THE WHITE HOUSE

August 3, 1994

The Honorable James M. Jeffords
United States Senate
Washington, D.C. 20510

Dear Senator Jeffords:

Thank you for sending the article and information showing that employer spending on pension benefits has decreased significantly as health care costs have grown. The graphs are very informative and quite striking. As you know, the President and I firmly believe that only if we provide coverage to every American can we bring health care costs under control and stop the current trend toward a decline in other valuable benefits, like retirement income.

We are so grateful for your leadership. I look forward to working with you in the coming weeks.

Sincerely yours,

Hillary

Hillary Rodham Clinton

JAMES M. JEFFORDS
VERMONT

United States Senate

WASHINGTON, DC 20510-4503

COMMITTEES:
FOREIGN RELATIONS
RANKING, SUBCOMMITTEE ON AFRICAN AFFAIRS
LABOR AND HUMAN RESOURCES
RANKING, SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES
VETERANS' AFFAIRS
SPECIAL COMMITTEE ON AGING

June 16, 1994

Mrs. Hillary Rodham Clinton
The White House
1600 Pennsylvania Ave., N.W.
Washington, D.C. 20500

PAM JUL 7 1994

Dear Mrs. Clinton:

I know you and many others in the Administration have given a great deal of thought as to how to underscore the importance of securing national health care reform. I am writing to pass on an observation that I have found to strike a very responsive chord with even the most skeptical Vermont audiences.

In discussions of health care with Vermonters, concerns are often voiced about losing current insurance policies and access to doctors. In addition to correcting these misconceptions, I have pointed out that if more and more resources are devoted to health care, necessarily fewer resources can be devoted to other areas that are important to our quality of life.

One of the most important of these areas is retirement income, a subject which is on the mind of almost every adult American. Older Americans are concerned by federal tax and Social Security policy, while younger Americans are worried if their savings will be sufficient and if Social Security is a promise they can count on in their retirement.

Data developed by the Employee Benefits Research Institute indicates that, as spending on health care benefits has skyrocketed, private employers' spending on retirement benefits has actually declined. This downturn has taken place at a time when average life expectancies have increased.

As someone who has long been concerned about retirement income policy, I find this trend disturbing. If we do not control health care costs, we are apt to see a continuing decline in retirement benefits, at the very time that demographic pressures are placing greater strain on the Social Security system.

For your information, I have taken the liberty of enclosing some information and an article that relate to this issue. I hope you find these items of interest.

Sincerely,

Jim

James M. Jeffords

PLEASE REPLY TO:

