should be the current year's contribution.

And, finally, the topic that we are hearing today, encouragement to retirement education. Senator Grassley has led the way in assuring that American workers have the tools they need to plan for a successful retirement. American workers have a responsibility to assume personal responsibility for their own retirement planning. Receiving regular statements from an employer once a year in a defined contribution plan and once every 3 years in a defined benefit plan outlining your retirement benefits, will assist employees in more accurately estimating their specific retirement needs and highlighting the power of compound interest, and thus encouraging more savings.

I believe that the Federal Government should serve as a role model, and we encourage the Federal agencies, like the Department of Labor, to continue their efforts. I also support new initiatives such as asking the Small Business Administration to make a concerted outreach in the area where there are the fewest pensions, companies with less than 100 employees.

Even areas that are not specifically under the label "retirement education" are intrinsically linked with the need for retirement education. One example: I cited earlier what I thought was the most compelling statistic, which is that 60 percent of retirement assets are cashed out when an employee moves from one job to the next. If a worker knew the consequences of taking that money out of the retirement system, he or she might be less inclined to do so. Nine hundred, $1,200 or $1,800 does not seem like it would go very far to finance a retirement at the age of 25.

However, if at the age of 25 that money was allowed to grow and not cashed out, with compound interest over four decades, it would be a huge step toward the retirement security of that individual when they reached retirement age.

And considering that you are likely to change jobs six to nine times, if you lose a couple of hundred or a couple of thousand dollars each time you change, you have seriously impacted your retirement security.

There is much more on which we can focus. But I know some of those issues will come up in the questions and that you have excellent panels to follow. Senator Grassley, thank you again for this opportunity to join you and your outstanding committee in your efforts to prepare all Americans for a healthy, secure, rewarding retirement.

[The prepared statement of Senator Graham follows:]

PREPARED STATEMENT OF SENATOR BOB GRAHAM

Senator Grassley, thank you for holding this hearing. Your leadership was invaluable in the legislation that led to the SAVER Summit, and I am glad to be participating in this follow-up event to that Summit. You have been a champion of this cause at every step of the way.

Being prepared for retirement—financially, physically and emotionally—is of under appreciated importance to many Americans in their working years.

For today's testimony, the focus will be financial preparation, and retirement education—what families need to effectively prepare for a financially secure retirement.

The government has two roles in this effort: outreach to the American public on the importance of preparing for retirement, and fostering an environment that encourages Americans to save and businesses to provide retirement benefits to their employees.

As a lifelong resident of Florida, I have seen firsthand the benefits of early and prudent preparation for retirement.

I have witnessed the emotional strain, and physical consequences, of not planning ahead and exhausting one's resources early into the retirement years.

I've hosted two "Retirement Summits" in my home state. The first, in 1998, in Tampa. The second, this past May, in Jacksonville.

You would expect that a "Retirement Summit" in Florida would attract quite a few retirees. You'd be right.

But equal in number at those summits were young professionals -- people in their 20's, 30's and 40's. And, I'm proud to say, some high school students who are already thinking about their future.

The SAVER Summit brought to light the extensive work needed to make the United States a nation of savers.

Our Federal government should serve as a role model for getting information to the public on the need to prepare early. The Department of Labor has created very effective resources, like the "Top Ten Ways to Beat the Clock and Save for Retirement." I look forward to hearing Leslie Kramerich discuss the Department of Labor's current efforts. I know that retirement education is one of Secretary Herman's top priorities.

Congress can help as well. Over the past several years, Senator Grassley and I have introduced bipartisan pension reform legislation, joined now by 14 cosponsors, aimed at enhancing our nation's readiness for retirement. Senator Breaux has been an original cosponsor since the very beginning of this bipartisan effort, and I am very pleased to have Senator Collins as a cosponsor this year as well.

The Pension Coverage and Portability Act was developed using the lessons that Americans taught us at our Retirement Summits.

We learned that:

we need to create an environment that encourages more small businesses to offer retirement plans ;

we need to ensure that women are financially secure in retirement;

we need to adjust pensions so that savings, like employees, can move job to job;

we should protect retirement assets in company pension plans from malfeasance;

we should promote retirement education initiatives which encourage workers to save earlier and save more;

finally, we need to reduce regulatory burdens. Businesses hesitate to start retirement plans because they fear the administrative complexity associated with pensions.

Our bill addresses these goals in several ways:

(1) We make it easier for small businesses to start retirement plans. The statistics tell how much work has to be done. Fifty-one million Americans have no retirement plan through their employer. Many of these are in businesses of less than 100 work-

ers. Eighty percent of firms with more than 100 employees offer retirement benefits. For firms with less than 25 workers, only 17 percent offer a plan.

We need to reduce administrative burdens and expenses for small businesses that want to offer retirement benefits. Thanks to Senator Max Baucus' hard work on this issue, our bill includes a tax credit to encourage employers to start a plan.

(2) In some ways, women face extra challenges in preparing for retirement. They have longer life expectancy; they are often in lower-paying employment sectors; and they are often out of the work force for some amount of time for caregiving responsibilities. In our legislation, we shorten the vesting period for the 401(k) employer match from five years to three years so that women have a better chance of retaining benefits, even if they need to leave the workforce after a few years for child care, or elder care, responsibilities.

(3) Senator Jeffords has been the force behind the pension portability section of our legislation. He recognizes that America is becoming a more mobile society. The average employee will have seven to nine different employers in a lifetime. It would be helpful to take your retirement assets with you each time you move from one company to another.

Second, lack of pension portability forces a tremendous amount of retirement money out of the retirement system each year. Statistics from 1996 indicate that when a job change occurs, 33 percent of retirement benefits are rolled into an IRA, 7 percent are rolled into the new company's plan, and 60 percent of benefits are cashed out and spent—most likely lost from the retirement stream forever.

(4) The security of assets in a retirement system is strengthened by allowing firms to invest more money than currently allowed by law into their defined benefit pension plan. This ensures that sufficient assets are available when workers retire.

(5) We reduce administrative complexity by allowing well-funded pension plans to use the previous year's data to determine the current year's contribution.

(6) And—the topic of the hearing today: we encourage retirement education. Senator Grassley has led the way in ensuring that American workers have the tools they need to plan for a successful retirement.

American workers have a responsibility to become actively involved in their own retirement planning. Receiving regular statements from your employers (once a year in a defined contribution plan, once every three years in a defined benefit plan), outlining your retirement benefits, helps to:

(1) more accurately estimate specific retirement needs;

(2) highlight the power of compound interest, thus encouraging more savings

I firmly believe that the Federal government should serve as a role model, and we encourage Federal agencies, like the Department of Labor, to continue their efforts. I also support new initiatives, such as the Small Business Administration making a concentrated outreach in the area where there are the fewest pensions: companies of less than 100 employees.

Even areas that are not specifically under the "retirement education" title are intrinsically linked with the need for retirement education. I'll give one example.

I cited the figure earlier that when employees change jobs, 60 percent of retirement assets are cashed out and spent. If a worker knew the consequences of taking that money out of the retirement system, he or she might refrain from doing that. For example, $900, $1200, or $1800 don't seem like they would go far to finance a retirement at age 25. However, if that money was allowed to grow with compound interest over four decades . . . it would be a huge step forward for retirement security. Considering you are likely to change jobs six to nine times, if you lose a couple hundred, or a couple thousand, dollars each time, you have seriously impacted your retirement years.

There is much more on which we can focus, but I know some of those issues will come up in questions, and I look forward to exploring those challenges at that time.

Senator Grassley, Senator Breaux, thank you again for asking me to join you, and for your tireless advocacy to prepare all generations for a healthy, secure, rewarding retirement.

The CHAIRMAN. Thank you. Do you have time for a couple of questions?

Senator GRAHAM. Yes.

The CHAIRMAN. Since you were a delegate to the SAVER Summit and the next one is taking place in the Year 2001, ideally, for all of us we would like to have made some progress before the next summit in educating the American public about the need to save for retirement.

So from your participating in the first summit, what goal would you like to see met before the next summit?

Senator GRAHAM. Well, I would say the key goals that we should set for ourselves and strive to meet before the Year 2001 would include, first, assuring the solvency of Social Security for three generations or to the year 2075. The retirement security stool for Americans has three legs: Social Security, employer-based pensions and savings. We have a particular responsibility for the first of those three legs.

Second, we should set in place policies that will encourage more small businesses to offer pension plans to their employees. I would suggest that we have a goal between now and the year 2001 of having five million more businesses which employ less than 100 people establish a pension plan for their employees.

And, third, that there has been an increase in the financial literacy, particularly as it relates to the literacy for retirement among Americans; the initiatives behind me and the initiatives that I hope are before all of us by more engaged action will contribute to that third objective.

The CHAIRMAN. Then, last, for me, you mentioned in your testimony that our bill would help women to save for retirement. Another group that needs some attention is our low-income workers—how do you see the Pension Coverage and Portability Act encouraging low-income workers to save for retirement, if at all?

Senator GRAHAM. Well, one example of what will help, there is currently a policy that restricts the amount of money a person can place in their retirement plan on an annual basis. That has both an absolute dollar amount, and it has a percentage of income amount. The percentage of income is particularly limiting for the lower income worker. That percentage is 25 percent.

Now, you might say a person, let us say, who has an income of $30,000 to say that $12,000, which would be the 25-percent level, that that is not a serious possibility. But the fact is that for many of those persons in that income bracket, there will be years, such as when they sell a home or have some other unusual surge of income, that they could make a larger contribution to their retirement. Currently, we prohibit them from doing so. So I would urge that as one of the things that we attempt to do would be to lift that 25-percent limit, so that we do not discourage the lower income worker from maximizing their own efforts at retirement security.

The CHAIRMAN. Thank you.

Senator Reed.

Senator REED. Thank you, Mr. Chairman.

I just want to commend Senator Graham again for his leadership on this issue, along with our chairman, and just compliment you on the excellence of your testimony.

Thank you, Senator.

Senator GRAHAM. I have just done a quick——

The CHAIRMAN. I am sorry?

Senator GRAHAM. I gave an example, and I did not do very good math. The limit on a $30,000 person would be $7,500 a year. My fourth-grade math teacher would be happy that I computed——

[Laughter.]

Senator REED. Well, I think our teachers would be disappointed because we did not realize it. [Laughter.]

The CHAIRMAN. Senator Lincoln and then Senator Bayh.

Senator LINCOLN. Thank you, Mr. Chairman.

I just would like to compliment my colleague on his hard work on a very important issue. I do like the component of your bill which allows for workers to automatically participate in a retirement plan unless they actively choose not to do so. I think you refer to it as "NET" in your bill. There are a lot of single working mothers out there that do not have a whole lot of time to devote to investment.

If you have any other ideas, too, about how we get that message out, aside from public service announcements and others, because we need to reach workers? And especially these single working moms who do not have an ounce of spare time who are least likely to be covered by a retirement plan. How do we reach them?

Senator GRAHAM. Well, we have talked, and we will talk more about some governmental efforts. But I would like to call as a witness Senator Bayh's wife, who educated me on what she is doing in Indianapolis. She is the mother of twins, and apparently since the arrival of the twins has had a weekly television program which focuses on information that mothers of young children need. And I gather it has been quite well received and successful.

I think that we ought to try to encourage the mass media, the television networks or cable systems to become more involved in providing information to Americans as to what they need to do to prepare for their retirement, financially, physically, in terms of good health, emotionally, getting ready to use all of the discretionary time that they will have in retirement, all of those are not easy changes to make in life, and early attention and work toward those goals makes the transition much easier.

Senator LINCOLN. That is fabulous. Thank you.

The CHAIRMAN. Senator Bayh.

Senator BAYH. Thank you, Mr. Chairman.

Senator Graham, I appreciate your mentioning my better half.

Senator GRAHAM. My math is good enough to know that she is more than just half of your better. [Laughter.]

Senator BAYH. Well, you're right about that, and there are many people in Indiana who would heartily agree with that. I am pleased, Mr. Chairman, you are willing to settle for second best here today, when it comes to my family. And, Senator Graham, I can tell you, based upon research data, I am only the fourth most popular member of my family, after Susan and our boys, so I do appreciate your mentioning them today. And you are exactly right. We cannot start too soon.

I just have two comments. One, I look at all of the literature over here, and building off of your kind mention of the work she has tried to do to educate new parents about the responsibilities they face and what they can do to help their children, we really cannot start too soon, too young. Many of our schools are now adopting as a part of their curriculum some basic economics, some basic personal finance-type curriculum, and I am just wondering if there is some way we can work into this broader effort to educate the public, perhaps starting in the high school years, some just component in there of beginning to think about retirement investments, things of that nature.

And then, second, not wanting to put you on the spot, I am struck by the fact that our parents and grandparents really were much better savers than this latest generation. And I am wondering if anyone has given any thought to why. I mean, you look at the national savings rate, and it is just gone down, down, down. I do not know if that has something to do with the increase of the stock market and that not being reflected in some of these statistics or what it might be. Has anyone given any thought to are there broader cultural factors afoot that are leading to this decline among younger people?

Senator GRAHAM. The answer is I do not know what the composition of reasons leading to this. To some degree, it is a global phenomenon among the industrialized countries, although the United States is the most extreme example of that decline in savings. I think some of it is a—our parents went through the Depression. That had a searing effect on them, and their sense of vulnerability, and therefore their desire to guard against that vulnerability by savings and being prepared.

Our generations represented here have not had an analogous experience. And there has been, as Senator Lincoln said, a tendency to become a consumer generation. We would hope that by the kind of education programs that we will be discussing here today and later that we can begin to chip away at that.

I might say on the first point about young people, I wish my wife were here because one of her passions has been to get older Americans in contact with younger Americans through programs such as mentoring or volunteering in schools and the other ways in which that can happen. In addition to the educational benefits in a more traditional sense to the students, it also gives them an opportunity to have a personal relationship with an older person, typically one who is in retirement, and maybe vicariously through that gain some appreciation of what retirement means and what getting ready for retirement, even if it is 50 years away, entails.

Senator BAYH. An excellent idea. Again, I am struck by the generational change, Senator. When my parents were first married, they moved into the old farmhouse where my great-grandfather was still living. We do not have those kind of experiences as often these days with families not being structured in quite the same way.

And I would just, following up on your observation and then I will turn it back to you, Mr. Chairman, would say that it is ironic that people tend to save more when times are bad. We have been blessed with such good times. That is really when you ought to be saving, planning for the future. What is the old saying in some of our states, the time to repair the roof is while the sun is shining and not wait for the storm.

So it is important, and I applaud you for your efforts to get this message out now while we can afford to save, so for a rainy day we will be prepared.

Thank you for your testimony.

The CHAIRMAN. Senator Collins.

Senator COLLINS. Thank you very much. Thank you very much, Senator Graham, for your excellent testimony. I must say that your statistic of 60 percent of retirement assets being cashed out and spent, unfortunately, rang true with me. When I was in my early thirties and left Washington, after working here for almost 12 years, I unbelievably, and foolishly cashed out my Federal retirement plan to buy a car. When I think back what a foolish decision that was, it just make me shake my head.

Senator GRAHAM. Every lifetime is entitled to one foolish mistake. [Laughter.]

Senator COLLINS. Well, I would like to say that was my only one. But I think the reason your comments hit home to me, and I am glad to know that at least I have lots of foolish company, is that we need to do a far better job of reaching young people. When I now think of that $12,000, and especially since I am back in Federal service and what it would have meant to my ultimate retirement, it was obviously a very shortsighted decision.

So I just want to commend you for your educational efforts, your summits, and the legislation that you have introduced because I think part of it is educating people, I also want to say I am particularly interested in the provisions of your bill that make it easier for small businesses to offer pension plans. That clearly is where the need is, and yet we make it very difficult, under current law, for a small business to offer a pension plan. So I am delighted to join with you in the efforts, and I salute your good work.

Thank you.

The CHAIRMAN. And thank you, Senator Graham, for being courteous to the committee not only on your presentation, but for us to probe your mind about our questions that we have. Thank you very much.

Senator GRAHAM. Thank you very much, Mr. Chairman. Thank you.

The CHAIRMAN. I now call a panel of five. Would you come as I announce your name. Leslie Kramerich, Deputy Assistant Secretary of Policy at Pension and Welfare. This is the Pension and Welfare Benefits Administration of the Department of Labor. Her testimony will focus on the efforts of the Department of Labor to educate American workers, especially women, minorities and youth, about the importance of saving for retirement.

Then we will hear from Don Blandin. He was appointed president of the American Savings Education Council in January 1996, and I am going to use the acronym ASEC for his organization. It was established in July 1995 to undertake and encourage initiatives aimed at raising public awareness about what is needed to successfully ensure long-term personal financial independence. He will highlight some of the public-private sector initiatives which have occurred since last year's SAVER Summit, including an Emmy Award-winning Choose to Save Campaign sponsored by his organization.

Dan Houston is vice president of pensions for Principal Financial Insurance Company. His testimony will focus on the role a provider of pension plans can play in helping employers educate employees about the need to save. He will also recommend legislative initiatives which would help increase pensions coverage about employees.

Then we would have Elizabeth Kiss, who is a family resource management extension specialist at Iowa State University. She will describe the Money 2000 program and the success the program has enjoyed in helping Iowans set financial goals and achieve those goals.

Finally, Barbara Culpepper of Waterloo, IA, will share with us her experience as a participant in the Money 2000 program. She will discuss some of her financial goals and how those goals fit into the overall goal of achieving financial independence in retirement.

If I mispronounced anybody's name, please correct me. Also, for those of you who for some reason are sitting behind the screen, you are invited to sit in front of the screen. There are plenty of seats up here so that you can see what is going on, and it is not necessary to have two societies here at my committee meetings. [Laughter.]

Also, just in case you have more to say than what the time has been allotted to you, each of you, and for the next panel as well, your entire statement will be put in the record as printed and submitted by you. You are invited to summarize according to the instructions previously given.

If we do not get to ask you enough or do not have time to ask you all of the questions we want to and we submit questions for answering in writing, we would appreciate if those could be returned in 2 weeks. For any of you who are out of town or that is a problem or you are not familiar with how that goes, my staff of the Aging Committee will help you through that process.

Now I am going to ask you to testify in the order which I introduced you, which means that Mr. Houston will go ahead of Dr. Kiss.

Ms. Kramerich, would you proceed.

STATEMENT OF LESLIE KRAMERICH, DEPUTY ASSISTANT SECRETARY FOR POLICY, PENSION AND WELFARE BENEFITS ADMINISTRATION, WASHINGTON, DC

Ms. KRAMERICH. I will. Thank you very much, Mr. Chairman, Senator Collins. It is a pleasure to be here. I am Leslie Kramerich. I am the Deputy Assistant Secretary for policy at the Pension and Welfare Benefits Administration of the U.S. Department of Labor, and I am very happy to be here today to talk about what the department is doing to educate American workers, particularly women, minorities and youth about the importance of savings for retirement.

I am also very pleased to be here today, personally, because I worked for this committee from 1984 to 1986 when Senator John Heinz——

The CHAIRMAN. Could I interrupt you just a minute?

Ms. KRAMERICH. Yes.

The CHAIRMAN. I was going to ask, would you be around for another 5 minutes? Because I need to go up and make a very short statement before the Senate Finance Committee.

Ms. KRAMERICH. Sure.

The CHAIRMAN. Thank you very much. And I will be right back to ask questions.

Senator Collins [presiding.] Please continue.

Ms. KRAMERICH. Thank you, Senator.

I wanted to thank the chairman and the committee for its leadership in the area, particularly on the SAVER Act, which passed last year. Thanks to the leadership of many members in Congress who supported that, it ensures that the Retirement Savings Education Campaign which began in 1994 for the Department will be a lasting commitment that we all share.

And that challenge is more important than ever. A steadily growing portion of workers now rely on defined contribution plans which require a lot of individual decision-making. That means more workers are faced with more and more decisions to be made not only with respect to savings to supplement their plans, but decisions regarding the plans themselves. Often they must decide whether to participate in a plan at all, how much to contribute and how to allocate their contributions.

