



Microhistory of Employee Benefits and Compensation 1794-2005

This Microhistory highlights those events and legislation that Hewitt Associates believes influenced the growth and quality of employee benefit plans and compensation practices in the United States from 1794 to 2005. Historical sources are sometimes contradictory and unclear and, therefore, this timeline may be imperfect. However, this list provides a valuable tool to examine developments and trends in employee benefits and compensation over the past 200-plus years.

The timeline begins in 1794, when Albert Gallatin introduced a profit sharing plan at his glassworks in New Geneva, Pennsylvania. The 1800s were not a time of great activity, but there were several notable developments, including the first private pension plan in 1875, the first wage payment law in 1879, and the first group insurance policy in 1890.

The 1900s brought a distinct pickup in activity. Insurers began developing new products and employers—both public and private—began installing new plans to meet the needs of their employees. In addition, the government began creating public health and retirement programs and incentives to spur the growth of benefits.

Around mid-century, activity in employee benefits took off. Social Security became law. A uniform minimum wage was established. The Supreme Court ruled that benefits were subject to collective bargaining and unions began to ask for more. An amendment to the Internal Revenue Code created the restricted stock option. Supplemental unemployment benefits, phantom stock plans, stock appreciation rights, stock ownership plans, dental insurance, and numerous other benefits made their appearance. Compensation and benefits programs continued to grow and became more expensive for employers—until the later part of the century, when this expansion hit a peak and trends began to reverse.

As a result of globalization, competition, and the need to reduce labor costs, employers began to scale back employee benefits programs in the mid- to late 20th century. Rising health care costs led to managed care and then increased cost-sharing—in which employees became responsible for a larger share of their health care benefits through increased premiums, copayments, and deductibles. Changes also took place in the retirement arena, with employers shifting from defined benefit plans to defined contribution plans. Overall, employees were given more responsibility—in both their decision-making and financial obligations—for their own health care expenses and retirement savings.

On the compensation front, executive compensation soared during the booming 1990s. Companies handed out stock option grants in record amounts. Bonuses were generous and the number of new millionaires increased dramatically. Then, the stock market crashed. Many executives, however, did not suffer like their shareholders. Options were repriced downward to reflect the crash. In many instances, cash compensation for top executives remained high (and was not necessarily tied into pay for performance), while increases in employee wages and salaries slowed.

As the 21st century dawned, corporate scandals filled the headlines—executives falsified financial records to mollify shareholders and preserve the value of their stock options. Outrage dictated new rules and corporate governance gained favor. A number of white collar crimes were highly publicized and some executives were convicted. Congress, the Securities and Exchange Commission, the NYSE, and Nasdaq all responded with increased diligence. Shareholders became more vigilant. As a result of the changing landscape, the Financial Accounting Standards Board (FASB) modified the accounting treatment of stock options.

And, that brings us to 2005...

Employee Benefits and Compensation, 1794-2005

Year	Event
1794	The first profit sharing plan in the United States is set up by Albert Gallatin at his glassworks in New Geneva, PA.
1798	Congress establishes the United States Marine Hospital Service to be financed by compulsory deductions from seamen's wages.
1818	Pensions are established for war veterans.
1838	The first day care center is opened.
1847	The Massachusetts Health Insurance Company of Boston is organized as the first American company authorized to issue insurance against the costs of medical care.
1857	New York City establishes a pension fund for its policemen; the first pension plan covering state and local government employees.
1863	The Travelers Insurance Company offers insurance for railway accidents.
1875	The first private pension plan in the United States is started by the American Express Company. Benefits are equal to 50% of average pay earned in the final 10 years, but no more than \$500 annually.
1877	The Granite Cutters Union establishes the first national sick benefit plan.
1879	The first wage payment law is passed in Massachusetts, requiring cities to pay laborers at least once a week.
1880	A prepaid hospital care plan is established for lumberjacks in Northern Minnesota; later dropped.
1881	Frederick W. Taylor begins the first job evaluation studies at the Midvale Steel Co. in Philadelphia.
1890	A group insurance policy issued by Travelers Insurance Company provides blanket coverage for Baltimore firemen.
1892	Columbia University adopts a pension plan for professors; the first private college to do so.
1893	Chicago establishes the first pension plan for public school teachers.
1905	The Granite Cutters Union is the first labor organization to set up a pension plan for its members.
1910	Montgomery Ward develops concepts leading to group life and accident insurance and adopts the first group accident and sickness policy for employees issued by London Guarantee and Accident Company.

