

EBRI's Washington Bulletin is a service for our Member Organizations.

It's published about 20 times per year (every other week when Congress is in session). We provide current and <<brief>> updates on major legislative and regulatory activity in Washington, along with our outlook of where an issue is headed.



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PBGC Deficit Declines to \$9.7 billion

The Pension Benefit Guaranty Corporation's (PBGC) deficit for single-employer pension plans was \$9.7 billion on March 31, down from \$11.2 billion six months earlier. Despite the improved numbers, PBGC Executive Director Brad Belt stressed the need for comprehensive reforms to avert future deficits. The multi-employer fund deficit declined from \$261 million to \$150 million for the same period. A PBGC release on funding levels is posted on the Internet at www.pbgc.gov/news/press_releases/2004/pr04_47.htm

Medicare Drug Cards Implemented

New Medicare discount drug cards became effective earlier this week amid a continuing debate about their worth and a relatively tepid response among Medicare beneficiaries. Backers of the plan say the cards can provide double-digit savings, but there's ongoing confusion, perhaps fueled by the variety of cards available, as to how seniors can get the best deal and whether the discounts offered exceed those available to all from Internet pharmacies.

Meanwhile, continuing efforts are under way to quantify the value of subsidies the program provides employers to continue their drug benefit programs for retirees. Major auto companies anticipate multi-billion dollar savings. Over time, GM expects the provision to trim its health spending by \$4 billion and Ford anticipates savings of nearly half that amount.

To get the subsidy, employers must sponsor a program that is at least the actuarial equivalent of the new Medicare Part D, which will become available to beneficiaries in 2006. While employers are already booking the savings, the Centers for Medicare & Medicaid Services, which will actually send them the checks, still must come up with administrative procedures that will govern the program. EBRI's Paul Fronstin will speak at a CMS forum on this topic June 9. Meanwhile, the Financial Accounting Standards Board issued FAS 106-2, which instructs employers how to amortize the subsidy over the life expectancy of the participants. The text is posted on the Internet at www.fasb.org/fasb_staff_positions/fsp_fas106-2.pdf.

OUTLOOK—Debate over this plan didn't end when the bill was signed late last year and will be fodder for the upcoming campaign season. Many liberals who don't like the program generally are worried that current confusion will deter low-income beneficiaries from applying for the cards. For this group, the \$600 available subsidy argues strongly for participation. Perceptions about how the card program is working could cast a shadow over the implementation of the insurance plan in 2006.

BLS Documents Benefit Decline

A new report from the Bureau of Labor Statistics (BLS) concludes that only 56 percent of full-time private-sector workers had employer-sponsored health insurance last year, down from 80 percent in 1989–90. But retirement coverage for full-time private-sector workers remained stable, reaching 60 percent. The proportion of compensation dollars spent by employers on benefits rose during this period, though. The BLS analysis is posted on the Internet at www.bls.gov/opub/cwc/print/cm20040518ar01p1.htm

ERISA Advisory Council Leaders, Members Named

Labor Secretary Elaine Chao has named five new members to the ERISA Advisory Council. They are Charles J. Clark, senior vice president at Aon; Lynn L. Franzoi, vice president of benefits for Fox Entertainment; Neil Gladstein, senior research economist at the International Association of Machinists and Aerospace Workers; Sherrie E. Grabot, CEO of GuidedChoice, Inc.; and Tim Knopp, a member of the Oregon House of Representatives. The new council, which will hold its first meeting June 15, will be chaired by David L. Wray, president of the Profit Sharing/401(k) Council of America. The new vice chair will be R. Todd Gardenhire of Smith Barney.

Retirement Recipe: More Work

A new survey from AARP confirms that 4 in 5 baby boomers still expect to spend their retirement years working. From 1998 to 2003, the group that anticipates not working at all has risen from 16 to 20 percent. But the new survey shows the segment saying it plans to continue working part-time for fun has declined slightly while the group saying continued work will be motivated by the need for money has grown. A text of the findings is posted on the Internet at www.aarp.org/