The Department of Labor is deeply committed to successfully addressing this challenge of education. As you know, our efforts emphasize women, minorities, youth and small businesses so that more Americans will have the tools that will help them build a secure retirement future.

Some of the tools are displayed here on the right today, including our print public service announcements, featuring the Girl Scouts in Nashville, TN, and Ms. Oseola McCarty, who never earned more than $10 a bundle washing clothes, yet managed to save $280,000. We have also created new individual partnerships with organizations like the National Association of Women Business Owners, the National Council of Negro Women, the Certified Financial Planners Board, the Social Security Administration, the Chamber of Commerce and the Small Business Administration.

We are, of course, continuing to send our message of retirement savings to minority communities. Last fall, we sponsored three radio talk shows on pensions, retirement savings and planning on stations with large Hispanic radio audiences, reaching a potential of 73 percent of the U.S. Hispanic population. We are continuing to distribute our Spanish language materials at events around the country, and we continue to reach out with print and radio public service announcements, articles and a broadcast news spot to African Americans of all ages around the country.

Our Women and Pensions brochure continues to be one of our most popular items. Since the SAVER Summit last year, it has been featured in major publications, and it is widely distributed by our partners at ASEC and through our toll-free publications hotline, and the Consumer Information Clearinghouse operated by the Department of Commerce.

Last fall, we co-sponsored the successful Every Woman's Money Conference with the Oregon State Treasurer's Office. This event was designed to provide women with tools that would improve their savings knowledge, particularly knowledge with respect to retirement savings, and the conference was very well received. In fact, we planned to co-sponsor a number more around the country this year with the National Association of State Treasurers.

With respect to small business, we are very proud to have recently formalized a new partnership with the U.S. Chamber of Commerce and the Small Business Administration that will help us reach thousands of small business employers who do not offer retirement plans to their employees yet.

Advice from these two organizations is helping to enhance our small business materials and outreach, including our interactive Web site, which allows small employers to log on, to enter information about their companies and their employees and to get immediate responses as to the options of plans that exist and might be appropriate for their situation. This particular site has averaged 300 inquiries a week since it was introduced last year.

We are also fulfilling one of the SAVER Act requirements through the partnership that we now have with the Certified Financial Planners Board. We are working with them to produce a very easy-to-understand booklet that will help workers make the most of their savings by explaining the concept of compound interest and how the various savings vehicles work.

With respect to youth, Secretary Herman believes it is never too early to start saving. The Girl Scouts have been a particular area of outreach for her. She is also working with a number of groups, schools, curriculums, partners in the private sector to come up with new tools to reach kids. Ernst & Young is one of our campaign partners and has developed an interactive Web game the kids can use to learn how to save. The Secretary demonstrated that game, filmed the demonstration and was happy to appear on a cable television program aimed at parents in helping to educate them as to how they can use this too, Moneyopolis, to teach kids how and why they should save.

With respect to participant assistance—I see my time has expired, Senator, I will try to wrap that up. But we are proud to say that there is another way in which we try to help participants, and that is through answering their individual inquiries and problems.

As you would imagine, the rising success of our campaign has greatly increased the volume of inquiries that we get. Last year, we got over 155,000 individual calls from participants. And by May of this year, we have already handled over another 102,000 calls. With the support of this committee and others in Congress, we have been able to quadruple the number of staff dedicated to this purpose and to reinvent the way we serve these customers.

We have served so far in the last 4 years over 500,000 individual participant inquiries and helped them to recover over $94 million. In addition to legislative proposals to serve this important need, we are also looking for regulatory ways to be helpful, and we are very proud today to release an interpretative bulletin that will make it easier for employers to offer payroll deduction IRAs as a way to get their employees, a means of beginning to save before the employer is ready to move to kind of a next-level pension plan.

And with that, I am very happy to be here and happy to take any questions.

[The prepared statement of Ms. Kramerich follows:]

STATEMENT OF LESLIE B. KRAMERICH
DEPUTY ASSISTANT SECRETARY FOR POLICY
PENSION AND WELFARE BENEFITS ADMINISTRATION
BEFORE THE
SPECIAL COMMITTEE ON AGING
U.S. SENATE

JUNE 17, 1999

Mr. Chairman and Members of the Committee, I am Leslie Kramerich, the Deputy Assistant Secretary for Policy at the Pension and Welfare Benefits Administration of the U.S. Department of Labor. I appreciate this opportunity to appear before you to discuss what the Department is doing to educate American workers -- particularly women, minorities and youth -- about the importance of saving for retirement. I am also pleased to have this opportunity to thank you in person for promoting retirement education through your sponsorship of the "Savings Are Vital to Everyone's Retirement Act," which has been so important in making sure that the campaign that we started in 1995 will be ongoing.

According to a 1994 survey, when asked what they have saved for retirement, one out of three Americans said that they had saved less than $10,000 for their retirement.[1] In fact, the personal savings rate in the United States as a share of disposable income is in the negative for the first time since the Commerce Department started keeping such records in 1946. This means that individuals are taking on more consumer debt than they are saving.

DEPARTMENT OF LABOR RETIREMENT SAVINGS EDUCATION CAMPAIGN

The Department of Labor is committed to helping America's workers become better savers, and through our Retirement Savings Education Campaign, which began in 1995, we have provided workers with information about the retirement income system, and with tools that will help them build a secure retirement future.

We began our campaign with 65 public and private sector partners, united to educate American workers about why they should save for retirement. Since the beginning of the campaign, our partners

[1]"Promises to Keep: A Report from Public Agenda in Collaboration with the Employee Benefits Research Institute" (1994).

have formed the American Savings Education Council (ASEC), a non-profit organization which now has more than 250 members representing a wide spectrum of organizations.

We know there is a need for our campaign because of three key challenges workers face as they prepare for retirement. First, less than one-half of all private sector workers are earning pension benefits in their current job. And employees of small businesses, women, minorities and low-wage workers are significantly less likely to have a pension plan. Additionally, workers with pensions are more likely to be covered by a defined contribution plan -- usually a 401(k) plan -- rather than the traditional defined benefit plan. This shifts much of the responsibility for retirement planning to workers. Finally, many workers lack the information and knowledge to effectively save and plan for retirement. For everyone 65 and older, 61 percent rely on Social Security for half or more of their income.

Since its inception, our campaign has met these challenges by targeting women and minorities -- who have the lowest pension coverage rates -- and owners of small businesses because they employ over 40 million workers, yet provide pensions to only eight million. We have also implemented initiatives to teach youth that it is never too early to begin saving and planning for a secure retirement.

Last summer's National Summit on Retirement Savings, which was planned and organized by Secretary Herman working with the White House, Department of Treasury, Pension Benefit Guaranty Corporation (PBGC), and Congress, was one of the highlights of our campaign. As you know, the Summit was provided for by bipartisan legislation known as the SAVER Act, or "Savings are Vital to Everyone's Retirement."

Summit participants, including President Clinton, Vice President Gore, Chairman Grassley, Ranking Member Breaux, Senator Graham and other Congressional leaders, as well as 250 delegates, explored the barriers people face when they try to save and how those barriers can be eliminated. They also talked about how we can more effectively spread the retirement saving message to minority communities, and how we can inspire youth to begin saving early and often. The information and ideas that came out of the Summit reinvigorated our multi-faceted campaign approach to reaching our target groups, which includes public information and outreach, media and partnerships.

<u>Youth</u>: Mr. Chairman, we realize the real key to changing this country's savings culture and creating a Nation of savers lies in how effectively we communicate with America's young people. That is why we have taken definite strides to help young people acquire the financial skills that will help them save for a secure retirement. We are currently working with the accounting

firm of Ernst & Young -- one of our campaign partners -- to develop Phase II of Moneyopolis, an interactive Internet savings game for youth. We are partnering with schools, urging them to start savings clubs, and we are renewing our partnership with the Girl Scouts, building on Secretary Herman's visit with troops to talk about the importance of saving. We also have plans within the Department to start a savings program as part of next year's "Take Your Children to Work Day."

The rapid growth in the number of our partners has demonstrated that partnerships play a clear and important role in the effectiveness of our efforts to reach our target audiences. That is why we have also created individual partnerships with organizations like the National Association of Women Business Owners, and the National Council of Negro Women. And, we have recently formed new alliances with a variety of organizations, including the Certified Financial Planners Board, the Social Security Administration, and a variety of churches and community groups.

Minorities: Last fall, we sponsored three talk shows on pensions, retirement savings and retirement planning on radio stations with large Hispanic radio audiences. Approximately 100 stations from Los Angeles to Houston broadcast those programs, reaching a potential of 73 percent of the United States' Hispanic population. To sharpen our focus on Hispanic workers, we have translated our two most popular brochures, "The Top 10 Ways to Beat the Clock and Prepare for Retirement" and "Women and Pensions" into Spanish. These materials are distributed with other Spanish materials at events across the country.

We have also reached out to African Americans age 25 to 65 with a news feature article and a print public service announcement that has been distributed to 140 African American newspapers. And, a broadcast news spot featuring Secretary Herman and a radio public service announcement will be distributed to 390 radio stations with large African American audiences.

Women: We are particularly proud of our efforts to reach out to women. Our "Women and Pensions" brochure continues to be one of our most requested and most popular publications. It has been featured in *Parade Magazine*, and highlighted in our public service announcements. The brochure also enjoys wide distribution by the American Savings and Education Council (ASEC), our toll-free publications hotline, and through the Consumer Information Clearinghouse operated by the Department of Commerce. We are also developing a new public service announcement to promote the brochure, and a print public service announcement that will be distributed to 100 women's publications.

Last September, we co-sponsored the successful "Every Woman's Money Conference" with the Oregon State Treasurer's Office. The event was designed to provide women with tools that would improve their knowledge of financial issues -- specifically retirement savings. The conference was so well received that other States have indicated an interest in hosting similar events. As a result, we plan to cosponsor similar conferences in conjunction with the National Association of State Treasurers in multiple States throughout the coming year.

Department of Labor representatives have also appeared at roundtables and events across the country to talk about the importance of women saving for retirement.

Small Business: We are very proud of our brand new partnership with the U.S. Chamber of Commerce and the Small Business Administration, which is specifically designed to reach thousands of small business owners throughout the country who currently do not offer retirement plans to their employees -- many of whom are women and minorities. Advice from these two organizations is helping us enhance our small business materials, including our interactive website that allows employers to explore a variety of plans that may be appropriate for their employees. The site has averaged 300 hits per week since its introduction one year ago. In the coming months, we will update the site to allow small business owners to enter specific financial information that will give them an even more accurate picture of retirement plans that will fit their circumstances and their employees needs. Our overall goal is to encourage the four million small business owners who do not provide a plan for their 32 million workers to adopt one of these options.

Our interactive website links to our education campaign website which fulfills a requirement in the SAVER Act for the Secretary to establish a permanent site on the Internet dedicated to retirement savings. While we do have a website that contains all our publications and a variety of helpful consumer tools, including the Ball Park Estimate designed by ASEC, tips for consumers about preventing pension miscalculations, and many other materials, we are in the process of redesigning the site to make it more user friendly and usable.

We are also fulfilling one of SAVER's requirements through our partnership with the Certified Financial Planners Board, with whom we are producing a consumer booklet entitled "A Financial Workout: Your Guide to Financial Fitness." The booklet will explain in simple terms the concept of compound interest, describing various savings vehicles and how they work. It guides the consumer through a workout to maximize their savings and to plan for a lifetime of financial growth. The publication of this booklet will satisfy the outstanding requirements of the SAVER

Act. This booklet along with ASEC's Ballpark Estimate and our Top Ten Ways brochure provides a great toolkit for workers getting started.

To handle requests for materials related to our retirement education campaign, we have installed a toll-free publication hotline staffed with contract personnel 8:00 a.m. to 8:00 p.m., Monday through Friday. The hotline has received over 650,000 calls since it was installed in April, 1997. Participants who call the hotline looking for a benefit advisor are transferred to the closest PWBA regional office.

PARTICIPANT ASSISTANCE

The Department is also continuing its mission of protecting participants' retirement benefits and providing the best possible service to our customers. Focusing on our twin goals of providing high-quality customer service and thorough retirement education information has earned our participant assistance program more credibility, elevated our visibility in the community, and increased our ability to respond quickly and effectively to participants.

And as you might imagine, the rising success of our campaign has had a significant impact on the volume of inquiries we receive. Last year, we received over 155,000 inquiries, and by May of this year we had already handled over 102,000 calls. This represents an increase of 62 percent since 1995. With the support of this Committee and others in Congress, we have been able to increase the staff dedicated to participant assistance. We have also strengthened our program by reinventing the way we serve our customers.

Today, callers to most of our field offices immediately reach a receptionist who directs them to an advisor. Callers to the National office reach an enhanced automated system, which allows them to dial "0" at any time to speak directly with the next available advisor. Calls are generally answered immediately; however, if due to volume a message must be left, staff members return those calls promptly. Last year, 99.9 percent of all callers received a return call by the end of the following business day, and we are maintaining that same rate this year.

We have also made our participant assistance program more comprehensive and thorough. When appropriate, benefit advisors contact employers or plan sponsors to intervene on behalf of participants -- to discuss inquiries, obtain documents, advise the plan of a possible violation of the law, and to mediate a settlement of the complaint when possible. If the advisor determines that there may be a fiduciary violation, the inquiry is referred to an investigator for review.

Individual benefit disputes are often resolved as a result of our advisors' informal intervention, when, in the normal course of events the participant would not receive such willingness to cooperate from the employer or plan sponsor. Of course, not all complaints can be resolved by our advisors. If an employer or plan sponsor fails or refuses to cooperate informally, the benefit advisor has the resources of PWBA investigative staff to review the matter to determine if broader issues might require a more thorough investigation. In fact, over 600 of the 1,900 investigations opened so far this year by our enforcement staff originated as a complaint received by our participant assistance units. If the complaint does not warrant further investigation, the advisor will counsel the participant to seek legal assistance. In those few areas where pro-bono legal assistance projects are available, benefit advisors will make appropriate referrals.

While ERISA does not provide authority for us to adjudicate disputes between plans and participants, our staff informally intervene on behalf of participants if it appears their rights or benefits were denied. In fact, last year our benefit advisors recovered more than $42 million on behalf of individual participants. (These recoveries are in addition to the monies recovered by our enforcement staff.) We are well on our way to reaching $50 million this year, having already recovered over $34 million through the end of May.

We have also strengthened our participant assistance program by developing and implementing an intensive training program for our benefit advisors. The annual training curriculum includes many of the same fiduciary modules used in our investigator training program. The staff are highly qualified and well-trained to assist participants in exercising their rights and obtaining benefits due, and assisting plan sponsors in understanding their responsibilities.

An essential part of the training provided to our benefit advisors includes a detailed strategy for assisting participants who believe their employee pension plan has calculated their benefits incorrectly. While our advisors do not calculate benefits, we assist participants in obtaining information about the calculation from the plan administrator and in obtaining documents necessary to determine if the benefit was calculated properly. If informal discussions with the participant and the plan administrator are unsuccessful, referrals are made for pro-bono legal or actuarial assistance, when appropriate. We have also placed on our website under the heading *Consumer Information for Pension Participants*, tips for consumers and information on the ten most common errors in pension calculation.

Through our Retirement Savings Education Campaign, we have compiled information that is available in publications and on our website. This information includes material for participants who have a pension plan and need to understand their rights and benefits. For example, we have developed "What You Should Know About Your Pension Rights," "How to Protect Your Pension," "How to File a Claim," "A Guide to 401(k) Plan Fees," and a booklet with questions and answers for dislocated workers.

Consistent with the Government Performance and Results Act, we have implemented customer service standards to improve the consistency and quality of service to our customers. We now have uniform standards for responding to telephone calls and letters. Telephone calls are returned by the end of the next business day and letters are answered within 30 days. These performance standards are published in a booklet and are on display to help customers understand what they can expect in the way of services from our agency. Meeting these standards is one of the criteria we use to evaluate PWBA managers' performance. Through the end of the second quarter of Fiscal Year 1999, we met these standards with 99.9 percent of our total inquiries.

Customer satisfaction surveys have provided us with valuable information about how our customers feel about our service. In our latest survey, customers rated our overall service at 1.9 on a scale of one to five, with one being the highest possible rating. We are currently developing our fourth survey which will be conducted during 1999.

In Fiscal Year 1995, we implemented a tracking system to follow public inquiries received in the National and field offices by type, subject of inquiry, response time and disposition/recovery. Data gleaned from the tracking system provides a wealth of information that has been used by the agency for policy development and enforcement initiatives.

PWBA staff regularly review the nature of inquiries received over a period of time to determine National trends that may impact our overall enforcement strategies or regulatory policies and initiatives. For example, in 1995, as a result of identifying a significant number of participant inquiries alleging that employers had withheld plan contributions from workers' pay but failed to deposit them into the plan in a timely manner, PWBA initiated its 401(k) participant contribution enforcement project. This highly successful project, which is still ongoing, has resulted to date in the opening of 3,746 investigations and the recovery of $53.1 million. In addition, PWBA amended its plan asset regulations as they relate to participant contributions to significantly reduce the maximum 90-day holding period within which an employer must deposit the contributions withheld into the plan.

LEGISLATIVE INITIATIVES

In addition to encouraging workers to save more, the Administration is committed to expanding the pension system overall, and, in February, the President unveiled several initiatives to strengthen, simplify and expand the pension system so more workers can save for retirement.

As you know, Mr. Chairman, the President's Fiscal Year 2000 budget would transfer 62 percent of the projected budget surplus over 15 years and invest a portion of the transferred surplus in the private sector to keep Social Security solvent until approximately 2059 and pave the way for working with Congress for other reforms to save Social Security until at least 2075. The President's framework would also create universal savings accounts to help working individuals and families save for retirement. In addition, the Administration has developed initiatives to help expand coverage by making it easier for businesses to create new plans, increase portability of private pensions, improve retirement security for women, expand workers "right-to-know" about their pensions, increase the security of private pension plans, and simplify private pension plan administration.

The President's legislation would increase portability by allowing employees to fully vest in an employer's matching contributions after three years of service. And it would make it easier to consolidate retirement savings by permitting rollovers between various types of plans. It would also allow newly-hired Federal employees for the first time to immediately participate in the Thrift Savings Plan and receive agency automatic and matching contributions. And it would expand the PBGC missing participant program.

As you know, women generally live longer than men, which means they tend to spend a longer time in retirement than men. To help more women count on financial security during their retirement years, the President's plan also includes a 75 percent "joint and survivor annuity" option that will pay a lowered benefit to couples while both are alive, but provide 75 percent of the annuity amount to the surviving spouse of the participant.

Finally, the President's proposal also takes into account the role many women play as their families' primary caregiver by ensuring that workers who take time away from work under the Family and Medical Leave Act (FMLA) to care for an ill relative, a newborn, or adopted child can count that time toward retirement plan eligibility requirements.

Under the President's pension right-to-know initiative, spouses would receive information about a worker's plan, and participants in defined benefit plans would receive statements explaining the benefit they would receive if they left their employment on the statement's date. Finally, participants in defined contribution plans would automatically receive a statement at least annually.

The legislation also includes the pension audit bill, which would subject more pension assets to audit. The President has also proposed to ensure greater pension benefits for low- and moderate-income workers in simplified 401(k) plans, and to simplify the definition of "highly compensated employee."

Under the President's plan, a three-year tax credit would serve as an incentive for small businesses to establish retirement plans. And a simplified defined benefit plan, the Secure Money Annuity or Retirement Trust, would involve simple rules and reporting, provide for broad coverage by allowing employers to make contributions for all eligible workers, and guarantee participants a minimum monthly benefit upon retirement. The legislation also calls for the PBGC to charge small businesses no variable rate premium, and $14 less than the traditional $19 flat rate, per capita premium typically charged to ensure workers will get most or all of their benefits if the plan has inadequate resources to meet its obligations. Finally, the Administration is meeting its ongoing goal of broadening pension coverage by expanding opportunities for employers to help their workers plan for retirement.