☐ WASHINGTON OFFICE:
513 HART BUILDING
WASHINGTON, DC 20510-4503
(202) 224-5141

☐ BURLINGTON OFFICE:
SUITE 100
95 ST. PAUL STREET
BURLINGTON, VT 05401
(802) 658-6001

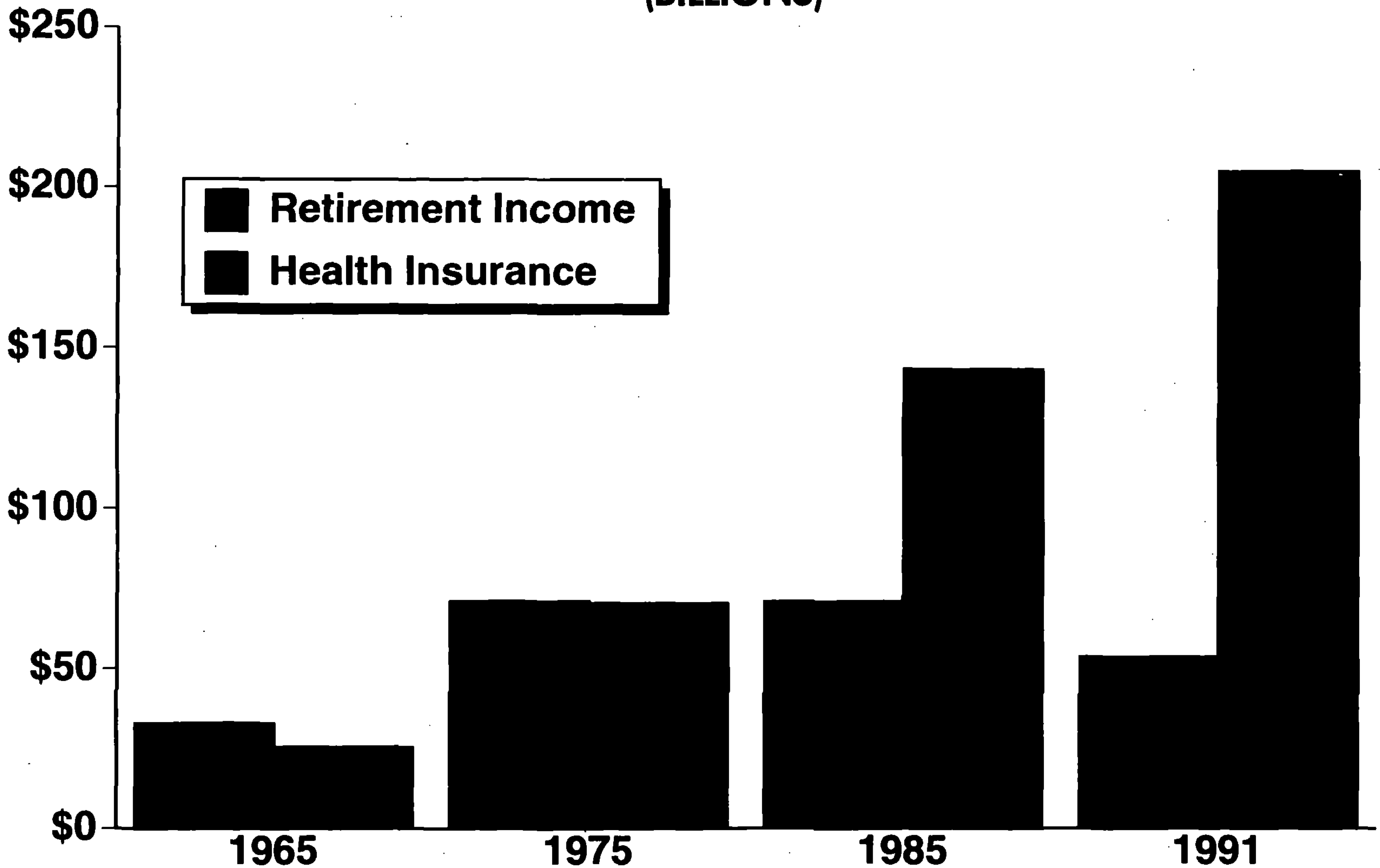
☐ RUTLAND OFFICE:
LINDHOLM BUILDING, 2ND FLOOR
2 SOUTH MAIN STREET
RUTLAND, VT 05701
(802) 773-3875

☐ MONTPELIER OFFICE:
58 STATE STREET
MONTPELIER, VT 05602
(802) 223-5273

TOLL FREE: 1-800-835-5500
TDD/TTY: 1-800-835-5500

Private Employer Spending on Health Insurance and Retirement Income

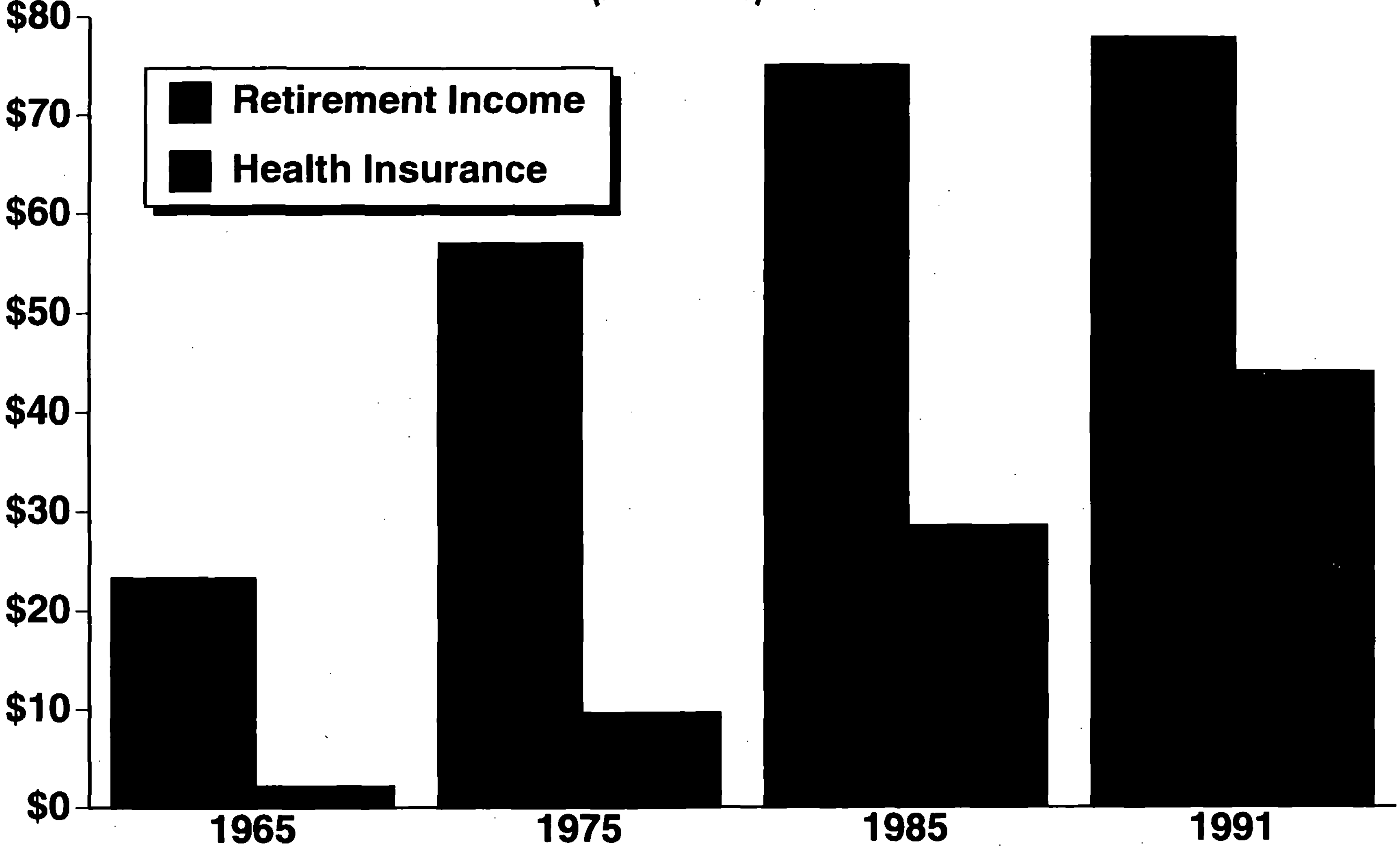
(BILLIONS)