1911	The first group life insurance policy is issued by Equitable Life Assurance Society to The Pantasote Leather Company of Passaic, NJ.
	The first Workmen's Compensation laws are passed in ten states.
1912	The first minimum wage law is passed in Massachusetts.
1913	The first formal employee performance evaluation program is developed by a New York City department store, Lord & Taylor.
1917	Life insurance for servicemen of World War I is offered by the government under the War Risk Act; since 1919, such insurance has been known as U.S. Government Life Insurance.
	A man-to-man rating scale is developed by Dr. Walter Dill Scott for personnel evaluation at officer training camps in World War I.
	The first group accidental death and dismemberment insurance policy is written.
	The first collectively bargained health and welfare plan is established in New York City's garment district.
1921	The Civil Service Retirement Act provides coverage for most federal civilian employees.
	Federal tax exemption is granted to profit sharing and stock bonus plans.
	The first group annuity contract is issued to William E. Rudge, Inc. by the Metropolitan Life Insurance Company.
	Prepaid hospital care is offered by the Grinnell, Iowa Community Hospital at an annual cost of \$8 for a single person.
1924	The first point method of job evaluation is introduced in National Electrical Manufacturers' Association and National Metal Trades Association.
1926	Federal tax exemption is extended to pension plans.
	The Railway Labor Act accepts the basic premise of collective bargaining.
	The factor-comparison method of job evaluation is originated and implemented at the Philadelphia Rapid Transit Company.
1928	The Revenue Act encourages the financial and actuarial soundness of pension plans by permitting tax deduction on funding of past service liabilities.
1929	Baylor University Hospital introduces a formalized group hospitalization plan, the predecessor of the Blue Cross movement. Other prepaid group health plans begin to become popular among smaller employers.
1932	The first unemployment insurance law is passed by Wisconsin.

1935	<p>The Wagner Act ensures the right of workers to organize and bargain collectively and establishes the National Labor Relations Board.</p> <hr/> <p>The Walsh-Healy Act provides that minimum wage standards be required on all government contracts.</p> <hr/> <p>President Roosevelt signs the Social Security Act providing benefits to retired workers age 65 or over, with payments commencing in 1940.</p> <hr/> <p>The Railroad Retirement System is established to create a unified system for the industry.</p> <hr/> <p>The United Cerebral Palsy Association in Dallas establishes an adult day care center.</p>
1937	<p>Social Security contributions begin. Workers and employers contribute 1% of pay up to \$3,000 yearly.</p>
1938	<p>An amendment to the Revenue Act requires that an employer's retirement plan contributions be irrevocable.</p> <hr/> <p>The Fair Labor Standards Act is passed, establishing a single uniform statutory minimum wage and requiring overtime pay for work beyond the basic workweek.</p> <hr/> <p>Private insurers introduce group surgical expense benefit plans.</p>
1939	<p>A statewide, nonprofit, prepaid medical society-sponsored plan—predecessor of Blue Shield—is offered by California Physicians Services.</p> <hr/> <p>Amendments to the Social Security Act add benefits for dependents and survivors.</p> <hr/> <p>Compensation for injuries, sickness, or both received under workers' compensation, accident, or health insurance is exempted from income taxes.</p>
1940	<p>Retired workers start receiving primary Social Security benefits of up to \$41.20 a month.</p>
1942	<p>During the war years, employee benefits undergo a growth spurt due to higher income taxes and salary controls.</p> <hr/> <p>The Economic Stabilization Act encourages the introduction of job evaluation plans to justify pay increases.</p> <hr/> <p>The Revenue Act Amendment prohibits qualified retirement plans from discrimination in favor of higher-paid employees. At the same time, it extends capital gains tax treatment to lump-sum distributions.</p> <hr/> <p>Building on earlier group health plans offered to employees in California and Washington, Henry Kaiser establishes a health plan for his shipyard and steel mill workers. The plan is later opened to the public. It becomes the forerunner of today's health maintenance organizations.</p>
1943	<p>The first tax guidelines are issued on the integration of qualified retirement plans with Social Security benefits. The basic integration rate is 25%, plus 0.25% times years of service.</p>
1944	<p>Aetna Life & Casualty makes medical expense benefits available through group insurance contracts.</p>
Mid-1940s	<p>Eastman Kodak, duPont, and Kemper Insurance establish alcoholism programs, the forerunners of today's employee assistance programs.</p>