I am pleased to announce, Mr. Chairman, that the Labor Department is actively supporting that initiative today with the release of an interpretive bulletin issued by PWBA to make it easier for employees to save for retirement on their own through payroll deduction contributions to IRAs.

This bulletin encourages employers -- particularly small business owners who are not ready to sponsor corporate pension plans --to create automatic payroll deduction systems their employees can use to make their own contributions to individual IRAs. The bulletin explains existing Departmental guidance on what employers can do to help employees save through IRAs without creating pension plans subject to the requirements of Federal pension law, and it fulfills the Administration's ongoing goal of broadening pension coverage by expanding opportunities for employers to help their workers plan for retirement.

We are confident that all of the Department's efforts -- from our retirement education program and our interpretive bulletin to our continued focus on participant assistance -- will help more Americans, particularly women, minorities and this Nation's youth, begin planning for a secure retirement.

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CONCLUSION

Our campaign has been remarkably effective in fulfilling its mission of encouraging working Americans to save for retirement. We have developed and distributed thousands of copies of our publications designed to assist participants in understanding their rights and benefits and the need to save for their retirement. We have reached over three million readers with our print public service announcements. Major media, including the *Washington Post, Parade Magazine, Money Magazine,* Hispanic Radio Network, and other outlets, have carried our message. To broaden our reach to youth, women, minorities, and small business owners, we have formed successful partnerships with the State Treasurers Association, the U.S. Chamber of Commerce, the Small Business Administration, the National Association of Women Business Owners, Ernst & Young, the Girl Scouts, and others. Finally, our website continues to attract thousands of participants and small business owners each week. And our benefit advisors are assisting 62 percent more participants than in 1995, and we increased our recoveries for individual participants from $12.5 million in 1995 to over $42 million in 1998.

Thank you, Mr. Chairman, I would be pleased to answer any questions that you or the other members of the Committee may have.

Senator COLLINS. Thank you very much.
Mr. Blandin, would you please proceed.

STATEMENT OF DON BLANDIN, PRESIDENT, AMERICAN SAVINGS EDUCATION COUNCIL, ASEC, WASHINGTON, DC

Mr. BLANDIN. Good afternoon. My name is Don Blandin. I am president of the American Savings Education Council, which is a coalition of public and private sector institutions that are committed to make saving, investing and planning for different life stages, including retirement, a vital concern of all Americans.

I appreciate the invitation to testify here today. ASEC served as a nonprofit association partner, with the U.S. Department of Labor, in conducting the 1998 White House and Congressional National Summit on Retirement Savings.

ASEC and its partner institutions have worked extremely hard to maintain the momentum that was generated from last year's national summit. You will see from my written testimony that we are building a list of accomplishments to report on at the next summit scheduled for the year 2001 as part of the SAVER Act.

We have seen how the results of our coalition's efforts and resources make a bigger impact on helping to educate the American public about savings and retirement planning. One example is the Choose to Save ™ Education Campaign. The initial phase of this campaign, developed by ASEC and our parent organization, the Employee Benefit Research Institute, was launched with major underwriting from ASEC Partner Fidelity Investments.

From prime time television and radio education segments to signage on Washington metropolitan area buses and in Metrorail stations, to print ads and news segments, Choose to Save uses nearly every media opportunity to help get educational tools to the public, such as our popular Ballpark Estimate retirement planning worksheet. The Choose to Save ™ television campaign won two local Emmy Awards last weekend. Please allow me to take a moment to show you three of the 30-second education spots.

I should note that the 1–800 number you see listed on all of our community service announcements, all 13 that we have which are 30 seconds long and another dozen which are 10 seconds, is the Department of Labor's publications hotline.

I would like to conclude my remarks by discussing the Delphi Survey of 1998 Summit delegates. What did we find? Overwhelmingly, the need to educate people about the benefits of saving early ranked first; followed by the need to educate people about the cost of retirement; encouraging the use of payroll deductions ranked third; and developing a financial planning curriculum for high schools and colleges ranked fourth. Providing simple, user-friendly, easy-to-understand information on retirement savings rounded out the top five.

Results of the survey are included in my full written testimony.

ASEC will use the Delphi Survey findings to help create an action agenda to implement selected education recommendations before the 2001 Summit. With life expectancy in this country expected to rise, and the normal retirement age for full Social Security benefits increasing from 65 to 67, it is more important than ever to give Americans the tools they need to be financially secure when they retire.

This past year has shown us that partnerships work, public education works and helping our partners in the media get the message out works. Surveys show the number of people who say they are saving and are trying to figure out how much they will need in retirement is increasing.

Mr. Chairman and members of the committee, I thank you for the opportunity to appear here today.

[The prepared statement of Mr. Blandin follows:]

ASEC
American Savings Education Council

T-121

Statement
Before the U.S. Senate Special Committee on Aging

Hearing on
Initiatives That Educate Americans About Retirement Savings

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Statement of Don Blandin

American Savings Education Council (ASEC)

Mr. Chairman and members of the Committee:

I am pleased to appear before you this afternoon to highlight some of the retirement savings initiatives in the public- and private-sectors that have occurred since last summer's White House/Congressional National Summit on Retirement Savings. My name is Don Blandin. I am the President of the American Savings Education Council (ASEC) a coalition of private- and public-sector institutions that undertakes initiatives to raise public awareness about what is needed to ensure long-term personal financial independence.

ASEC's goal is to make saving, investing, and planning for different life stages (including retirement) a vital concern of Americans. By bringing together membership organizations, public and private employers, financial education and service organizations, and government agencies, ASEC can further the common mission of educating the nation about the importance of saving and retirement planning.

Through research and various forms of outreach geared toward different communities, ASEC tries to determine the attitudes and behavior of people towards personal finance and money management. This supports the organization's ongoing effort to better understand all segments of society and to develop appropriate savings messages and tools to help the American public.

ASEC is part of the Employee Benefit Research Institute Education and Research Fund (EBRI-ERF), a 501(c)(3) nonprofit, nonpartisan public policy research organization based in Washington, DC. Consistent with our mission, we do not lobby or advocate specific policy recommendations. I ask that my full statement and attachments be entered into the written record.

Overview

Since the 1998 SAVER Summit, ASEC and its partner institutions have participated in numerous efforts to increase public awareness about savings and retirement planning. The selected initiatives outlined below have attempted to achieve many of the goals expressed in the SAVER Act, including: 1) coordinating with public- and private-sector organizations to work together and share resources to support various public-education campaigns; 2) getting involved with local and state-level organizations; 3) involving the news media in helping inform the public about retirement savings; and 4) urging employers to sponsor retirement plans and educate employees about the importance of retirement savings.

Choose to Save™

As the sole program endorsed by the delegates at the 1998 SAVER Summit, the Emmy-award winning Choose to Save™ (CTS) education program continues to utilize the power of the media to help spread the important message of saving and retirement planning. For more than a year, CTS has been successfully test-piloted in the Washington, DC, metropolitan area, and it is now ready to expand to the national level. An ASEC Charter Partner, Fidelity Investments, has underwritten the Washington, DC, Choose to Save™ program since its inception in January 1998.

From television and radio public service announcements (PSAs), to signage on Washington metropolitan area buses and in metrorail stations, to print ads and news segments, CTS uses nearly every opportunity to spread the savings word. ASEC and EBRI worked closely with CTS media partner WJLA-TV (an ABC affiliate) to create the recent Emmy-award winning 1998 one-hour news special entitled "The Savings Game," as well as other nationally recognized PSAs.

Other special programs within the CTS campaign include:

1. **Military:** ASEC has been working with the U.S. Defense Department on a military version of the CTS education program. The campaign would include use of CTS PSAs on military bases and ships worldwide, and incorporate the CTS themes into existing military financial planning programs. ASEC would also provide additional savings tools, including the possibility of a version of the Ballpark Estimate worksheet for the military.

2. **Public-sector:** The Public Sector CTS campaign, launched in October 1998, aims to increase participation in state and local government Sec. 457 deferred compensation plans. ICMA Retirement Corporation (RC), the National League of Cities, and the Government Finance Officers Association underwrite the program. In addition to providing customized print material and savings "tools" for distribution throughout the work place, RC also sponsored an 18-month campaign to provide financial incentives to state and local government clients who initiated a program to match their employees' contribution in the voluntary 457 deferred compensation plan.

3. **Project Greenpurse: Everywoman's Money Conference:** EBRI/ASEC cosponsored part of this event in Portland, Oregon, in September 1998. Produced by the office of State Treasurer Jim Hill (an ASEC Partner), the conference promoted statewide attention to women's retirement needs. Over 2,600 women attended the event. Choose to Save™ materials were distributed at the event.

4. **Radio:** The Associated Press radio network currently airs CTS PSAs about every three hours on 70 stations nationwide—nearly 700 daily. CTS programs and PSAs have also now been running in the Washington, DC, metropolitan market on the Bonneville Radio stations for just over a year (WTOP, Z104, and WGMS radio stations, locally).

At this time, we are planning to take the program to other markets and have received radio proposals from New York City, Chicago, and San Francisco. We are also looking to take it to other population segments. For example, we hope to obtain funding to run additional programs targeted at minorities, women, youth, and lower-income individuals, in conjunction with our partner institutions and the media.

Public-Sector Initiatives

1999 Facts on Saving and Investing Campaign: ASEC is a coalition partner of the *Facts on Saving and Investing Campaign,* led by the U.S. Securities and Exchange Commission (SEC). This ongoing national campaign focuses this year on providing savings education to young people, including educational visits to schools nationwide and the national distribution of educational materials to schools.

As part of this year's campaign, ASEC conducted the *1999 Youth & Money Survey*. According to the survey, the vast majority of students ages 16–22 have never taken a class in personal finance, two-thirds admit they could use a few more lessons on money management, and 28 percent of students with a credit card roll over debt each month. The survey was underwritten by an ASEC sustaining partner, the TIAA-CREF Institute.

To launch the *Facts Campaign* and release the results of the youth survey, EBRI/ASEC, the SEC, and the National Endowment for Financial Education (NEFE) hosted a series of events in both New York City and Washington, DC, on April 26th. In addition to two press events held at the National Press Club and the Freedom Forum's Media Studies Center, respectively, NEFE also hosted an awards ceremony for the winners of their 3rd Annual High School Financial Literacy Awards. The winners, students from across the country, joined other students to ring the bell to open trading at the New York Stock Exchange in celebration of this year's campaign focus on young people.

SEC Town Hall Meetings: The SEC's Office of Investor Assistance holds Investor Town Meetings in different cities throughout the country several times a year to help the public get unbiased facts on how to invest wisely and achieve financial security. The Town Meetings consist of a keynote address by SEC Chairman Arthur Levitt, a series of workshops, and an exhibit area. ASEC runs a hands-on workshop designed to help individuals figure out how much they need to save to fund a comfortable retirement.

National Association of State Treasurers (NAST): NAST joined ASEC as a partner, and we are currently working with the state treasurers to educate the public at both the state and local levels. This partnership is part of the NAST Savings Education Program, which enables state treasurers to provide opportunities to educate their citizens on savings, from birth to retirement.

Government Interagency Group (GIG): ASEC's government partners convene every two months to discuss their agency's financial education initiatives and look for ways to collaborate on proposed and current initiatives. Participants include the U.S. Department of Labor, the U.S. Department of the Treasury, the U.S. Department of Health and Human Services Administration on Aging, the SEC, the Federal Trade Commission, Cooperative Extension (USDA), the Federal Reserve Board, Department of Defense, Federal Deposit Insurance Corp., Office of Personnel Management, and the General Services Administration.

The last meeting in May focused on the president's recent decision to direct his National Economic Council to form a high-level interagency task force to help raise Americans' financial literacy. GIG members brainstormed ideas on how they could be a resource to this project.

New York State Comptroller: ASEC has been working with the New York State Comptroller, a 1998 Summit delegate, to educate New Yorkers (particularly African-Americans and other minorities in the state) on retirement planning issues. This spring, the state hosted three successful *Savings Awareness & Investment Opportunities Conferences* and distributed ASEC materials.

Social Security Administration: ASEC and its partners have supported the Social Security Administration in designing its new *Social Security Statement.* All U.S. citizens will automatically receive a copy of the new statement this fall. Part of planning for retirement is knowing how much you can expect from Social Security and when you will be eligible for Social Security benefits. The statement has been re-designed, with input from ASEC and others, to be more user-friendly. Distribution of these statements will be a big step toward raising awareness about what people should realistically expect from the government in retirement.

Money 2000: ASEC is participating in Money 2000, a program that encourages people to either reduce their debt by $2,000 or save $2,000 by the year 2000. The Cooperative State Research, Education, and Extension Service (CSREES) and its affiliated Cooperative Extension offices in every state coordinate the initiative.

Private-Sector Initiatives

NEFE: ASEC participated in "Retirement Planning in the 21st Century," a think-tank sponsored by NEFE. The meeting brought together financial services professionals and retirement planning experts from around the country to participate in a discussion of "how retirement today differs from that of past years—and what changes are needed in our approach to retirement planning to adequately address today's needs."

In addition, NEFE joined ASEC and the SEC in the launch of the *Facts Campaign*, as well as the release of the youth survey (see above under *Facts Campaign*).

National Institute for Personal Finance Employee Education (NIPFEE): ASEC helped to establish a new Institute focused on researching the impact of personal financial well-being on employee productivity. The Institute is part of the Personal Finance Employee Education program at Virginia Polytechnic Institute and State University.

Collective Banking Group (CBG): ASEC is working with this coalition of nearly 200 African-American churches in the Washington, DC, area to increase their educational efforts, including financial literacy. ASEC exhibited and led a workshop at the CBG's "Empowerment Weekend," which hosted a series of exhibits and savings workshops to educate church members on saving and retirement issues.

ReliaStar Financial Corporation: ASEC Charter Partner ReliaStar Financial Corporation began airing a new public television financial planning program, *Right on the Money,* underwritten by the ReliaStar Foundation. In the tradition of the great "how-to" series of public television, *Right on the Money* goes on location weekly to visit a family or individual facing a financial landmark in their lives. The series deals with issues ranging from how to set up a budget to saving for retirement.

During the 1999 ASEC Winter Partners' Meeting, ASEC co-hosted a congressional reception with ReliaStar Financial Corporation to launch the program. The event was well attended by members of Congress, ASEC partners, government liaisons, media guests, and congressional staff.

American Payroll Association (APA): The APA instituted National Payroll Week in September of 1998. The APA, along with U.S. Treasurer Mary Ellen Withrow, visited a school in Washington, DC, and discussed earning, spending, and saving. The APA has been undertaking initiatives to encourage the use of direct deposit, as well as working with the Treasury Department on providing U.S. Savings Bonds through payroll deduction to employees without access to employer-sponsored pension plans.

Prudential: As an ASEC Charter Partner and an underwriter of the *1999 Retirement Confidence Survey (RCS)*, Prudential produced a Video News Release (VNR) and media satellite tour in connection with the 1998 and 1999 Retirement Confidence Surveys to enhance the national visibility of retirement savings. The VNR highlights the five retirement personality profiles described in the surveys.

ASEC-Led Initiatives

Media Panels: ASEC hosted two news media panel discussions during its 1999 Winter Partners' Meeting. The panels, which featured reporters from major outlets such as *USA Today*, *Business Week* and the *Today Show*, focused on the recommendation by participants at the 1998 White House/Congressional National Summit on Retirement Savings to urge media in all areas of the nation to assume a more active role in informing the public about retirement savings.

Topics discussed during the panels included ways to create appealing savings-related stories, how to work with financial media, and overcoming cultural and gender barriers in creating savings messages. The Oregon state treasurer and the director of the SEC's Office of Investor Education & Assistance also participated in the discussions.

1998 National Women's Forum on Retirement Education: The 1998 National Women's Forum on Retirement Education aimed to increase national attention to the challenges women face in preparing for retirement, and to help women develop savings plans. In conjunction with the event, ASEC released the first *Women's Retirement Confidence Survey (WRCS)*. The survey found that most women (59 percent) are saving money, but the results also show that 41 percent of women have not saved anything for retirement. Despite women's greater economic opportunities to earn and save money (compared with earlier generations), many women lack even basic savings goals, according to the survey.

Held at the National Museum of Women in the Arts in Washington, DC, the forum was co-sponsored by The VALIC Center for Retirement Education, the National Association for Female Executives, and ASEC, and co-produced in cooperation with *Working Woman* and *Working Mother* magazines. Actress Stefanie Powers acted as moderator. A panel of five women with expertise in retirement savings issues also participated in the discussion. ASEC Charter Partner, American General Financial Group/VALIC, underwrote the survey.

1999 Youth & Money Survey: Sponsored by ASEC, EBRI, and Mathew Greenwald & Associates (MGA), the *1999 Youth & Money Survey* found that most students ages 16–22 feel confident about their understanding of basic financial matters such as saving, investing, credit, and budgeting. This "knowledge," however, is not necessarily reflected in students' attitudes and behavior towards money management. The survey, underwritten by ASEC Sustaining Partner, the TIAA-CREF Institute, also found that students are getting their financial education more from family and friends than at school.

Press-related events were held at the National Press Club in Washington, DC, the New York Stock Exchange, and The Freedom Forum's Media Studies Center in New York city. (Please see *1999 Facts on Saving and Investing Campaign* for more details.)

As a collateral to the survey, ASEC developed (with the assistance of the TIAA-CREF Institute) a *Youth & Money* poster. A 17" x 22" version is being distributed widely to teachers, schools, and parents. The poster can also be downloaded from the ASEC Web site (www.asec.org). In addition, ASEC developed an interactive Web site tool that helps young people determine how much they need to save on a monthly basis to achieve their saving goals.

Materials Development Committee: ASEC reconstituted its Materials Development Committee in early 1999 to begin work on the second generation of ASEC savings tools. Recently, the committee created the following tools:

1) *Youth & Money* poster and interactive youth calculator.
2) *Retirement Personality Profiler* – Created in conjunction with the 1999 Retirement Confidence Survey, the profiler is an interactive questionnaire that allows individuals to determine which of five distinct personality groups they fall under, based on their attitudes towards their finances and planning for retirement. The five retirement personality types are: Planners (35 percent of the U.S. population); Savers (18 percent); Strugglers (20 percent); Impulsives (15 percent); and Deniers (13 percent).
3) *Retirement Readiness Rating* – Also created along with the 1999 RCS, this tool indicates how well workers are preparing for retirement. The scale runs from 0 to 25, with a score of 25 indicating the best job of preparing for retirement.
4) *Small Biz Retirement Quiz* – Created in conjunction with the *1999 Small Employer Retirement Survey (SERS)*, the seven-question, "true-false" quiz gauges an employers' knowledge about issues pertaining to employer-sponsored pension plans, such as costs and coverage.
5) A "couples" version of the *Ballpark Estimate Worksheet* – Based on the original, easy-to-use, one-page Ballpark Estimate worksheet that allows individuals to calculate how much they will need to save for retirement.

Other tools being considered for future production include a simple budgeting tool and a tool to locate extra money in your budget.

Representatives from ASEC Charter Partners American Express and Metlife serve as co-chairs of the committee.

Delphi Survey

Following last year's National Summit on Retirement Savings, EBRI contracted with MGA to conduct a "Delphi survey" to evaluate ideas generated by delegates to the National Summit. Specifically, these ideas focused on ways to increase Americans' retirement savings and enhance the retirement income security of today's workers. The results of the survey, still being finalized, will be the foundation for a proposed 1999-2001 action agenda to be considered by ASEC.

In order to develop the survey questionnaire, EBRI provided MGA with a categorized list of the ideas generated at the Summit. MGA then incorporated these ideas into a questionnaire asking respondents to rate each idea according to their perception of its priority for further action. For the second round of the study, respondents were presented with the same list of ideas, ranked within each category according to the results of the first round, and asked to rate each idea again according to its priority. The third round of the study again presented respondents with the same list of ideas, ranked according to the results of the previous round (but no longer within categories), and asked them to rate each idea a final time. This process is designed to identify those ideas the group considers most worthwhile.