Source: Employee Benefit Research Institute

Public Employer Spending on Health Insurance and Retirement Income

(BILLIONS)



Source: Employee Benefit Research Institute

Study Shows Pensions Paid For Health Fees

By ALBERT R. KARR
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON–Employers effectively have been robbing pension funds to help pay for climbing health-care costs, a leading Senate pension expert suggested.

Testifying before the Senate Finance Committee, Sen. James Jeffords (R., Vt.) presented figures showing that private companies boosted their health spending to $143.5 billion in 1985 and to $205.4 billion in 1991 from $70.4 billion in 1975 after adjusting for inflation. By contrast, their spending on pension and profit-sharing benefits declined to $70.9 billion in 1985 and to $53.6 billion in 1991 from $71.1 billion in 1975.

Private-employer spending on health care rose more than seven-fold between 1975 and 1991 before inflation, while spending for pensions and profit-sharing less than doubled, the figures given by Sen. Jeffords showed. The statistics were compiled by the Employee Benefit Research Institute, a study group.

"Employers are spending so much money on providing health-care benefits that there isn't enough money in the coffers to provide for their employees' retirement income," Sen. Jeffords said. While employers' spending on pensions outstripped health-care expenditures by 56%-to-44% in 1965, he noted, the ratio had become 21%-to-79% in 1991.

Trend Continues

More recent figures supplied separately by EBRI showed that the trend has continued. Pension and profit-sharing spending rose only 3% in 1992 from 1991, as outlays for health care increased 10%.

Sen. Jeffords, a longtime sponsor of legislation that would force employers to narrow what are often large funding gaps in their pension plans, said: "We want to make sure that in solving the health-care problem, we don't rob the pension bank, or else we're going to wind up with a lot of old, healthy people living in one-room shacks."

Finance Committee Chairman Daniel Patrick Moynihan (D., N.Y.) and the panel's ranking Republican, Sen. Robert Packwood (R., Ore.) said they believe a Clinton administration proposal to require speedier fund contributions by many companies with pension-plan shortfalls can be approved by Congress this year. Mr. Moynihan noted, half jokingly, that the panel would have to complete health-care, welfare, trade and tax bills first, though.

Employer Groups Testify

Several employer groups testified against the administration plan, saying it isn't needed or has serious flaws or both. The Pension Issues Coalition, which has many members with underfunded plans, argued that concerns about growing fund shortfalls expressed by the government's Pension Benefit Guaranty Corp. are based on flawed interest-rate and mortality assumptions, among other drawbacks.

With interest rates starting to rise again, underfunding will decline, said Curtis H. Barnette, chairman of Bethlehem Steel Corp., who testified for the employer coalition. Others said faster-funding rules could put many firms in financial jeopardy, a view that administration officials denied.

Martin Slate, the PBGC executive director, said the assumptions used in drafting the administration bill follow generally accepted accounting practices, are more valid than ones used by some employers and have been validated by the congressional General Accounting Office. Regardless of the effects of interest-rate changes, a "chronic" problem exists because many employers fail to stoke their funds sufficiently to meet their retirement-benefit promises, he said.