



AMERICAN BENEFITS COUNCIL

2003 SURVEY EXECUTIVE SUMMARY

The following are highlights of the American Benefits Council's 2003 Membership Survey, reflecting the responses of representatives from 77 percent of Council member companies. The Council conducted a similar survey in August 2000. Some questions in the current survey were repeated from the prior survey, and relevant comparisons are detailed below. Numbers in parentheses refer to the item number on the document containing the responses to all survey questions.

Health Issues

- The Council's members unanimously believe that if healthcare costs continue to increase at their current rate, it will adversely affect the ability of employers to provide quality health coverage. Significantly, 86 percent of 2003 survey respondents are "very concerned" about this – a 15 percentage point increase from our 2000 survey. (29) Further underscoring the health care cost crisis, fully 59 percent of the survey respondents do not feel that a return to single-digit cost increases will occur in the next five years. (30)
- Retiree health is an extremely important issue for employers as illustrated by their answers to three questions on the survey. Eighty percent of respondents indicated that President Bush and Congress should make providing new tax incentives for retiree health care coverage a high priority. Seventy-three percent assigned a high priority for the President and Congress to clarify or rescind the *Erie County* decision prohibiting higher health benefits for early retirees than for Medicare-eligible retirees. Respondents resoundingly rejected any proposals similar to that put forth in the last Congress by Representative John Tierney (D-MA) restricting employers from changing retiree health coverage benefits. Eighty-one percent indicated such restrictions should be a low priority. (17 – 19)
- Eighty-two percent of respondents answered that President Bush and Congress should give high priority to providing stronger tax incentives to expand the availability of health coverage. (10) Within this group, 45 percent listed this issue as one of "very high" priority – and this response is a 24 percentage point increase from a similar question asked on the Council's 2000 survey.

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- Broadening Medicare coverage for prescription drugs ought to be a high priority for President Bush and Congress according to 84 percent of the 2003 survey's respondents . (12) Forty-five percent of those participating in the survey indicated this should be a "very high" priority, which is a 20 percentage point increase from the answers to a similar question asked by the Council in 2000. In addition there was a 16 percentage point decrease between the 2000 and 2003 surveys in the number of respondents answering that this issue of was of "somewhat low" or "very low" priority.
- Employers remain firm in their belief that expanding the right to sue employers and health plans for incorrectly denied benefits should be a low priority for President Bush and Congress. Only 12 percent of respondents indicated in the 2003 survey that this should be "very high" or "somewhat high" priority – a 3 percentage point drop from a similar question posed in the Council's 2000 survey. (15)
- Substantial employer interest was revealed in the survey's responses to questions concerning consumer-directed health care coverage – a relatively new development in healthcare policy. 58 percent of respondents consider it a high priority for the President and Congress to encourage consumer-directed healthcare plans' development and 73 percent of respondents believe significant enrollment will occur in these plans when offered in the next five to 10 years. (31 and 32)

Retirement Issues

- Eighty-four percent of the survey respondents give high priority to making permanent the retirement provisions of the Economic Growth and Tax Reform Reconciliation Act of 2001 (EGTRRA). (1) In a related matter, employers' perception of the level of priority that should be given to expanding or making permanent the savings credit of EGTRRA for low- and middle-income workers has changed over the last three years. In our 2003 survey, 60 percent of respondents identified this issue as one of "very high" or "somewhat high" priority for President Bush and Congress. (2) This is a 29 percentage point increase from a similar question asked in the Council's 2000 survey – at which time only 31 percent of respondents identified the savings credit as a high priority issue. This change may reflect the fact that the final version of EGTRRA did not provide as complete a savings credit as was previously proposed.
- Fully 77 percent of the respondents place a high priority on a permanent legislative replacement of the 30-year Treasury bond for pension plan calculation purposes. (6) This underscores the importance of Congress building on the interim relief it enacted as part of last year's economic stimulus package.
- The issue of facilitating retirement plan participants access to investment advice is important to the Council's membership. Fifty-four percent gave high priority to allowing financial institutions that provide retirement products to also provide advice to plan participants. (4) In a related question, Council members were asked

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whether Congress should approve tax incentives to encourage the provision of investment advice, a bipartisan idea suggested last year by Representatives Rob Portman (R-OH) and Ben Cardin (D-MD), and fully 64 percent gave this a high priority rating. (5)

Politics and Policy

- Employers give generally low marks to federal legislators' understanding of benefits policy. When asked if Congress has sufficient understanding of the laws and regulations currently governing employer-sponsored plans, 79 percent disagreed with the statement. Asked if Congress has sufficient understanding of the role of employers in providing benefits through the workplace, 72 percent disagreed. When asked if Congress gives appropriate priority to legislation that would strengthen the employer-sponsored benefits system, 77 percent disagreed. All these findings are consistent with the findings of the 2000 survey. However, respondents from the 2003 survey appear more hopeful, in one respect, than those employers answering the same question on the Council's 2000 survey. When asked if the 2002 election campaign "helped", "hurt" or "made no difference" in improving the general public's understanding of employer-sponsored benefits, the number of respondents answering "hurt" dropped by 15 percentage points and the number of respondents answering "helped" increased by 6 percentage points over the impressions our members had about the 2000 elections. (22 -26) (It should be noted that in 2000 the survey was taken during the campaign, while the latest survey was taken after the election.)

Executive Compensation

- Much legislative attention has been given to deferred compensation in recent months in the aftermath of the Enron and WorldCom bankruptcies. Although these legislative responses are aimed at top executives, 65 percent of respondents believe the level of benefits provided to workers across the entire income spectrum will be hurt if proposed legislation limiting tax deferred compensation programs is enacted. (8)

General Benefits Issues

- Employers strongly believe in the importance of employer-sponsored benefits to the competitive success of American business, and that opinion appears to be strengthening significantly over time. Sixty-four percent of respondents in the 2003 survey labeled employer-sponsored benefits as "very important" today to their competitive success. Fifty-six percent responded that two years ago, sponsoring benefits was "very important" to competitive success. (21) This increase in employers' perspectives of the importance now versus two years ago may reflect, in part, current economic conditions and the critical importance of getting the design and cost of benefits correctly structured so as to permit employers to be competitive. Two years ago the sponsorship of benefits may have been crucial to be competitive in attracting and retaining employees. Today the cost and design of benefits may be critical in the company itself surviving in a softer economy.

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