Forty-one percent of Summit delegates responded to the first round of the survey. The second round had a delegate response rate of 22 percent. Forty percent of Summit delegates responded to the final round of the survey.

The Top 20

Table 1 presents the top-20 ranked ideas by the percentages of Summit delegates rating each as a high priority.

While the rankings vary somewhat by each survey round, these rankings also show some surprising consistency. "Educating about the benefits of starting to save early" is the top-ranked idea by delegates in the final two waves of the survey. This signals that delegates believe that an education campaign with this idea as one of its central messages should be the top priority of anyone seeking to implement ideas from the National Summit.

Seven of the ideas ranked among the top-10, and 13 of the ideas ranked among the top 20, also concern education. "Educate people on the costs of retirement" is the second-ranked idea, while "develop financial planning curriculum for high schools and colleges" is ranked fourth. A delegate priority is also to "develop an on-going, funded, public awareness program to create a culture of saving and thrift" (ranked eighth). There also appears to be a sentiment that such a campaign should involve "different messages targeted at different groups, such as people at risk, young people, low-income people, savers vs. nonsavers, ethnic groups, and high/low education levels" (ranked 10th). According to delegate responses, a priority should also be to "encourage the use of payroll deductions" (ranked third) and to "increase availability of payroll deductions and direct deposits for IRAs and/or other (retirement) savings vehicles" (ranked ninth).

Three of the ideas ranked in the top 20 directly concern the high priority that should be placed on the education of children and youth. "Developing a financial-planning curriculum for high schools and colleges" is ranked fourth, while "institute education projects that start at a young age" is tied for 13th place and "encourage financial literacy in the schools through public/private partnerships" is ranked 18th. In addition, educating employers, specifically on how to set up low cost plans, is also a priority for Summit delegates.

Table 1

Top 20 Ideas Among Delegates
Ranked by Percentage Rating Each a High Priority

		1st Round	2nd Round	3rd Round
1	Educate about the benefits of starting to save early.	2	1	1
2	Educate people on the costs of retirement.	1	5	2
3	Encourage the use of payroll deductions.	3	3	3
4	Develop financial-planning curriculum for high schools and colleges.	16	2	4
5	Provide simple, user-friendly, easy-to-understand information on retirement savings.	10	6	5
5	Encourage portable models.	8	10	5
7	Educate employers on how to set up low-cost plans (as part of a national public awareness campaign).	4	4	7
8	Develop an on-going, funded, public awareness program to create culture of savings and thrift.	5	6	8
9	Increase availability of payroll deductions and direct deposits for IRAs and/or other savings vehicles to encourage savings (that would not be accessible till retirement).	10	8	9
10	Develop an education campaign that includes different messages targeted at different groups: people at risk, young people, low-income people, savers vs. non-savers, ethnic groups, and high/low education levels.	13	9	10
11	Educate employers on how to set up low-cost plans (as part of opportunities for plan expansion).	25	19	11
11	Position "lifetime savings" campaign as opposed to "retirement"—which does not register for young people.	43	27	11
13	Encourage long-term investing.	16	15	13
13	Institute education projects that start at a young age.	8	16	13
15	Simplify the message.	14	33	15
16	Use automatic enrollment/negative consent to raise 401(k) participation.	27	12	16
17	Raise profile of retirement savings plans when they are offered.	6	13	17
18	Encourage financial literacy in the schools through public/private partnerships (e.g., "adopt a school" programs).	32	16	18
19	Provide more education for workers on an ongoing basis.	28	21	19
19	Translate retirement benefit statements into estimated monthly income statements at retirement, to make these statements more meaningful to workers.	16	11	19

Implications

To state the obvious, much has been done in the year since the first National Summit to help make retirement planning and saving a higher priority for all Americans. In addition, many activities are currently under way or planned for the next two years leading up to the 2001 Summit. The above initiatives come from all sectors—public and private—as well as coalitions of diverse organizations.

At one level, we should be proud of the progress that has been made. According to the *1999 Retirement Confidence Survey*, 75 percent of individuals report that their households have begun to save for retirement—indicating that most workers have gotten the message regarding the need to save. At another level, much more remains to be achieved. While most individuals are savers, relatively few are planners.

What I mean is this: Most Americans have no idea how much they need to save in order to ensure a comfortable retirement. They are putting money away and trusting that it is enough, *hoping* that it is enough, but they do not really know because they have never tried to figure out how much they will need. But again, progress is being made in this area.

Today, one-half of American workers have tried to determine how much they need to save. Just a few years ago, that figure stood at one-third. However, in a sense we are only halfway home. Much remains to be done—but we are optimistic because it is obvious that the work of ASEC and others is making a difference.

Mr. Chairman and members of the Committee, I thank you for the opportunity to speak to you today.

The CHAIRMAN. Thank you.
Mr. Houston.

STATEMENT OF DAN HOUSTON, VICE PRESIDENT, PENSION, PRINCIPAL FINANCIAL GROUP, DES MOINES, IA

Mr. HOUSTON. Thank you, Mr. Chairman. It certainly is a pleasure to be here this afternoon to have the opportunity to talk about such an important topic. I was really getting a kick out of hearing the fellow Senators talk about retirement-related issues because I think you have your expert panel already as part of your committee, and I would compliment them on their sheer knowledge about the various issues that are impacting us all.

I and Senator Lincoln have something in common, we are on the lowest end of the food chain of the baby boomers, and we know if we do not do something about it, we are in a real problem for ourselves.

The Principal Financial Group currently today provides retirement plan services and investment services to over 43,000 employers. So according to Senator Graham's math, we have roughly 4,957,000 more plans to write in the next 5 years. So we certainly have our work cut out for us. Clearly, there are obstacles that stand in the way of small to medium size employers. Many of them are the time, the money and the energy to provide qualified retirement plan services to their employees.

We are optimistic through initiatives such as the 1998 Summit on Retirement Savings that Congress can determine how best to help these individuals. We also very much strongly support the pension reform provisions and the Pension Coverage and Portability Act as sponsored by you, Mr. Chairman. We are very excited about those potential changes.

There are a number of issues that challenge employees, none more importantly than educational material, and we have seen three what I think are excellent commercials today that certainly remind individuals of the importance for planning early and saving enough early on in the process. It is also important that we identify that there are various types of constituencies out there. There are those that are truly natural-born savers. For whatever reason, they just desire to save. There are other truly nonsavers. There are specific ethnic groups that we need to target our materials to and customize. There are union members, white-collar workers and blue-collar workers. There is not an off-the-shelf, one-communication set of materials that meets the needs of all of those various parties. So at the Principal Financial Group we very much customize our materials to target employees. We write the information at the eighth grade level to ensure that it is understandable. We also take the time to make it available in Spanish, in addition to a number of other types of languages because they do not all speak English.

But from the standpoint of having the most impact and getting individuals enrolled into a qualified retirement plan, nothing is more important than the personal meetings at the local level. The Principal Financial Group has over 300 local individuals throughout 51 sales offices around the U.S. These retirement service centers are specifically staffed with salaried employees to go out and communicate to these three million existing customers of ours, through these 43,000 employers. Newsletters, posters, payroll stuffers all help. But if you can sit there across the table and visit with these individuals and talk to them about the importance of saving, the probability of increasing that is traumatic.

There are also other ways that have become more convenient in the last few years. Voice response systems can serve as a very useful tool to make employees aware of the flexibility of the programs and to make changes in accordance to their time and not ours. The Internet has proven to be an extremely wonderful tool to provide financial engines and to allow employees to actually model potential retirement savings and to use various interest rates and to use various asset classes to ensure that, in fact, that they will have adequate savings and to be able to do it at their convenience and not ours.

Also important is to provide Internet solutions for the small employer that allows them to, if you will, draw down information, share that with their employees as it relates to retirement savings, and also to transmit employer-sensitive information to us as a service provider.

Periodic reports clearly demonstrate the value of savings. Senator Graham had mentioned one year on defined contribution and every 3 years on defined benefit. And I would advocate that quarterly statements are not only important, but critical to ensure that we are reminding the plan participants on the importance of savings.

There was a customer of ours in Bettendorf, Iowa, Tri-State Turf and Irrigation, 37 employees, a very common-size employer in that small- to medium-size group. Simply by providing last year employee meetings onsite, the average deferrals of that company increased by 16 percent, and they expect another 13 percent in 1999.

American Profoil of Cedar Rapids, IA, which has roughly 81 employees, went through a very similar education process to inform their employees of the importance of saving and increased their average deferrals by 20 percent and expect another 12 percent this year.

Again, the Pension Coverage and Portability Act has some very important legislation that will allow small employers to adopt these programs and make it less of a financial burden. Encouraging employers to form plans is critically important, and we continue to find ways to do that in a manner to simplify the complex rules making it easier to preserve plan assets through retirement, and of course addressing women's pension equity issues. It has certainly been my pleasure to have the opportunity to speak to the panel today, and we'll take questions.

[The prepared statement of Mr. Houston follows:]

**STATEMENT BY THE PRINCIPAL FINANCIAL GROUP
BEFORE THE
SPECIAL COMMITTEE ON AGING
U.S. SENATE
ON
LEARNING TO SAVE: INNOVATIONS IN THE PURSUIT OF INCOME SECURITY
JUNE 17, 1999**

Mr. Chairman and Members of the Committee:

Good afternoon. I am Dan Houston, vice president—pension, at Principal Life Insurance Company, a member of the Principal Financial Group. Principal provides retirement plan investment and administrative services to more than 43,000 employers, representing over three million plan members, the majority of whom employ under 100 employees. Principal has long supported efforts to increase plan sponsorship among small and medium sized employers and to encourage participation among employees who have access to employer sponsored plans. We are optimistic that through initiatives such as the 1998 Summit on Retirement Savings, Congress can determine how best to help individuals become aware of the role employer sponsored retirement plans and individual savings play in ensuring a secure retirement. We strongly support the pension reform provisions in The Pension Coverage and Portability Act (S.741), sponsored by you, Mr. Chairman and Senator Graham. We include specific comments on this legislation later in our statement.

Principal was pleased to participate in last year's Summit on Retirement Savings. I appreciate the opportunity to appear before you today and commend you for holding this hearing. Today, I will discuss three primary issues:

- The need to enroll employees into employer-sponsored savings plans as soon as they become eligible for the plan.
- How Principal helps our 24,000+ 401(k) plan sponsors educate their employees in order to encourage more of them to participate in 401(k) plans.
- An example of how several of our typical customers increased employee participation in its 401(k) plan.

Encouraging Early Participation

Employees who have access to an employer sponsored pension plan should be encouraged to contribute as soon as they are eligible for the plan. The best way to increase plan participation is by educating potential plan participants (and their employers) about the need for saving for retirement and the benefits of an employer sponsored retirement plan. Many employees do not understand how much money they will actually need in retirement. Most have never tried to calculate how much income they need to save before they retire. As a result, many mistakenly believe that their Social Security retirement benefits alone will provide an adequate standard of living in retirement.

Nonetheless, Americans are worried about having enough money in retirement. According to the 1998 Retirement Confidence Survey of the Employee Benefit Research Institute (EBRI), only 25 percent of survey respondents felt they would have an adequate amount of income upon their retirement. Yet, to add to their dilemma, approximately one-third of workers eligible to participate in employer sponsored 401(k) plans choose not to participate. So, what can be done to motivate employees to take advantage of the savings opportunities a 401(k) plan provides them?

First, employees need reliable and understandable educational materials discussing the amount of income needed to maintain an adequate standard of living in retirement. The material must discuss how much of this income will be provided by Social Security and how much must be made up through other sources. Because these concepts can be confusing for many employees, information about planning goals and concepts must be put into language understandable by the average employee. It must be targeted to specific audiences, such as savers, non-savers, specific ethnic groups, union members, white collar, and blue collar employees. Successful communication methods may vary for blue collar workers than for white collar workers.

Successful retirement education programs should do the following:

- Help employees decide how much they should contribute to the plan.
- Help employees decide how to allocate those funds among the different investment options.
- Explain the principles of compounded earnings to illustrate the importance of saving early and saving often.
- Explain basic investment principles, such as asset allocation, risk tolerance, and dollar cost averaging.
- Explain that saving for retirement is a long-term process and that short-term market volatility shouldn't necessarily affect an employee's investment mix.
- Illustrate the adverse impact of pre-retirement withdrawals.

Surveys show that personal meetings are the best way to educate plan participants. Unfortunately, this is also the most costly method. The next best method is on-site enrollment meetings with staff from the plan's service provider or investment manager. Custom videos and audiotapes targeted specifically for the employers' workforce are also good choices, as are newsletters, posters and payroll stuffers.

Once employees are enrolled in the plan, an employer, or the firm providing administrative and investment services for the plan, must continue to generate interest in the plan via a consistent and regular communication strategy. Employers can keep employees involved in their plans by providing them with the following tools:

- *Convenient access.* Provide a voice response telephone system and/or Internet website to allow employees to access information about their retirement savings when they want it.
- *Periodic reports.* Give employees detailed, informative reports that summarize account activity and demonstrate savings growth.

- *Projections and illustrations.* Provide employees with savings projections and retirement illustrations to help them plan for the future and see the value of their retirement plan.

Educational Materials We Provide to Plan Sponsors

Principal offers a wide range of services to help plan sponsors educate employees on the need for retirement saving.

- *Enrollment services.* We provide local and/or home office representatives to communicate and encourage employee participation. We also provide enrollment training for the employer's benefit administrator(s) to help explain the retirement plan and the benefits of plan participation.
- *Enrollment material and videos.* We have a wide range of enrollment materials and videos available in English and Spanish. We can also provide materials in other languages or design pieces that specifically fit an employer's workforce. Our enrollment and investment materials are written at an eighth grade level to help employees at all levels understand the available options. To ensure the information actually is understandable, we have eighth graders in local Des Moines schools read the materials and give us feedback.
- *Member communication materials.* We provide materials to help employees better understand the benefits of the employer's retirement plan and why they should save for retirement. Materials include enrollment kits, brochures, posters, videos, computer software, and much more.
- *Internet home page.* Participants can find general retirement planning information on our Internet site at www.principal.com. Our Retirement Service Center has interactive tools that help employees determine how much to save, the most appropriate investment strategy, and how their employer's plan can help them reach their goals. Plan participants can also access current account information and receive information about the various investments offered under their plans.
- *Personalized benefits counseling service.* We can provide onsite counselors who discuss payout options, plan projections and retirement plan basics with employees.
- *Member Service Center.* We have a toll-free number employees may use to obtain information on all plan and investment related questions.
- *Retirement planning seminars.* We offer retirement planning seminars to help employees determine their retirement needs and develop a plan to reach their goals.
- *Investment newsletters.* We send investment newsletters to plan participants briefly describing each investment offered in their plan. The newsletter includes a summary of how the accounts performed.
- *Annual benefit illustrations.* We provide annual benefit illustrations of projected account values and estimated retirement benefits for each active plan participant. (See attached example.)

Tools such as these are important in the ongoing education of plan participants.

Customer Examples

Many of our customers have increased the amount of elective deferral contributions plan participants are making to the plan through their participant education efforts. Tri-State Turf & Irrigation, Inc. from Bettendorf, Iowa, which has 37 employees, experienced a 16% increase in the amount of elective deferrals contributed to the plan from 1997 to 1998. Deferrals are projected to increase another 13.5% in 1999. The employer attributes these increases to new enrollment materials, enrollment meetings, one-on-one discussions and a greater awareness of the benefits of a 401(k) plan by its employees. Often, we find that employees talking to each other about the plan's benefits generates enthusiasm about the plan and increases employee participation rates.

American Profol Inc. from Cedar Rapids, Iowa, which has 81 employees, has also seen a solid increase in the amount of deferrals contributed to the plan in the past two years. After conducting on-site enrollment meetings with videos and member communication materials, participants increased their deferral amounts. Deferrals increased 20% from 1997 to 1998 and are projected to increase another 12% in 1999.

Comments on the Pension Coverage and Portability Act of 1999 (S. 741)

Principal commends Senator Grassley and Senator Graham for authoring the Pension Coverage and Portability Act of 1999 (S. 741). We believe this bill will increase the retirement security of millions of Americans and urge Congress to enact these provisions this year.

The passage of S. 741 will help the U.S. private pension system by:

- Encouraging more plans to be formed,
- Allowing U.S. workers to contribute more to their retirement plans,
- Simplifying existing overly complex rules,
- Making it easier to preserve plan assets for retirement, and
- Addressing women's pension equity issues.

We offer the following comments on the provisions in S. 741:

<u>Retirement Plan Limits</u>

Principal supports the proposed increases to the various dollar limits. Increases in the dollar limits will encourage employers to establish plans by allowing them to accumulate benefits in an amount comparable to the amounts accumulated by lower paid employees. Existing non-discrimination rules—such as the 401(k)/(m) nondiscrimination tests and the 415 maximum benefit limits—will ensure that plans do not discriminate in favor of the highly compensated employees.

We also support repealing the 25 percent of pay limit on annual additions under a defined contribution plan. This limit has little effect on the most highly paid employees while adversely affecting lower paid employees who choose to contribute generously to their 401(k) plans. Repealing the percent of pay limit would allow lower paid employees to increase their retirement savings.

Administrative Costs

We're pleased S. 741 includes provisions which will reduce administrative costs and burdens which have a disproportionate impact on small employers. Specifically, allowing matching contributions to be counted toward satisfying the top-heavy minimum required contribution and modifying the definition of key employee will help small employers comply with these rules. Elimination of the multiple use test for 401(k)/(m) plans will also simplify the non-discrimination test and reduce the administration burden on plan sponsors.

Portability

We are particularly pleased with the liberalization of the transfer and rollover rules and the modification of the same desk rule for 401(k) plans. Corporate acquisitions, mergers, dispositions and voluntary job changes are more and more frequent today. Each of these incidents can have a huge impact on an employee's retirement savings. As employees change jobs, keeping track of their retirement accounts from several different plans is often difficult and time consuming. The best way to do this is to make it easier for employees to transfer these distributions to qualified plans or roll them over to an IRA. The provisions in S. 741 will preserve plan assets by making it easier to transfer benefits between 401(a), 403(b) and 457 plans. The bill also eliminates the "same desk rule" that prevents employees in 401(k) plans from receiving a distribution in certain corporate take-over situations.

Tax Credit for Small Employers

We support the tax credit for small employers to offset the costs of setting up and administering a new plan. Many employers feel the costs associated with running a retirement plan prohibits them from establishing a plan. This is especially true for small employers whose decision to sponsor a plan is impacted by the cost of the plan. This tax credit will help offset the cost of establishing a retirement plan and will encourage more small employers to set up a plan.

Highly Compensated Employee

We do not support the provision that would eliminate the employer's option to count only the top-paid 20 percent of employees who earn more than $80,000 when determining the number of employees who are considered to be highly compensated employees. While most employers are not affected by this option, there is a small percentage of businesses that have a large proportion of their workforce earning more than $80,000. These businesses include computer programmers, engineers, and sales representatives whose bonus income push them over the earnings limit. This option should be preserved.

Defined Benefit Plans

We support the provisions creating a simplified defined benefit plan for small employers. The Secure Assets for Employees (SAFE) plan should increase the number of defined benefit plans established for small employers by reducing existing administrative costs and hassles that make defined benefit plans unattractive to many employers.

Summary

Principal believes retirement savings education is a key issue. Employees (and their employers) must be made aware of the need to save more for retirement. Employer sponsored plans provide the most cost-efficient method of helping employees to prepare for retirement. Employers and the firms providing administrative and investment services for the plan must continue to help employees adequately prepare for retirement by providing the types of educational material we have discussed in this statement.

Principal also believes that more small employers will establish retirement plans if we can make those plans more attractive for the employer and his/her highly compensated employees. We should educate plan sponsors about the types of plans that are available, provide incentives—such as tax credits for start-up costs and increased dollar limits—for employers to establish such plans, and then make plan administration less costly and less time consuming. The provisions in S. 741 will accomplish much of this. We strongly urge Congress to enact these provisions this year.

Composite of Retirement Plan Benefits

Name	Projected Annual Salary	Projected Monthly Salary	401(k) Benefit	Social Security Benefit	Total Monthly Benefit	Replacement Ratio
DOE*JOHN	165,480	13,790	5,219	4,219	9,438	68%

Defined Contribution

401(k) Plan

Name	Current Age	Retirement Age	Current Annual Salary	Current Account Balance	Employee 401(k) Deferrals	Employer 401(k) Match	Total 401(k) Contribution	Projected Account Balance	Monthly Income
DOE*JOHN	30	65	30,000	0	1,500	600	2,100	592,440	5,219
			30,000		1,500	600	2,100		

The CHAIRMAN. Thank you.
Ms. Kiss.

STATEMENT OF ELIZABETH KISS, FAMILY RESOURCE MANAGEMENT SPECIALIST, IOWA STATE UNIVERSITY, AMES, IA

Ms. KISS. Thank you, Senator Grassley. It is a pleasure to be here today to describe the Money 2000 program and to share information about the success of the program in Iowa with you.

Money 2000 is a Cooperative Extension System program designed to increase the financial wellness of participants, either by increasing saving and investment or reducing debt or by doing some of both.

Money 2000 has been described as a weight management program for your money. Participants set financial goals and periodically weigh in with local project directors who help them stay on track. Since it was launched in 1996, Money 2000 has helped over 7,000 people in more than 30 states increase their net worth by more than $3 million. The initiative is coordinated by the USDA's Cooperative State Research, Education and Extension Service and its affiliated Cooperative Extension offices in every State.

Program costs and offerings vary by State and by county. Most programs offer quarterly newsletters, a variety of workshops, newspaper articles, public service announcements, Web-based resources and regular follow-ups to track progress.

For Iowa State University Extension, Money 2000 and beyond is an educational program designed to help Iowans reach their financial goals. It is intended for anyone who wants to establish clear and attainable financial goals. For example, saving for retirement, reducing debt, saving for a child's education or buying a home.

The program began in January 1998 and runs through December 2000. When enrolling in Money 2000, participants read through a goal-setting booklet, set their personal financial goals, summarize their current debts and savings and then track their financial progress. In Iowa, there is no cost to enroll in Money 2000, and participants may set any goal they wish. The example we often give is saving $2,000 by the end of the year 2000. For someone enrolling this month, that would mean saving about $112 a month through the end of the year 2000.

After enrolling, participants receive a quarterly newsletter with tips on saving, investing, credit and budgeting. Participants also receive information about other ISU Extension educational materials and programs available through their local extension offices. We provide a range of family financial management activities across the life span and use a variety of teaching methods. It is through these programs that we provide information and educational support to that Money 2000 participants.

Every 6 months, in January and July, we ask participants to let us know how they are doing in reaching their Money 2000 goals. We do this because regularly tracking progress toward your goals helps you stay motivated; it also helps you to stay motivated by telling others about your progress.

Total enrollment is approximately 1,100 Iowans as of June 1. We are reaching younger, moderate-income families or those who can benefit from setting goals and working overtime to achieve them.

Two-thirds of participants live in married couple households, 57 percent live in households with children and over 75 percent of participants live in households headed by someone between the ages of 25 and 54 years old. Slightly fewer than half of our participants live in households with annual incomes of $30,000 or less.

And, these Money 2000 families are taking action. Over 80 percent of participants set a savings goal. The savings goals averaged just over $4,500. Two out of three participants set a debt reduction goal, and these goals averaged $6,000.

We have requested progress reports from participants on two occasions, in July 1998 and again in January 1999. Participants who responded to the first, the second or both requests, reported saving a total of $729,000. The median amount saved per month was $92. Participants reported reducing debt by about $450,000 during the same period. The median amount of debt reduction per month was $25.

Money 2000 has made Iowans aware of the need to save and of the long-term benefits of developing a habit of saving. We ask each participant when they enroll to tell us what personal finance topics they are interested in learning more about. Participants have consistently told us that they are interested in learning more about basic saving information, investment options and retirement planning. They also want to learn more about setting financial goals, making spending plans and tracking spending. We are using this information to guide us as we develop new programs.

By enrolling in Money 2000, Iowans have shown us that gaining the knowledge and skills to improve the way they manage their finances is important to them. By encouraging participants to set goals, track their progress and share their experience with others, ISU Extension educates Iowans and helps them stay motivated as they work to improve their financial security.

Thank you.

[The prepared statement of Ms. Kiss follows:]

Elizabeth Kiss,
Assistant Professor and Extension Specialist
Iowa State University
June 17, 1999

Good afternoon, Senator Grassley and members of the Committee, my name is Elizabeth Kiss and I am a family resource management Extension Specialist at Iowa State University. It is a pleasure to be here today to describe the Money 2000™ program and to share information about the success of the program in Iowa with you.

What is Money 2000™?

Money 2000™ is a Cooperative Extension System program designed to increase the financial wellness of participants – either by increasing saving and investment or reducing debt or by doing some of both. Dr. Barbara O'Neill, co-director of the original Money 2000™ program at Rutgers Cooperative Extension in New Jersey, describes the effort as a "weight management program for your money." In O'Neill's words, "Participants set personal financial goals and periodically 'weigh-in' with local project directors who help them stay on track."

Since it was launched in 1996, Money 2000™ has helped over 7,000 people in more than 30 states increase their net worth by more than $3 million. The initiative is coordinated by the USDA's Cooperative State Research, Education, and Extension Service (CSREES) and its affiliated Cooperative Extension offices in every state.

Program costs and offerings vary by state and county. Most programs offer quarterly newsletters, a variety of workshops, newspaper articles, public service announcements, web-based resources, and regular follow-ups to track progress. To learn more about Money 2000™ programs around the country, visit http://www.Money2000.org/

The program in Iowa – Money 2000™ and Beyond

For Iowa State University Extension, Money 2000™ and Beyond is an educational program designed to help Iowans reach their financial goals. It is intended for anyone who wants to establish clear and attainable financial goals – for example, saving for retirement, reducing debt, saving for a child's education, or buying a home. The program began in January 1998 and runs through December 2000.

When enrolling in Money 2000™ participants read through a goal setting booklet, set their personal financial goals, summarize their current debts and savings, and then track their financial progress. In Iowa, there is no cost to enroll in Money 2000™.

Participants may set any goal they wish. The example we often give is saving $2,000 by the end of the year 2000. For someone enrolling this month that means saving about $112 a month through December 2000.

After enrolling, participants receive a quarterly newsletter with tips on saving, investing, credit, and budgeting. Participants also receive information about other ISU Extension educational materials and programs available through local extension offices. Many of those programs are described in the first handout.[1]

As the handout illustrates, ISU Extension provides a range of family financial management activities across the life span and uses a variety of teaching methods. Through these programs and others, ISU Extension provides information and educational support to Money 2000™ participants as they work to achieve their goals.

For example,

- the *ABCs of Managing Your Money* teaches basic financial management to individuals in their 20s and 30s. Participants develop planning and recording skills, set financial goals, and develop investment strategies to fund long-term goals. Typically the five-week series is offered in cooperation with employers or labor unions in the workplace. It has also been co-sponsored by local financial institutions. Pre-assessments indicated that just 35% of participants were either somewhat or extremely satisfied with their understanding of financial management and that just 35% of participants had a system for planning and tracking spending. Post-assessments indicated that after completing the program, 84% of participants were either somewhat or extremely satisfied with their understanding of financial management and that 73% either had a system for planning and tracking spending or planned to implement one.

- the *Women's Financial Information Program*, co-sponsored with the American Association of Retired Persons (AARP), teaches midlife and older women skills for managing their finances and planning for a successful retirement. Evaluations have shown that after completing the 7-session program, 88% of participants in Iowa feel more confident about managing their money.

- the *Money Mechanics* and *Investment Basics* learn-at-home newsletters and the *Take Control of Your Finances* video and budgeting worksheet are available for Iowans interested in self-directed study of financial management issues.

Every six months – in January and July – we ask participants to let us know how they're doing in reaching their Money 2000™ goals. We do this because regularly tracking progress toward their goal helps participants stay motivated. So does telling others about that progress.

The second handout describes Money 2000™ participants and what they have accomplished thus far.[2]

Total enrollment on June 1, 1999 was 1049 Iowans. We're reaching younger, moderate-income families – those who can benefit from setting goals and working over time to achieve them. Two-thirds of participants live in married couple households; 57% live in households with children. Over 75% of participants live in households headed by someone between the ages of 25 and 54 years old. Slightly fewer than half of participants (41%) live in households with annual incomes of $30,000 or less.

And, these Money 2000™ families are taking action. Over 80% of participants set a savings goal. Savings goals averaged $4,660. Two out of three participants set a debt reduction goal. Debt reduction goals averaged $6,000.

We have requested progress reports from participants on two occasions – July 1998 and January 1999. Participants who responded to the first, the second, or both requests reported saving a total of $729,659. The median amount saved per month was $92. Participants reported reducing debt by $452,809 during the same period. The median amount of debt reduction per month was $25.

Money 2000™ has made Iowans aware of the need to save and of the long-term benefits of developing the "habit" of saving. Staff report that many new community partnerships have developed. For example, in addition to displays and statement stuffers, banks have offered special Money 2000™ savings accounts with higher interest rates. Agencies and organizations in Iowa such as Workforce Development and Consumer Credit Counseling Service have supported Money 2000™ through their newsletters. The news media have also been extremely receptive. Money 2000™ features have appeared in the major newspapers across the state and our public service announcements are aired regularly by several radio stations. Most importantly, each of these partnerships has resulted in expanded opportunities for program delivery.

We ask each participant, when they enroll, to tell us what personal finance topics they are interested in learning more about. Participants have consistently told us they are interested in learning more about basic saving information, investment options, and retirement planning. They also want to learn more about setting financial goals, making spending plans, and tracking spending. We are using this information to guide us as we develop new programs.

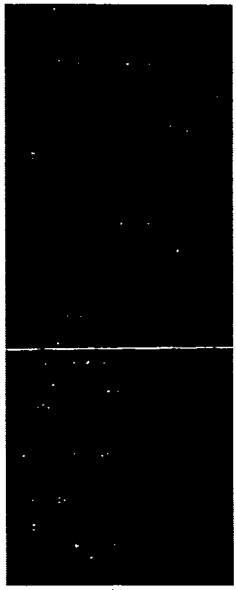
By enrolling in Money 2000™, Iowans have shown us that gaining the knowledge and skills to improve the way they manage their finances is important to them. By encouraging participants to set goals, track their progress, and share their experiences with others, ISU Extension educates Iowans and helps them stay motivated as they work to improve their financial security.

[1] Handout 1: *Money 2000 and Beyond: A program to help Iowans manage their finances*
Available on-line at http://www.exnet.iastate.edu/Publications/SP55.pdf
To learn more about Money 2000™ in Iowa, enroll on-line, or subscribe to our weekly money tips, visit our Web site at www.exnet.iastate.edu/Pages/families/resmgt/

[2] Handout 2: *Money 2000 and Beyond: Program summary.*

Money 2000 and Beyond

Program Summary



- Enrollment as of June 1, 1999: **1049**.
- Percentage of enrollees who live in households where the head of household is between 25 and 54 years of age: **78.5**.
- Percentage of enrollees who set a savings goal: **84**. Mean goal amount: **$4,660**.
- Percentage of enrollees who set a debt reduction goal: **62**. Mean goal amount **$6,000**.
- Percentage of those who submitted progress reports:
  July 1998, **20**;
  January 1999, **28**.
- Amount reported saved after one year: **$729,659**. Median amount saved per month: **$92**.
- Amount of debt reduction reported after one year: **$452,809**.
  Median amount of debt reduction per month: **$25**.

Program information and online enrollment available on the World Wide Web at
http://www.extension.iastate.edu/Pages/families/resmgt/

IOWA STATE UNIVERSITY
University Extension

June 1999

Comments

Your ideas and challenges have given me the drive to get involved with a deferred compensation retirement program. It seems to be working quite well. Thank you.

I was one-third of the way there having $2,000. In May, I had surgery. My bill is over $1,800 to pay on medical. I used all my savings up, plus incurred a new debt of $870 left to pay on medical. The positive thing was I was able to save up almost $700 and didn't even miss setting up a plan each pay period. Another good thing was my tax refund. I purchased four savings bonds ($100 value).

It's been great having a reminder of our goals: saving $ and reducing our debt. Budgeting has always been a struggle for us. Any help is greatly appreciated.

I have exceeded my saving goal already. Maybe I was too conservative. I have money invested in mutual funds, which accounted for the large increase. I have also increased my CD account by 10 percent. Money 2000 has challenged me to be more thrifty. I enjoy the newsletters. They are very informative.

This is a great experience. I'm not in control yet, but it makes me stop and think a lot more than I did.

I've found that house payments must be made on a timely basis, meaning every 30 days. If we wait 31 days from making the last payment, it all goes to interest. That won't happen again. I look forward to your newsletters and hi-lite parts I may want to reread. I'm keeping them all in a three-ring binder so I'll know where they are when I need to double-check on something. The tips have helped us in several areas.

Issued in furtherance of Cooperative Extension work, Acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture. Stanley R. Johnson, director, Cooperative Extension Service, Iowa State University of Science and Technology, Ames, Iowa.

IOWA STATE UNIVERSITY
University Extension
Helping you become your best.

Money 2000 and Beyond

College of Family and Consumer Sciences
and ISU Extension to Families

A program to help Iowans manage their finances

Objectives

Money 2000 is an Iowa State University Extension marketing campaign designed to help Iowans reach their financial goals. ISU Extension offers in-depth education in financial management. Money 2000 encourages Iowans to increase savings and/or reduce debt by $2,000 by the year 2000. Participating individuals and families set their own financial goals and monitor their progress.

Organization

The ISU Department of Human Development and Family Studies provides the research base for Money 2000 activities. ISU Extension field specialists in family resource management and county Extension education directors are the primary contacts for the public to enroll in Money 2000 and to participate in Extension's seminars and self-study courses.

Major activities

Through Money 2000, ISU Extension provides a range of family financial management activities across the life span. These educational experiences increase knowledge and improve financial skills.

High School Financial Planning

In cooperation with the National Endowment for Financial Education, ISU Extension trains high school teachers to incorporate a financial planning unit in family living, math, economics, and social studies classes. Free curriculum materials for both teachers and students are provided to schools. The goal is to develop strong decision-making skills in older youth and to prevent the financial problems that young adults often experience.

ABCs of Managing Your Money

The ABCs of Managing Your Money is a five-week seminar that teaches basic financial management to individuals in their 20s and 30s. Using multiple teaching methods, the course encourages participants to develop planning and recording skills, to set financial goals, and to develop investment strategies to fund long-term goals. The seminar series is offered in cooperation with employers or labor unions in the workplace and also has been co-sponsored by local financial institutions.

PowerPay Credit Analysis

ISU Extension offers a free and confidential computer analysis of consumer debt repayment alternatives. Given information about current balances and loan terms, the PowerPay analysis illustrates the savings from paying more than minimum payments on consumer debt.

Learn-at-Home Newsletters and Videos

Iowans can learn about a variety of financial management issues by enrolling in home study courses. *Money Sense for Your Children* teaches parents how to help their children develop money management skills. *Money Mechanics* teaches the basics of financial planning, credit, home buying, insurance, saving, and estate planning to young adults. *Investment Basics* targets individuals and families who have accumulated sufficient savings and are ready to build an investment portfolio. *Take Control of Your Finances* is a self-directed video and budgeting worksheet that can be checked out from the county extension office. The video shows how to set up a budget and develop a workable spending plan.

IOWA STATE UNIVERSITY
University Extension

Women's Financial Information

Co-sponsored with the American Association for Retired Persons, the Women's Financial Information Program teaches midlife and older women necessary skills for managing their finances and planning for successful retirement. This community-based series of seven workshops emphasizes the need to build self-confidence in making personal financial decisions.

First-Time Home Buyer Workshops

Working with financial institutions and housing staff in local communities, ISU Extension offers educational workshops to potential first-time home buyers. Participants learn to organize their finances in order to qualify for loans and get facts about the responsibilities of home ownership. A more informed home buyer is less likely to default on a mortgage and more likely to become a contributing member of the neighborhood and community.

Consumer Privacy

Extension educates consumers about the need to protect one's financial identity to avoid being a victim of fraud. The potential for fraudulent use of credit and other financial accounts can be reduced by taking steps to protect consumer privacy. The growth of the Internet as a means of conducting consumer transactions increases the need for privacy education.

Accomplishments

- Money 2000 monitors the amount that participants save and/or reduce debt every six months. This monitoring process provides impact data and encourages Iowans to set and attain specific goals. If, on average, 100 Iowans enroll in every county and increase net worth by $2,000, the statewide impact of this program will exceed $20 million.
- The High School Financial Planning Program annually reaches more than 2,600 students in more than 100 Iowa high schools. A national evaluation demonstrated major increases in the financial literacy of students enrolled in this course.
- After participating in the ABCs of Managing Your Money workshop series, the proportion of enrollees who had calculated their net worth increased from 16 percent prior to the workshops to 84 percent after the series. The proportion who had organized their financial records increased from 26 percent to 67 percent.
- Annually, ISU Extension staff conduct nearly 500 financial management workshops and reach more than 10,000 individuals.
- Each year nearly 10,000 Iowans call the Iowa Concern hotline for assistance and referral.

Future plans

As ISU Extension launches Money 2000, opportunities for partnerships with financial institutions, employers, and public and private agencies and organizations are evident. By forming creative partnerships in local communities, ISU Extension and other organizations will work collaboratively to help Iowa families be better able to manage their finances, get out of debt, and achieve their personal financial goals.

For more information about Money 2000, contact Cynthia Needles Fletcher, (515) 294-8521; Elizabeth Kiss, (515) 294-2731; or Mary Yearns, (515) 294-8520; Department of Human Development and Family Studies. For more information about ISU Extension to Families, contact JaneAnn Stout, director, (515) 294-0863.

ISU Extension to Families Web Site: http://www.exnet.iastate.edu/Pages/families/

Iowa Concern Hotline: (800) 447-1985

File: Administration

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SP-55 | December 1997

The CHAIRMAN. Thank you.

Now, Ms. Culpepper. Thank you very much.

STATEMENT OF BARBARA CULPEPPER, ADMINISTRATIVE ASSISTANT, SUPERINTENDENT OF SCHOOLS, WATERLOO, IA

Ms. CULPEPPER. Thank you, Mr. Chairman and members of the committee for inviting me to testify before you today.

My name is Barbara Culpepper, and I am the administrative assistant to the superintendent of schools. I live in Waterloo, IA. I also serve on the Waterloo Human Rights Commission and am president of the local chapter of International Association of Administrative Professionals, IAAP.

I became involved in the Money 2000 program in the winter of 1997, when Pat Gorman, a friend and field specialist with the Iowa Extension Agency, asked me to assist her in promoting the program.

The promotion involved the two of us being filmed in my home by the local television station. The film was then aired on the 6 and 10 o'clock news in Waterloo. I officially joined the program early in 1998, but didn't begin to really seriously save until around October 1998.

I realized that my savings habits, or the lack thereof, were causing me to fall short of one of my goals, which was traveling, and being an impulse buyer did not help the situation. Not only that, but I love buying gifts and making gift baskets for my friends and coworkers which could sometimes be expensive. As I began to see my savings balance dwindle and my expenses rise, I realized I needed to do something drastic soon.

Joining the Money 2000 program gave me the motivation I needed to get started on a money saving program, even if it meant only saving a few dollars a week. I have always loved shopping, but I began to ask myself questions before making purchases, such as, do I really need this item; would I purchase it if I had to come back tomorrow; and what will I have to give up in order to have it?

Currently, I participate in the Money 2000 program by saving $100 a month through payroll deduction and by subscribing to the newsletter. The newsletter provides timely relevant information that I can access at my convenience.

I also have received a wide range of materials relating to money management issues from the program office. My future goals are to pay off my car and my credit card debt, buy a condo, do some traveling and ultimately have enough money set aside to ensure a comfortable lifestyle in my retirement years.

Right now I plan to use the savings I accumulate from the Money 2000 program to help with a down payment of a condo. I would like to retire in about 15 years. A few months ago I figured that in 15 years, if I continue to rent an apartment, I will have paid out $85,000. This is money that can, instead, be using to buy a condo, which can also be an investment. Additionally, I will receive a tax break by being a homeowner.

I am making progress toward my goals. I have paid off two of my credit card accounts and one of my loans. I am on schedule to have my car paid off in March of next year. Once my car is paid off, I plan to combine the money saved by not having a car payment with the Money 2000 funds to help make the down payment on the condo. I am making respectable monthly payments on my current credit cards and hope to have those paid off in about a year.

As far as traveling, I am fortunate to have a modest training allowance provided through my employer, and I am able to combine travel with education, such as my trip here.

My future retirement plans include continued participation in the Money 2000 program. I would also maintain the three tax-sheltered annuities I currently have, as well as the retirement plan through my employer, which is IPERS.

I have a small amount of money in a money market account, and I joined an investment club. I know there are plans to save Social Security, and I certainly respect and applaud those efforts. However, if all else fails and there is no Social Security when I am ready to retire, then I can be comfortable knowing that I have made preparations for the stability of my financial future.

Thank you.

[The prepared statement of Ms. Culpepper follows:]

Testimony of
Barbara Culpepper from
Waterloo, Iowa
June 17, 1999

Thank you Mr. Chairman and members of the Committee for inviting me to testify before you today. My name is Barbara Culpepper and I am the administrative assistant to the Superintendent of Schools. I live in Waterloo, Iowa. I also serve on the Waterloo Human Rights commission and am President of the local chapter of International Association of Administrative Professionals (IAAP).

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I realized that my saving habits, or lack thereof, were causing me to fall short of one of my goals, which was traveling. And being an impulse buyer certainly didn't help the situation. Not only that, but I loved buying gifts and making gift baskets for my friends and co-workers — which could sometimes be expensive. As I began to see my savings balance dwindle and my expenses rise, I realized I needed to do something drastic. Soon.

Joining the Money 2000 Program gave me the motivation I needed to get started on a money saving program — even if it meant only saving a few dollars a week. I've always loved shopping, but I began to ask myself questions before making purchases, such as do I really need this item; would I purchase it if I had to come back tomorrow, and what will I have to give up in order to have it.

Currently, I participate in the Money 2000 program by saving $100 monthly (through payroll deduction) and by subscribing to the quarterly newsletter. The newsletter provides timely, relevant information that I can access at my convenience. I have also received a wide range of materials relating to money management issues from the program office.

My future goals are to pay off my car and my credit card debt, buy a condo, do some traveling and, ultimately, have enough money set aside to ensure a comfortable lifestyle in my retirement years. Right now I plan to use the savings I accumulate from the Money 2000 program to help with a down payment on a condo. I'd like to retire in about 15 years. A few months ago I figured that, in 15 years, if I continued to rent an apartment, I will have paid out $85,000. This is money that can, instead, be used to buy a condo, which will, in turn, become an investment. Additionally, I'll receive a tax break by being a homeowner.

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My future retirement plans include continued participation in the Money 2000 program. I would also maintain the three tax sheltered annuities I currently have, as well as the retirement plan (IPERS) through my employer. I have a small amount in a money market account and I've joined an investment club. I know there are plans to save Social Security, and I certainly respect and applaud those efforts. However, if all else fails, and there is no Social Security in 15 years when I'm ready to retire, then I can be comfortable knowing that sound preparations are in place for the stability of my financial future.

The CHAIRMAN. Thank you, Ms. Culpepper.

There will be Social Security when you retire. Thank you for being a real example of a person who has had a very dramatic change of spending patterns and saving patterns because that is exactly what this entire effort is all about. I would assume that Ms. Kiss feels good about having you as a real good example of the program, Money 2000. We thank you for that relationship.

I would thank all of you for the fine testimony. I am going to have questions for each one of you. If I do not direct a question to you, or as I direct questions to others, if you want to answer or disagree or have some exchange as a panel, you are welcome to do that because my goal is to get all of the information out, and that is not—if you have something to contribute, even though the question is not directed to you, I hope you will.

So I am going to start with Ms. Kramerich.

Olena Berg was the deputy secretary of PWBA when the SAVERs initiative began. Savings education was one of her top priorities, and her leadership demonstrated that she was very passionate about this topic.

Rick McGahey was recently installed as deputy secretary. How will savings education and specifically the Department's role, as mandated in the SAVERs Act rank in the new deputy secretary's list of priorities?

Ms. KRAMERICH. Oh, it will be at the very top of his list. This is an issue that we have talked about very recently with the Secretary, both Assistant Secretary McGahey and myself, the Secretary and a number of other colleagues who are here with me today and who are instrumental to our education activities. And we had the chance to review with the Secretary, one year after the SAVER Summit, where we are and where we need to be going, and she appreciated very much the opportunity to be here today. If she were not out of the country, I am sure she would have enjoyed the chance to be here herself.

But our Assistant Secretary will, of course, on her behalf and with our help, be very committed to continuing that mission.

The CHAIRMAN. Thank you very much. And let me apologize to you that I went upstairs to raise another issue to another one of the assistant secretaries.

Ms. KRAMERICH. Quite all right.

The CHAIRMAN. Mr. Blandin, how have you measured the success of Choose to Save ™ Program here in the Washington area? What plans does ASEC have for expanding the Choose to Save ™ campaign and taking it nationwide?

Mr. BLANDIN. Thank you for that question. It is a very opportune one. We had a meeting of our ASEC partner institutions just yesterday here in Washington to discuss the expansion of the Choose to Save ™ Program. As you may know, our media partners in the area are WJLA–TV and the Bonneville Radio group, which includes the WTOP all news station.

We are trying to look now at expanding the program in the Washington area with continued support of our media partners. We have done some polling in the Washington area each year, and we are going to do more polling in the future to measure public awareness of the Choose to Save ™ campaign. We have seen an increase in awareness of educational issues and retirement planning. We have to get to the point of moving from awareness to action. We have been meeting with a number of social marketers, who will tell you that behavioral change among the public can take 10, 15, 20 years, as we have seen over the years with other campaigns, such as Fasten Your Seat Belt, and Don't Take Drugs and Quit Smoking.

We are hopeful that the Choose to Save ™ campaign, as we continue it in the Washington, DC, area and roll it out nationally, with support from our partner institutions, will be one of those programs that 15 or 20 years from now we look back and can measure significant progress in terms of the public's behavior when it comes to saving and planning for financial independence.

The CHAIRMAN. Thank you. I have another question for you. You mentioned in your testimony that one-half of American workers have tried to determine how much they need to save, whereas, just a few years ago that figure stood at roughly one-third. Do you have any indication that people are taking the next step, that once they determine how much money they need in retirement that they are then implementing a savings program in order to reach their goal?

Mr. BLANDIN. I meant to introduce earlier that I am accompanied by Paul Yakoboski, our director of research for ASEC and senior research associate of EBRI. Our ninth year of the Retirement Confidence Survey, which we just released 2 days ago, on Tuesday, are the figures you are referring to. We do have that analysis, that people are indeed trying to calculate what they are going to need to have a comfortable retirement, and that is increasing.

You can now measure follow up action if people are doing things like opening up an IRA, talking to their employer about asset allocation in their plan, and generally just being more proactive rather than reactive. Indications are that people are starting to, once they have a goal, use the various investment vehicles available to them to reach that goal. People with a goal save much more than people without a goal. What we are trying to do through our tools, such as the Ballpark Estimate worksheet is get people on the right path to having a plan, a goal and a way to reach that goal.

The CHAIRMAN. This is really not quite to the point of our hearing. But as you divide people 30 and younger versus 30 and older, in recent years, has there been any change of attitude on the part of younger people, as opposed to 10 years ago about the necessity for saving for retirement?

Mr. BLANDIN. I would actually like you to ask that same question in one of your next panels, where you have the experts answering it.

The CHAIRMAN. OK. Thank you.

Mr. BLANDIN. Our chairman, Dallas Salisbury, and Matt Greenwald, of Mathew Greenwald and Associates, can give you a precise answer to that question.

The CHAIRMAN. Then let me ask Mr. Greenwald to do that before I ask him the first question, after he finishes his testimony.

Now I would like to ask both Ms. Kramerich and Mr. Blandin this question: The Department of Labor and ASEC were critical in planning the SAVER Summit last year. What would you like to see happen before the next summit for you to feel as though measurable success has been made in educating Americans about the needs of retirement savings?

Ms. KRAMERICH. Happily, Mr. Chairman, I think some of it is already happening. I was able to be here with Mr. Blandin just a little before the hearing began and to join with him in his announcement of the results of the Small Employer Retirement Survey. And for me, for the Department, that is a very interesting opportunity for us to hear a survey of small employers and what they are worried about, what obstacles are keeping them from setting up a plan, what incentives could change that, what kind of educational tools would be helpful.

I mean, a lot of our efforts at the Department are targeted at small employers because that is where we really hope we can make a difference. In fact, we are releasing an interpretive bulletin today from the Department on payroll deduction plans, trying to give one more vehicle, some added comfort for employers; that this is truly a tool that you can use as a starter plan. It is not a full employer sponsored and funded plan, but it is a beginning, and we want small employers to know about it.

Some of the findings that Mr. Blandin reported are that there are still a lot of small employers that do not know that SIMPLE plans are available to them. And since that was a very happy success story, based on bipartisan action in the Small Business Jobs Protection Act of 1996, that clearly tells us at the Department it is something we need to do to get the word out. And we do try to make that available on our interactive e-laws Web site for small employers, but we will have to try and do even more.

The good news he reported to us that we will also take to heart is that there is a lot of interest, and desire and hope, reason to believe that there is potential in the small employer market and that there are things that we can do that will actually make a difference and increase the pick-up rate.

So, hopefully, we will be working together to come up with a lot of very specific ideas to help us focus for 2001.

Mr. BLANDIN. I mentioned the Delphi survey conducted of summit delegates earlier, and you can see the results of the full survey in my written testimony ranking the top 20 recommendations on education initiatives. I mentioned that we are now developing an action plan for the ASEC coalition to implement a number of those recommendations. The purpose of a coalition is to achieve something that no one entity can achieve alone.

So by leveraging resources and the talents of the various public- and private-sector partner institutions, we will have, by the time of the next summit, implementation of a number of the key recommendations. Recommendation four, for example, is dealing with developing high school curriculum for young people. We are working with partners such as the National Endowment for Financial Education, the JumpStart Coalition for Personal Financial Literacy and others to work state-by-state with schools, educators, school boards and others to introduce curriculum that would help every high school senior about basic things like how to balance a checkbook, compound interest, understand financial terms, before they graduate from high school and go into the real world. And, sadly, recent surveys have shown that there is a lot of financial illiteracy among our students. So the earlier the education the better.

Someone asked me the other day when should parents and teachers help children understand money, and my response was just as soon as they are getting an allowance because they need to know what that really means and how to manage that money.

The CHAIRMAN. Thank you.

Ms. KRAMERICH. If——

The CHAIRMAN. Yes, please.

Ms. KRAMERICH. I was going to say, if I could add to that, Mr. Chairman, we are trying to complement that kind of activity, too. There is an interesting game that is available for kids that they can play on the Internet and that a lot of schools are, we are told, picking up that was developed Ernst & Young, Moneyopolis. And the Secretary had a chance to be with a group of kids to see the game demonstrated and to tape a segment that aired on public television called "Parenting in the Nineties" to get the word out, to reinforce exactly that message, that it is never too early to save. And the second generation of that game is being developed right now, and we are trying to partner with that to help get that out to high schools and older kids to keep that learning.

The CHAIRMAN. Is that something you can pick up at any game store?

Ms. KRAMERICH. Let me talk to my colleagues and see how we can do that. I think that what is happening is Ernst & Young is making it available to the schools directly and that it is a site that is on their own Web site that the schools can tap into. So I think it is pretty easy to access.

The CHAIRMAN. I would like to ask Mr. Houston, as you know, one of the things beyond $e=mc^2$, Albert Einstein has always educated us about the value of compound interest and his declaration of it being the eighth wonder of the world. We, of course, know that the longer the worker waits to start saving for retirement, the more that the person has to save each year to have accumulated enough money to maintain their pre-retirement lifestyle after they quit working. Since it is important that workers start saving early, what can be done to encourage saving among younger, lower paid workers?

Mr. HOUSTON. That is a very good question. There are a couple of things that you can do, at least initially when your employees are first signing up to participate in a 401(k) plan, that they take the time to walk through some sort of risk tolerance questionnaire to allow them to identify what their personalized risk tolerance is and identifying which asset classes are most suitable for their sort of risk tolerance, and once they have done that, to go to the next step to identify, and we provide a slide scale, a manual slide scale that is very easy to use, that allows them to identify what percentage of their income they would like to have at retirement; in other words, their replacement ratio.

And by identifying what that replacement ratio is, it will allow them to determine what salary deferral amount they need to defer today out of their paycheck at some interest rate. And through a variety of education material early on, we can teach them that process.

Additionally, as other speakers have attested to, the Internet has proven to be a very useful tool to allow them to do their own loan modeling and financial modeling to do something to determine their savings needs for retirement, in addition to supplementing that with Social Security and any sort of private savings.

Also, from an ongoing standpoint, once they have enrolled in the program, having quarterly benefit reports not only identify the accumulated amount, but their accumulated annuity value on a present-value basis, will help them determine if whether or not 80 percent of their post-retirement income is an appropriate target or they need to adjust their savings rate.

And on a last note, some sort of personalized rate of return available via the Internet or on their actual member-level reports on a quarterly basis will help them realize that there are going to be those periods, as mentioned by a Senator earlier today, that sometimes it is going to be 20 percent and sometimes it will be minus–20 percent and to have a realistic expectation as to what the savings accumulation will be from an interest-rate viewpoint.

The CHAIRMAN. Another question for you, Mr. Houston. One-on-one sessions may be the most effective form of education. One barrier for small employers, though, is that the ability to deduct these costs were eliminated a few years ago. Do you believe that an employer or employee tax deduction for these types of benefits would encourage employers to offer one-on-one education for their employees and encourage the employees to take advantage of that type of resource?

Mr. HOUSTON. Absolutely. For the small employer who have the availability to have some sort of tax credit to reimburse them for costs associated with installing a new plan would very much be a stimulus for that, the so many small employers that do not have a plan today.

The CHAIRMAN. Ms. Kiss, the Money 2000 program seems to be very successful and you've got one of the participants in it to prove that today. While the program is supposed to sunset next year, are there plans to continue the Money 2000 program beyond the year 2000?

And a follow-up: If it is to be continued what future plans exist for the Money 2000 program?

Ms. KISS. Well, actually that is something that we have been discussing recently. We are working on our 2000/2004 State plan of work for the Extension System. ISU Extension has a long tradition in offering financial management education to Iowans so we will definitely be offering something. It's probably not going to be called Money 2000, although, when the program was originally designed in Iowa it was called Money 2000 and Beyond, to capture that.

So, we will be offering financial management education. At this point I am not sure what form it will take, whether it will be an enrollment process like this or the more traditional workshops.

The CHAIRMAN. But you do feel that the Money 2000 program has been very successful. That is what I sense from your testimony.

Ms. KISS. Oh, yes, I think so.

We actually were not sure what to expect and I think our expectations have been exceeded in a lot of ways.

The CHAIRMAN. Well, then another question for you.

With these 1,100 Iowans enrolled in the Money 2000 program, what did the coordinators of Money 2000 do to encourage participation in the program? And what advice would you have for others who may coordinate similar programs in the future about getting the message out about the program and getting people to participate?

Ms. KISS. First of all, I think our field staff has been extremely active in building partnerships with employers, financial institutions, community organizations to help them get the word out themselves. So, the field specialists were very active, and the county directors.

We have had an ongoing series of 30-second radio PSAs that go out every month. Also, news releases. Just basically realizing that it is not a one-time thing; that you have to keep the message out there in front of people.

As far as helping other States start Money 2000 programs, there is a startup kit that just went out a couple of months ago to all the State contact people. So, in the States that do not have it Money 2000 ™, that is available to them. The States that already have functioning Money 2000 programs provided examples and materials that they found to be useful. So, the national Cooperative Extension network has been very helpful, to share resources and ideas.

The CHAIRMAN. Ms. Culpepper, I have already complimented you on being a good example and evidence of a change of attitudes can make quite a difference. I think you show that slow and steady savings and following a plan can allow workers to save for retirement and other goals without having to go to extreme measures to save.

What recommendations would you have for us to keep in mind as we consider ways to motivate more people to educate themselves about retirement planning and about setting financial goals?

Ms. CULPEPPER. Thank you for those kind words, Mr. Chairman.

As I was listening to some of the other comments I especially liked the idea of education and some of us in this room remember the 1950's when a lot of the commercials were real popular on TV and how we could sing along with those commercials. In other words, we learned by repetition. Well, not only that, but we only had three stations and, so, we heard it a lot.

But I am thinking that if they could run those educational segments often enough that it will eventually become part of our thinking patterns and I think we learn, you know, without even really paying a lot of attention to it. But if we hear something over and over enough, I think that it will eventually set in, for one thing.

Just getting the education out there. I think if employers are able to provide user-friendly retirement systems. In other words, if you do not have to do a lot to join and that type of thing.

The CHAIRMAN. You mentioned in your testimony that you also participate in your employer's pension plan. I assume that under our Iowa Public Employees Retirement System you do not have any option, you have to participate, is that correct?

Ms. CULPEPPER. I think so. And I am really glad about that because I get the statement once a year.

The CHAIRMAN. Well, then let us assume you do not have to participate—and, frankly, I should know, I am sorry I do not; at least I knew at one time because I was in the legislature—what motivated you to participate in it, if or did it not?

Ms. CULPEPPER. I was motivated by but not as much as I am now that I am older. To me it was a perk. It was one that was something nice but, you know, it is money that is out there that I do not really have access to. But as I get older and have stayed in the system I can certainly appreciate it.

The CHAIRMAN. OK.

Then my last question for all on the panel—and before she answers, no, I mean not all on the panel, it will be her last question, but I want to invite any of you before I dismiss the panel, if you forgot something or have something else you want to say, you can do that. Then following up on my question, Ms. Culpepper, what advice would you give to employers on how they can encourage employees to participate?

Ms. CULPEPPER. It would be nice if it could be payroll deduction. In other words, when I just mentioned that it would be user-friendly, they do not have to think about it. They do not have to go through any special effort to save, it is already done. And I especially appreciate that because it is money that is taken out before I can spend it.

The CHAIRMAN. OK.

So——

Ms. CULPEPPER. Oh, excuse me. It would also be nice if employers could match that.

The CHAIRMAN. And in your case of the Iowa Public Employees Retirement System it is matched, is that correct?

Ms. CULPEPPER. Right.

The CHAIRMAN. Now, one final message from any of you? [No response.]

OK.

Thank you very much for participating.

Now, it is my pleasure to call our last panelist, Dallas Salisbury. He happens to be president and he is also the chief executive officer of the Employee Benefit Research Institute in Washington. The Employee Benefit Research Institute's mission is to provide objective, unbiased information regarding the employee benefit system and related economic security issues.

Mr. Salisbury, I think, will share with us the findings of the Small Employer Retirement Survey and give us insight to why actual pension coverage remains low.

Mr. Salisbury has testified previously before our Committee and, so, I look forward to what he has to say as I have before.

Mr. Salisbury, and also introduce your partner there.

STATEMENT OF DALLAS SALISBURY, PRESIDENT AND CEO, EMPLOYEE BENEFIT RESEARCH INSTITUTE, EBRI; WASHINGTON, DC; ACCOMPANIED BY MATHEW GREENWALD, MATHEW GREENWALD & ASSOCIATES

Mr. SALISBURY. Mr. Chairman, it is a pleasure to be here. I have asked Mathew Greenwald of Mathew Greenwald & Associates to join me since you mentioned that you had a specific issue that you wanted him to respond to on the issue of relative savings.

The CHAIRMAN. Thank you.

Mr. SALISBURY. Today we, just before this hearing, released the Small Employer Retirement Survey for 1999. That is the second of those. We did one just prior to and you were kind enough to chair a hearing just before the SAVER summit at which we introduced the first Small Employer Retirement Survey.

The primary issue we dealt with in that survey is the most important reason that I want to stress today that non-sponsors do not offer a plan, most particularly, business revenue being too uncertain. The second being a large portion of workers are seasonal, part-time and high turnover. The third most important reason is employees prefer wages and benefits. In other words, I cannot afford to save. It costs too much to set up and administer, required company contributions are too expensive, and too many government regulations followed next in order of importance.

So, if one summarizes that down as we have tried to in the tabulations, what it comes down to is that a large proportion of those very small enterprises that do not have plans would love to do so if they could afford to do so.

The second graphic underlines the question of what might cause those small employers to decide to have a plan? Not surprisingly, increasing profits would be a very, very heavy motivator. But most interestingly, vis-a-vis your legislative proposals, business tax credits to offset the startup costs of the plan was the second item.

And one could actually view a tax credit against startup to be the equivalent of increasing a company's profits. So, those actually fit together very, very readily.

A plan with reduced administrative requirements is another. We heard the earlier panel talk about allowing Internet approaches to very easily put plans in place. The Principal Financial Group mentioned that, the DOL mentioned their Internet base tools to allow enterprises to respond to questions and their initiatives with the Chamber of Commerce.

So, there is reason both in terms of the nature of the legislative proposals that, in fact, respond to what small employers say would be desirable, combined with what the earlier panel underlined as being most helpful in new technology that does provide, based on this survey, a hope that individual employers, more small employers will begin to expand coverage.

The other item increased demand from employees is a very important one. We talked about public education. Don Blandin and Leslie Kramerich went over the issues of getting more individuals to understand the need to save and, in essence, one could interpret that as getting more and more workers to take the time to say to their employer, I wish you would give me a means of payroll deduction or I wish you would set up a plan.

If employers can be given an easier way to do it, if they are given the types of things you're proposing and, in addition, employees begin to ask them we have reason, based on both the 1998 and the 1999 Small Employer Retirement Survey, to believe that employers would begin to start them.

The third graphic underlines the understanding issue, which the Deputy Assistant Secretary mentioned. And it is the degree to which when we ask employers that did not have plans, if they were familiar with the types of plans that were out there, we find that there is a tremendous amount of education to be done.

So, I think your witness from the Principal Financial Group would attest there has always been a saying that pension plans are sold, they are not bought. And essentially we need dramatically educate small employers as to the availability, as to what these mechanisms are in the hope of getting them to undertake them.

Yesterday, as was mentioned and as your comments related, we also released the 9th Annual Retirement Confidence Survey. In that survey we found three main points, and then Matt Greenwald will add a couple in response to your question.

First, younger individuals—and you were asking about younger individuals—have a basic set of differences in attitude from today's retirees. Second, they anticipate that they will work longer. Third, they anticipate that their personal savings will be far more important to their ability to retire than is true for today's retirees.

Fourth, they do not believe that Social Security will be as important to their future retirement income or that they can allow it to be as today's retirees.

A second major area of findings in the survey relates to actions already taken by the Congress related to Social Security. Only 16 percent of the surveyed population knows that the Congress has already raised the Social Security retirement age. Over 3/4 of individuals do not know when they will be eligible for full Social Security benefits based upon action already taken by the Congress, which underlines an additional tremendous educational need.

I close with one suggestion vis-a-vis an issue that was discussed at the partnership meeting of ASEC yesterday. The Social Security Administration, again as a result of legislative mandate, has already begun mailing out, and will pick up very dramatically the rate at which they mail out beginning in October, annual statements to individuals.

There currently is not a plan by Social Security, even though they are looking into it, to essentially use this annual mailing, what will become an annual mailing to nearly 150 million individuals, to include additional information. Information such as have "you asked your employer if they have an opportunity for you to save?" Such as a ball park estimate retirement planning worksheet. Such as a sheet of information on sources available from the U.S. Department of Labor.

So there are many things that the Government is about to spend a tremendous amount of money mailing this annual retirement statement that this Committee might wish to consider discussions with the Social Security Administration in terms of, if you will, adding additional value for retirement savings education purposes to that envelope.

It is a pleasure to be here and I thank you again for holding this hearing.

[The prepared statement of Mr. Salisbury follows:]

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T-120

Statement Before the Senate Special Committee on Aging

Hearing on
Initiatives to Educate the American Public About
the Importance of Retirement Savings

by
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June 17, 1998

Statement of Dallas L. Salisbury
Employee Benefit Research Institute
American Savings Education Council
Before the Senate Special Committee on Aging, June 17, 1999

Summary

- While conventional wisdom maintains that low plan sponsorship rates among small employers are driven by high administrative burdens and cost placed on small employers, the 1999 Small Employer Retirement Survey (SERS) findings reveal that this view of the world is often too simplistic. In fact, nonsponsors report that employee-related reasons and revenue uncertainty are often more important reasons for not sponsoring a plan. This helps explain why actual coverage remains low despite repeated public policy initiatives designed to boost retirement plan coverage among small employers.

- Nonsponsors report that the two items most likely to lead to serious consideration of sponsoring a plan are an increase in profits and business tax credits for starting a retirement plan. The latter may be viewed as substitute for the former; i.e., the government cannot improve the profitability of a business, but it could subsidize the costs of starting a retirement plan for a small employer's workers.

- Many small employers without plans are unfamiliar with the different types of retirement plans available to them as potential plan sponsors, even those plans created specifically for small employers.

- For the past three years, approximately one-fourth of American workers have reported they are very confident of having enough money to live comfortably in retirement, and approximately 45 percent have reported that they are somewhat confident. There are several reasons, however, for believing that many are falsely confident. Only half of all workers have tried to determine how much they will need to save by the time they retire, and just 16 percent report having accumulated $100,000 or more for retirement. In addition, many consider themselves savers rather than investors and report risk-adverse behavior.

- Today's workers envision a retirement that looks different in many respects from that now experienced by retirees. Current workers not only expect to work longer than current retirees actually worked before retiring, many say they plan to work for pay after they retire because they enjoy working and want to stay involved. Today's workers are also changing their expectations about their sources of income in retirement. Current retirees are most likely to identify *Social Security* as their most important source of income, but current workers are most likely to say that *personal savings* will be their most important source of income in retirement.

- More than four-in-ten workers report receiving educational materials or seminars about retirement planing and saving in the past year from their employer. Four-in-ten of those who received some sort of educational materials from their employer say it caused them to begin (19 percent) or resume (21 percent) saving for retirement, while similar proportions say they changed the amount they were contributing to a retirement savings plan (40 percent) or changed the allocation of their money in a retirement savings plan (41 percent). In addition, those who reported receiving employer-provided materials are more likely than others to have also reported doing a retirement savings needs calculation.

Mr. Chairmen and members of the committee: I am Dallas Salisbury, president and CEO of the Employee Benefit Research Institute (EBRI), a nonprofit research and education organization in Washington, DC. I also serve as chairman and CEO of the American Savings Education Council (ASEC), a coalition of private- and public-sector organizations that aims to raise public awareness about what is needed to ensure long-term personal financial independence. ASEC is an affiliate of the EBRI Education and Research Fund.

I am accompanied by Mathew Greenwald, president of Mathew Greenwald & Associates (MGA), a survey research firm in Washington, DC. EBRI, ASEC, and MGA sponsor the annual Retirement Confidence Survey (RCS), and this year, for the second time, sponsored the Small Employer Retirement Survey (SERS). It is our pleasure to be here today to release to the Congress these full surveys, details of which are in the testimony that follows. In the interest of time, we will concentrate on the Small Employer Retirement Survey. I ask that my full statement be entered into the written record.

1999 SERS Findings

Obstacles to Plan Sponsorship

According to the 1999 SERS, there are a number of reasons why more small employers do not offer retirement plans—it is not simply a matter of administrative cost and burden. Cost and administration-related issues do matter, but for many small employers they take a back seat to other issues. For some, the main driver is the financial reality of running a small business, i.e., their revenue is too uncertain to commit to a plan. For others, the most important reasons for not sponsoring a plan are employee-related, e.g., it is not a priority for an employer's workers, or the employer's work force has such high turnover that it does not make sense to sponsor a plan.

Reasons for Not Offering a Retirement Plan	*Most Important*	*Major*
• Revenue is too uncertain to commit to a plan.	19%	50%
• A large portion of workers are seasonal, part time, or high turnover.	19	42
• Employees prefer wages and/or other benefits.	17	53
• It costs too much to set up and administer.	12	30
• Required company contributions are too expensive.	10	51
• Too many government regulations.	3	32
• Vesting requirements cause too much money to go to short-term employees.	2	38
• Don't know where to go for information on starting a plan.	2	5
• Benefits for the owner are too small.	1	17
• Other reasons.	12	17

Nineteen percent of nonsponsors said that the most important reason for not offering a plan was that revenue is too uncertain to permit the company to commit to a plan. One-half (50 percent) of all nonsponsors said that this was a major reason they do not sponsor a plan.

Having a large portion of workers who are seasonal, part time, or high turnover was cited by 19 percent as the most important reason for not sponsoring a plan. An additional 17 percent said employee preferences for wages and/or other benefits was the most important reason. Therefore, 36 percent of those without plans cited some sort of employee-related reason as the most important reason for not offering a plan.

Twelve percent said the most important reason was that it cost too much to set up and administer a plan. Ten percent said the most important reason was that required company contributions are too expensive[1]; for 3 percent, the most important reason was "too many government regulations." Therefore, 25 percent of nonsponsors cited a cost and/or administration-related reason as the most important reason for not offering a plan.

So, while cost and administrative issues do matter, they are not the sole reason for low plan sponsorship rates among small employers. In fact, based on small employer responses, they are not the *most important* reasons for the majority of nonsponsors: employee-related reasons are most often cited as the most important factor for not offering a plan, and business profitability is also a main decision-driver. This may explain why plan sponsorship rates remain low despite repeated legislative efforts to boost them.[2]

Comparative Profiles: Companies With Retirement Plans and Those Without Plans

Small employers that sponsor retirement plans tend to be distinctly different from small employers without plans, in terms of revenue levels and the composition of their work force. These findings bolster the finding above that low coverage rates are driven by more than just issues of administrative cost and burden.

Small employers that offer retirement plans tend to have higher revenues than small employers that do not have retirement plans.

Approximate Gross Revenue in Previous Year	*Plan Sponsor*	*No Plan*
Less than $2 million	34%	63%
$2 million or more	48	18
Not Reported	19	20

[1] Plans exist in which employers as plan sponsors are not legally required to make contributions. For example, employer contributions are not required with a 401(k) plan—the sponsor could choose not to match participant contributions and to pass the administrative costs on to the plan. However, if the 401(k) is established as a SIMPLE plan, then company contributions are required.

[2] The Small Business Job Protection Act of 1996 created a simplified retirement plan for small business (100 or fewer employees) called the savings incentive match plan for employees (SIMPLE). A SIMPLE plan can be either an individual retirement account (IRA) for each employee or a 401(k) plan. It is too soon to fairly evaluate the impact of SIMPLE plans on the small employer market.

Small employers offering retirement plans tend to employ different types of workers than those that do not sponsor a plan—their employees tend to be older, have higher earnings, have more formal education, and tend to remain with the company longer.

Age of Most Full-Time Employees	*Plan Sponsor*	*No Plan*
Under age 30	11%	23%
30–39 years	62	51
Ages 40 and older	24	25

Annual Salary of Most Full-Time Employees	*Plan Sponsor*	*No Plan*
Less than $20,000	9%	32%
$20,000–$40,000	73	58
Over $40,000	11	8

Educational Level of Most Full-Time Employees	*Plan Sponsor*	*No Plan*
High school or less	41%	58%
Some college	35	31
College degree or more	20	9

Length of Time Most Full-Time Employees Stay With Company	*Plan Sponsor*	*No Plan*
Less than 3 years	8%	27%
Between 3 and 9 years	56	45
10 years or more	31	24

What Do Small Employers Know About Retirement Plans?

Many nonsponsors are unfamiliar with the different retirement plan types available to them as potential plan sponsors, especially the options created specifically for small employers. Most nonsponsors said they have never heard of or are not too familiar with savings incentive match plan for employees (SIMPLE) plans, created specifically for small employers. The same holds for simplified employee pensions (SEPs). By comparison, very few nonsponsors said they have never heard of or are not too familiar with 401(k) plans.

Plan Type	*Never Heard Of*	*Not Too Familiar With*
SIMPLE plans	36%	20%
Simplified employee pensions (SEPs)	46	24
401(k) plans	3	12

In addition, many small employers simply lack information, or are even misinformed, about retirement plan options and what plan sponsorship actually entails. The 1999 SERS contained a seven-question true/false "quiz" regarding retirement plan sponsorship. The *Small Biz Retirement Quiz* covered topics such as the cost of sponsoring a plan, what an employer as sponsor can do, and what a plan sponsor is required by law to do.

While there were some differences in overall scoring to the quiz between plan sponsors and nonsponsors, it was not as great as some might expect.

Small Biz Retirement Quiz Scores	*Plan Sponsor*	*Nonsponsors*
6 or 7 correct answers	26%	19%
3 to 5 correct answers	62	62
Up to 2 correct answers	11	19

The findings indicate that, on deciding to sponsor a plan, a small employer then turns to the knowledge and expertise of an outside professional to implement and run the plan. So a lack of knowledge may not be as large a deterrent as the reasons discussed earlier—employers learn what they need to know when they need to know it. It is clear, however, that the majority of small employers without plans are largely unfamiliar with the plan options that have been created specifically for them. This likely changes when they decide to sponsor a plan, but not before.

Potential Motivators for Retirement Plan Sponsorship

The potential exists for increased plan sponsorship.

Likelihood of Starting a Plan in the Next Two Years	
Very likely	15%
Somewhat likely	24
Not too likely	24
Not at all likely	36

Those likely to start a plan are somewhat more likely to report that the most important reason they don't currently have a plan is revenue uncertainty and less likely to say it is because a large portion of their workers are seasonal, part time, or high turnover. It therefore appears that they feel continued improvement in their business conditions will allow them to start a plan within the next couple of years.

In addition, nonsponsors reporting that they are likely to start a plan in the next two years are generally more familiar with different plan types than are those not likely to start a plan. They also score slightly higher, on average, on the *Small Biz Retirement Quiz*. This provides some indication that their growing interest has led them to learn about the options available.

Percentage Very or Somewhat Familiar With Plan Type	*Likely to Start Plan*	*Not Likely*
401(k) plan	91%	81%
Profit-sharing plan	85	71
SIMPLE plan	49	40
SEP	39	22

What, then, would lead to increased plan coverage? Nonsponsors were read a list of items and asked if any would make them seriously consider sponsoring a retirement plan. Percentages who say the following would lead them to consider plan coverage:

- An increase in business profits. 69%
- Business tax credits for starting a plan. 67
- A plan with reduced administrative requirements. 55
- Allowing key executives to save more in a retirement plan. 52

- Demand from employees. 46
- Availability of easy-to-understand information. 44
- Lengthening of vesting requirements. 33
- Other. 10

Why do small employers that sponsor retirement plans voluntarily choose to provide this benefit? Several reasons are cited by those that do, but the top two are: a) the positive effect on employee attitude and performance, and b) the competitive advantage for the company in employee recruitment and retention. Thus, in many cases, there are direct business benefits to the employer from sponsoring a retirement plan.

Implications for the Small Employer Issue

Major drivers of low retirement plan sponsorship among small employers are who they employ and the uncertainty of revenue flows. While issues of administrative cost and burden matter, they are only part of the puzzle. Therefore, the solution is not simply "build it and they will come," by creating simpler and simpler small-business retirement plans. Rather, it is build it and they will come once the business reaches a certain level of profitability and stability, and once retirement planning and saving is more of a priority for the small employer's workers. It is at that point that the new vehicles created by policymakers specifically for small employers will begin to realize their full potential.

As the survey shows, 39 percent of small employers without plans say they are very or somewhat likely to start a plan in the next two years; with changes, this number could be expected to rise. Long-term solutions to increased coverage among small employers include: education of workers, so that they view retirement planning and saving as a personal priority and communicate their desire for a retirement plan to their employer; ongoing good economic conditions, so that business profits and the affordability of plan sponsorship improves; or, as the survey indicates, policy changes such as simplification and tax credits that help make plans more affordable. We do not say this to endorse policy changes, as that is not our role; rather, it is to make clear that there are actions Congress could take to expand small employer plan sponsorship.

1999 RCS Findings

Making Retirement Preparation a Priority for Individuals

The findings above raise the issue of where we currently stand in terms of making retirement planning and saving a priority for American workers. The 1999 Retirement Confidence Survey (RCS), released by EBRI, ASEC and MGA earlier this week, addresses this and related issues. The RCS found that seven-in-ten workers are confident that they will have enough money for a comfortable retirement. Majorities are also confident about having enough money for basic expenses, about their financial preparations for retirement, about having enough money to support themselves in retirement no matter how long they live, and about having enough money for medical expenses. Most of those who are confident are *somewhat* confident rather than *very* confident—that is, they should have enough money if everything goes right.

How confident are you that:	*Very Confident*	*Somewhat Confident*	*Not Too Confident*	*Not at All Confident*
You will have enough money to live comfortably throughout your retirement years:	24%	47%	20%	8%
You will have enough money to take care of your basic expenses during your retirement:	34	49	12	4
You are doing a good job of preparing financially for your retirement:	25	51	16	8
You will have enough money to support yourself in retirement, no matter how long you live:	19	51	19	9
You will have enough money to take care of your medical expenses when you retire.	17	43	25	13

Should workers be as confident about their retirement as they are? Perhaps not, based on results of the *Retirement Readiness Rating,* which we have unveiled just this week. The *Retirement Readiness Rating* is designed to indicate how well individual workers are preparing for retirement. The scale runs from 0 to 25, with those scoring 25 apparently doing the best job of preparation. The items used to compute the score for each worker include saving for retirement, completing a savings needs calculation, establishment of an investing or savings program for retirement, and attitudes towards various aspects of preparing for retirement.

Based on the results of this scale, less than one-in-ten American workers appears to be doing a very good job of preparing for retirement (8 percent with a score of 21 to 25). Three-in-ten, with a score of 16 to 20, appear to be doing a good job (31 percent) and a similar proportion appear to be doing an okay job (32 percent with score of 11 to 15). Two-in-ten appear to be doing a poor job (19 percent with score of 6 to 10) and one-in-ten seems to be doing a very poor job (10 percent with a score of 0 to 5). Not surprisingly, those with household income of $75,000 or more are more likely to score highly, but those who are married, those who work for businesses with more than 100 employees, and those who expect to rely primarily on personal savings (either through a retirement plan at work or outside of work) or employer-funded plans are also more likely to score highly.

The *Retirement Readiness Rating* only partially confirms respondents' self evaluations. Although those who are very confident about having enough money for retirement are more likely than others to score highly, only one-fourth scored in the 21 to 25 point range. Therefore, many of the workers who say they are confident about having enough money for retirement appear to be falsely confident.

Retirement Readiness Rating by Confidence in Having Enough Money for Retirement

RRR Score	*All Workers*	*Very Confident*	*Somewhat Confident*	*Not Confident*
Very good (21-25)	8%	26%	3%	<.5%
Good (16-20)	31	48	36	8
Okay (11-15)	32	17	38	33
Poor (6-10)	19	8	19	29
Very poor (0-5)	10	1	3	30

Several indicators provide evidence supporting the fact that many workers may be falsely confident. Even though the proportion of workers who have tried to determine how much they need to save by the time they retire has increased steadily since 1996, only half of current workers have tried to do this calculation (49 percent in 1999, compared with 32 percent in 1996). Those expecting to retire before age 59 or between the ages of 60 and 64 are more likely than those planning to retire later to say they have done this calculation. Curiously, however, those who have done the calculation are only slightly more likely than those who have not to be able to provide the correct age at which they will be eligible for full benefits from Social Security.

In addition, while three-fourths say they have established an investing or savings program for their retirement (74 percent) and seven-in-ten are saving for retirement (70 percent), the amounts accumulated by workers as a whole are generally unimpressive. On average, however, those who have done a needs calculation have saved considerably more than those who have not done the calculation.

Amount Accumulated for Retirement by Workers

Amount	*All Workers*	*Done Needs Calculation*	*Not Done.Needs Calculation*
Nothing	9%	4%	14%
Less than $5,000	8	4	10
$5,000-$9,999	7	5	9
$10,000-$24,999	11	9	14
$25,000-$49,999	10	8	11
$50,000-$99,999	12	15	8
$100,000 or more	16	26	6
Don't know/refused	28	29	27
Median	*$29,514*	*$66,532*	*$14,054*

While the median amount saved increases by age (25-39, $20,588; 40-49, $45,238; 50-59, $71,250), workers ages 60 and older have accumulated less ($39,286)—perhaps because they are more likely to be expecting to rely on Social Security for a major portion of their retirement income. To put these accumulations in perspective, assume a single male, age 65, purchases a life annuity today.[3] With $71,250 he could purchase a nominal monthly annuity for life of $631. The median amount saved for workers ages 60 and older—$39,286—would produce a monthly annuity of $348.

Finally, workers planning to retire earlier are generally better prepared than those who are planning to retire at age 65 or later.

Median Amounts Accumulated by Expected Age at Retirement

Age 59 or younger	*$76,563*
Age 60 to 64	*$41,912*
Age 65	*$23,438*
Age 66 or older	*$19,375*

While this is good news in that those planning to retire earlier are apparently building the financial resources with which to do so, the fact that workers planning to work longer before retiring have generally accumulated less than others is of particular concern, since these are the workers most at risk for involuntary early retirement.

[3] Assume $9.41 buys an annuity of $1/year payable monthly (McGill, D.M.; K.N. Brown; J.J. Haley, and S.J. Schieber. *Fundamentals of Private Pensions*. Seventh Edition (Philadelphia, PA: University of Pennsylvania Press, 1996).

The Changing Nature of Retirement

Many of today's workers will not be eligible to receive full benefits from Social Security until they are 67, but few respondents are aware that an increase in the normal retirement age for Social Security is currently being phased in, from age 65 to 67. A majority of workers expects to reach full eligibility sooner than they actually will (59 percent). Many of these incorrectly expect to be eligible for full benefits at age 65 (37 percent of all workers), but some believe they will be eligible even before age 65 (22 percent of all workers). Almost two-in-ten workers say they do not know when they will be eligible to receive full benefits from Social Security (19 percent). Only 16 percent are able to give the correct age at which they will be eligible for full benefits and five percent believe they will be eligible later than they actually will be.

In general, the earlier respondents are planning to retire, the earlier they believe they will be eligible for full benefits from Social Security. Forty-three percent of workers are planning to retire before age 65. Of these, one-fourth believes they will be eligible four or more years before they actually will be (25 percent), almost three-in-ten think they will be eligible one to three years earlier than they actually will be (29 percent), and 17 percent do not know when they will be eligible for full benefits. Just 11 percent of those planning to retire before age 65 are able to give their correct eligibility age. In contrast, 18 percent of those planning to retire at age 65 and 24 percent of those planning to retire at age 66 or later give their correct eligibility age.

Nearly half of today's workers expect to retire at age 65 or later and 5 percent expect they will never retire. In contrast to these expectations, however, most retirees report actual retirement ages younger than age 65.

Expected and Actual Retirement Age

	Expected (*% of workers*)	*Actual* (*% of retirees*)
Age 54 or younger	5	20
Age 55 to 59	13	16
Age 60	13	6
Ages 61 to 64	13	29
Age 65	30	14
Age 66 or older	17	12
Never retire	5	NA

For many retirees, this earlier retirement was not by design—over four-in-ten of today's retirees say they retired earlier than planned (43 percent). The youngest retirees—those born in 1933 or later—are especially likely to report retiring before age 60 or retiring earlier than expected.

If current workers follow the pattern set by today's retirees, many are also likely to retire earlier than planned and many will do so for negative reasons. Four-in-ten of today's retirees who left the workforce earlier than expected say they did so because of health problems or disability (40 percent). Other reasons cited for retiring earlier than planned are changes at the work place, such as downsizing or closure (14 percent), family reasons (14 percent), and other work-related reasons (12 percent). Only a small proportion say they did so because they found they could afford an early retirement (14 percent).

While only three-in-ten retirees say they have worked for pay since they retired (29 percent), an increasing proportion of workers indicate they expect to work for pay in retirement (68 percent, up from 61 percent in 1998). Both workers and retirees are most likely to identify enjoying work and wanting to stay involved as a major reason for working in retirement (64 percent and 62 percent, respectively). Yet workers, more so than retirees, also say major reasons they will work in retirement are to keep health insurance and other benefits (37 percent vs. 16 percent), to have money to make ends meet (37 percent vs. 26 percent), and to be able to afford extras (36 percent vs. 26 percent). Workers not confident they will have enough money for their retirement and those with lower household incomes are particularly likely to identify these other reasons.

Today's retirees are most likely to rely on Social Security or employer-provided money as their most important source of income in retirement. Just two-in-ten retirees find that their personal savings are their most important source of income. In contrast, half of current workers expect personal savings to be their most important source of income in retirement. Only one-in-five expects to rely most on employer-provided money and only one-in-ten expects Social Security will provide their most important source of income. Not surprisingly, expected reliance on personal savings as the most important source of income increases as age decreases, while expected reliance on Social Security increases as age increases.

Expected and Actual Most Important Source of Retirement Income

Income Source	*Expected (% of workers)*	*Actual (% of retirees)*
Personal savings (net)	49%	18%
Money respondent put into a retirement plan at work	32	10
Other personal savings, not including work-related retirement plans	17	8
Employer-funded plans	20	30
Social Security	12	39
Employment	11	3
Sale of home or business	5	2
Other government programs	1	4

Workers are increasingly confident that Social Security and Medicare will continue to provide benefits of equal value to today's. Three-in-ten respondents say they are very or somewhat confident that Social Security will continue to provide benefits of equal value in 1999 (30 percent) compared to just two-in-ten in 1996 (20 percent). Likewise, 33 percent say they are very or somewhat confident that Medicare will continue to provide benefits of equal value in 1999, compared with 23 percent in 1999. Still, at least two-thirds of current workers are not confident that each of these programs will continue to provide benefits equivalent to those received today (69 percent and 66 percent).

Saving—and Not Saving—for Retirement

Seven-in-ten workers report they are personally saving money for retirement (70 percent)—an increase from 63 percent who reported saving for retirement in 1998. A slightly larger proportion of workers report that they and/or their spouse are saving for retirement (75 percent).

A number of different factors motivate people to save for retirement. Reasons cited by more than one in five workers for giving them a lot of motivation are:

- Feeling they could not count on Social Security (53 percent)
- Starting to earn enough money to be able to save (49 percent).
- Having seen people not prepare and, therefore, struggle in retirement (48 percent).
- The availability of a retirement plan at work (48 percent).;
- Realizing that time was running out to prepare for retirement (39 percent).;
- The advice of a financial professional (24 percent).
- A family event, such as marriage, birth of a child or parents' retirement (21 percent).

Overwhelmingly, non-savers are most likely to say having too many current financial responsibilities is a major reason they do not save for retirement (66 percent). Other reasons that workers give for not saving are:

- Having other savings goals, such as a house or education (36 percent).
- No retirement savings plan offered at work (31 percent).
- Expecting to have a pension (26 percent).
- Lots of time remains until retirement (24 percent).
- Not knowing where to start (18 percent).
- Social Security will take care of them (16 percent).
- Being unable to find savings information that they understand and trust (15 percent).
- Not being confident in their ability to make good decisions about saving (13 percent).

Almost six-in-ten workers who are not currently saving for retirement say that it is reasonably possible for them to save $20 per week for retirement (57 percent). In addition, seven-in-ten workers who are already saving report that it is possible for them to save an additional $20 per week (69 percent, up from 57 percent in 1998). Among those who say they could save this $20 per week, 12 percent say they would not have to give up anything to do so. Those who would have to sacrifice are most likely to say they would cut back on dining out or entertainment.

The Role of the Employer

The employer plays a major role in ensuring adequate retirement preparation. Most obviously, four-in-ten of all workers report that they expect employer provided money will be a major source of income in retirement (40 percent) and the same proportion say it will be a minor source (41 percent). Even more important, however, 46 percent expect that money they put into a retirement plan at work will be a major source of income and three-in-ten report it will be a minor source (31 percent). Further, the availability of a retirement plan at work is credited by almost half of savers with giving them a lot of motivation to save (48 percent) and the lack of a plan is cited by three-in-ten non-savers as a major reason they do not save (31 percent).

Over four-in-ten workers report receiving educational materials or seminars about retirement planing and saving in the past year from their employer (42 percent). Half of those who received employer-provided materials say they received brochures (50 percent) and another third received newsletters or magazines (31 percent). Four-in-ten of those who received some sort of educational materials from their employer say it caused them to begin (19 percent) or resume (21 percent) saving for retirement, while similar proportions say they changed the amount they were contributing to a retirement savings plan (40 percent) or changed the allocation of their money in a retirement savings plan (41 percent). In addition, those who reported receiving employer-provided materials are more likely than others to have also reported doing a retirement savings needs calculation.

__Personality Types__

An analysis of the workers and retirees in the 1999 RCS reveals that there are five distinct groups of Americans who feel very differently about their attitudes towards their finances and towards planning for retirement. As shown by their scores on the *Retirement Readiness Rating*, Planners appear to be the best prepared for retirement, followed by Savers, Strugglers, Impulsives and Deniers.

Retirement Readiness Rating by Personality Type

RRR	*Planners*	*Savers*	*Strugglers*	*Impulsives*	*Deniers*
Very good (21-25)	16%	10%	2%	1%	0%
Good (16-20)	46	34	25	17	11
Okay (11-15)	26	42	39	36	21
Poor (6-10)	9	11	20	32	36
Very poor (0-5)	2	3	13	15	32

Planners (35 percent of Americans) believe anyone can have a comfortable retirement if they just plan and save (90 percent). This group is composed of disciplined savers (86 percent). They always research and plan for big purchases (78 percent), enjoy financial planning (77 percent) and are willing to take substantial financial risk for substantial financial gain (42 percent). Approximately three-fourths are confident they are investing their retirement savings wisely (73 percent). Not surprisingly, almost nine-in-ten are confident that they will have enough money to live comfortably in retirement (88 percent), almost all believe they will have enough money to take care of basic expenses (95 percent), and more than three-fourths believe they will have enough money to take care of medical expenses (76 percent).

Savers (18 percent of Americans) are very much like planners. They are disciplined savers (88 percent), many research and plan for large purchases (80 percent), and most enjoy financial planning (67 percent). But they are more cautious than planners—almost all pay off their credit cards at the end of every month (95 percent)—and their caution leads to risk adverse behavior. Half are not willing to take any financial risks, no matter what the gain (51 percent) and they characterize themselves as savers, not investors (93 percent). Still, they are confident about their retirement. A large majority believes they will have enough money to live comfortably (85 percent), will have enough money to take care of basic expenses (92 percent) and are doing a good job preparing financially for their retirement (89 percent).

Strugglers (20 percent of Americans) share many of the attitudes of planners and savers. They are disciplined savers (65 percent) who tend to research and plan for large purchases (84 percent). Cautious in their behavior, they consider themselves to be savers rather than investors (94 percent). But the fact that they are frequently set back from their financial goals by unexpected events (69 percent) makes them much less confident about their retirement prospects. Although three-fourths believes they will have enough money for basic expenses (77 percent), only six-in-ten are confident they will have enough money to live comfortably (59 percent).

Impulsives (15 percent of Americans) think that anyone can have a comfortable retirement if they just plan and save (86 percent), but few consider themselves to be disciplined savers (34 percent). In fact, they are frequently set back from their financial goals (90 percent), frequently spend money when they do not plan to buy anything (51 percent), and tend to carry credit card debt (67 percent). Over half believes that they will have enough money to live comfortably throughout their retirement years (56 percent) despite the fact that a similar proportion has accumulated less than $25,000 towards their retirement (54 percent).

Deniers (13 percent of Americans) feel it is pointless to plan for retirement (59 percent) and, more than any other group, they think retirement planning takes too much time and effort (35 percent). Many are impulse shoppers (42 percent), frequently set back from their financial goals (68 percent), or unwilling to take any financial risks no matter what the gain (46 percent). Half of this group is not confident about having enough money to live comfortably in retirement (50 percent) and four-in-ten are not even confident of having enough money to take care of basic expenses (40 percent).

Implications

Americans continue to be more focused on retirement planning and saving, but this focus has not translated into increased confidence. While most are saving, many still have no idea how much they need to save. The majority of all workers, whether already saving or not, admit they could do more. These findings indicate progress that has been made since the 1998 National Summit on Retirement Savings, but they still make clear the need for continued focus on educational efforts leading up to the 2001 National Summit.

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The CHAIRMAN. I think I will call on Mr. Greenwald because you remember the question I asked 30 minutes ago that you are the expert in. So, let us hear the answer to the question about whether younger people are maybe saving more now than younger people 10 years ago?

Mr. GREENWALD. Good. Thank you.

I appreciate that.

The CHAIRMAN. Or at least have a concern about saving more.

Mr. GREENWALD. Yes. I appreciate the chance to be here today and to respond to that question. The Retirement Confidence Survey I think gives us good evidence of that. That survey has been conducted 9 times starting in 1990. And we do find that young people, especially those under 35, take more seriously the personal commitment to be financially responsible for their retirement and they are exhibiting stronger savings behavior.

I would like to make another and related point about the progress that has been made overall. Despite the low overall savings rate, I think it is fair to divide savings into two parts. Ms. Culpepper talked about saving for a condo and for shopping and for travel. And there is some savings done for that, but there is also saving set aside for retirement.

And I think we see increasing proportions of people and perhaps especially young people who are setting aside money for retirement and we have seen a number of people saving for retirement go up from what I recall to be the high 50 percent range in 1990 when we started to 63 percent last year to 70 percent this year, people putting money aside specifically for retirement. And relatedly, we see the amount of money put aside in defined contribution plans exceeding $2 trillion and just 401(k) plans exceeding $1 trillion and IRAs exceeding $2 trillion.

So, while we can be depressed about overall savings rates, I think we can be encouraged we are at least encouraging people successfully to earmark money for retirement where it is harder to take it out. And I think that is another important fact and young people especially.

Mr. SALISBURY. My final footnote on that, Senator, in terms of the comment that Senator Bayh made, is that the savings rate that is published by the National Incomes and Products Account Unit at the Commerce Department does not include in it any attribution of any capital gains. Today, in pension plans and in IRAs, there is just over $11 trillion. Of that $11 trillion over $6 trillion is attributable to capital gains, and according to government national savings estimates does not exist.

And in that sense, when an individual, when the NIPA says that people are not saving and then you get your Federal Employee Thrift Plan statement, and if as with 70 percent of Federal employees that money is invested in the S&P Index Fund, the value, the increased value of that account as I look at that statement and say I have more money, I have more savings, but according to official Government definitions you do not have more savings and they do not count that money.

So, that indicator is essentially of what one might describe as no value in assessing whether or not Americans are actually preparing adequately for retirement. That is not what it is intended for and it is certainly not what it should be used for.

The CHAIRMAN. I have three or four questions I would like to ask you, Mr. Salisbury.

Your organization over-sampled small employers for the Small Employer Retirement Survey last year. How do this year's findings compare to last year and what does that tell us about how effectively information about the administration burden and costs of plans is getting to small business owners?

Mr. SALISBURY. The survey findings between 1998 and 1999 were actually very, very consistent. They did not indicate a substantial increase in any category. And, frankly, lack of understanding of plan types was basically as high, on a statistical significance basis, in 1999 as in 1998.

So, it says that against this sample we have a lot of progress still to be made. And in the last 12 months vis-a-vis at least this sample population it would appear that we have not made substantial progress.

The CHAIRMAN. In the Retirement Confidence Survey that you outlined, in it you outline different saving personalities. Could you explain what these personalities are and whether or not there are different strategies each personality type can use to effectively save for retirement?

Mr. SALISBURY. What we found in the survey and put together were the personalities of planners, savers, strugglers, deniers and implusives. The planners are individuals who do save on a very regular plan and are willing to take substantial risk. To put that in the context of a 401(k) plan like the Federal Thrift Plan, those are the people who contribute each and every pay period and put all of the money into the equity market.

Savers are consistent. They are the people that would contribute regularly to that Federal Employee Thrift Plan but they are not quite as happy to take risk. They do not want to be, if you will, losing money. So, the saver does save on a regular basis but would have, let us hypothetically say, only 40 percent of their money going into the S&P Index Fund and 60 percent going into the Government Bond Fund.

Strugglers, the third category, are individuals who know they need to save, but cannot quite get around to it because there always seems to be something that comes up that they have to spend their money on, whether it be an unexpected child illness, the need for sending somebody to camp, the need for buying a formal, you might name the difference.

The individual who is a denier just flat out says it is not going to do me any good whatsoever to save. We will let life take care of itself.

And the final category, the impulsives. The impulsive is an individual who sort of knows they need to save, but they cannot resist buying that new CD or buying a new car or they walk by and see something new or they are out, should we say, sharing an ice cream with the crowd every night, and they just can never quite get around to saving any money. They know they should, they just never quite make it happen.

We have put on our Web site and on the ASEC Web site a quiz that individuals can go in, answer a series of questions, and it will tell them what their personality is. I can attest that a number of us who took that quiz found some surprises in the underlying nature of our personalities.

The CHAIRMAN. I understand the role of your organization not to endorse any specific policy changes, but if I could ask in a very general sense how your organization feels, if there is a role that Congress can play in helping small employers start plans, and if so, what that role would be.

Mr. SALISBURY. Well, I put it, rather than our organization, I put it directly in the context of the Small Employer Retirement Survey. What small employers have basically said is, "Have my employees know they should be asking me to help them," which is, in essence, much of the education you have mandated in the SAVER Act, it is much of what Labor is doing. It just says more needs to be done.

Take it a next step. They have said in this survey that a tax credit that would allow them to offset the startup of the plan is something that they would find extraordinarily attractive. I will let them, if you will, speak for themselves.

The third factor is they have basically said, "Make sure that we have a plan that is easily administered, has de minimus administrative expense and is simple to understand." All of that implies that they think that there is more simplification to be done.

So I think that clearly, from the results of the 1999 and 1998 Small Employer Retirement Surveys, if you will, guidance that can be drawn from that by the committee, and I have tried, without stating an opinion of the institute, just to lend guidance on that.

The CHAIRMAN. That is the last of the questions.

I thank you for what your organization contributes to an annual discussion of this necessity for savings and helping us understand people's habits and concerns and for sharing that with this Committee on Aging. Thank you all very much.

I have no closing statement, other than to thank everybody for their participation and to understand that it is this committee's responsibility to make sure that we keep the message loud and clear on the necessity for more savings, as it relates to the jurisdiction of this committee. Because people will really want a quality of life in retirement what they had while they were working, and saving for it is the only way that it can happen.

The meeting is adjourned. Thank you.

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

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