1946	Blue Shield Medical Care Plans, Inc. is organized.
	St. Louis Labor Health Institute develops the first dental care program.
1947	As a result of a grievance filed by the United Steelworkers against Inland Steel, the National Labor Relations Board rules that pensions and other employee fringe benefits are subject to bargaining. The decision is upheld by the US Supreme Court in 1949.
	The Taft-Hartley Act is passed, permitting joint labor/management welfare and pension funds.
1948	A cost-of-living allowance and an annual improvement factor are introduced in the General Motors/UAW contract.
1949	The first major medical group insurance contract is issued by Liberty Mutual Insurance Company to the Elfun Society, management personnel of General Electric Company.
	A steel industry pension is negotiated after a recommendation by a Presidential fact-finding board and a strike.
	Almost 50 years before the term “outsourcing” comes into vogue, ADP acquires its first payroll processing client.
1950	In the 1950s, the first health insurance plans were called base/major medical plans. Employers began offering these plans to help employees with hospital expenses. Original Medicare is based on this concept.
	The petroleum industry sets off a new wave of savings plans.
	The restricted stock option is created by an amendment to the Revenue Act.
	“New Start” amendments liberalize eligibility for Social Security benefits; expand benefit amounts; and include farm, domestic, and self-employed workers other than farmers and professionals.
1951	Less restrictive Social Security integration guidelines are issued. The basic integration rate is 37.5%.
	The Wage Stabilization Board temporarily freezes wages and prices.
1952	The College Retirement Equity Fund is established as the first variable annuity fund.
1954	The Federal Employees Group Life Insurance Act provides life insurance and accidental death and dismemberment insurance to civilian officers and employees of the US government through private insurance companies.
	Social Security benefits are increased to a maximum of \$98.50, and coverage is extended to all self-employed workers except doctors, dentists, and other medical groups, and lawyers.
	The Longshoreman’s and Warehouseman’s Union obtains dental benefits as part of their contract.
	Blue Cross makes nursing home care coverage available in Massachusetts.

1955	Ford and the UAW establish supplemental unemployment benefits.
1956	<p>A vision care plan offered by California Vision Services is established in two California unions.</p> <hr/> <p>The Social Security Act is amended to make women eligible for reduced retirement benefits at age 62. Disability benefits are added for disabled workers age 50 and over.</p> <hr/> <p>Phantom stock plans are popularized by a nonqualified stock-oriented deferred bonus plan adopted by Koppers Company.</p> <hr/> <p>To prevent a takeover, a leveraged employee stock ownership plan (LESOP) is used to purchase Peninsula Newspapers of Palo Alto from its founder.</p>
1957	The first senior citizen hospital-surgical policy is issued on a group basis in Iowa by the Continental Casualty Company.
1958	<p>Congress enacts the Pension & Welfare Plan Disclosure Act, requiring the provisions, assets, and liabilities of pension and welfare plans to be made publicly available through filings with the Department of Labor.</p> <hr/> <p>Social Security benefits are increased again, to a maximum of \$116.</p> <hr/> <p>Congress establishes the current rules for tax-sheltered annuities although the Internal Revenue Code had allowed them since 1942.</p>
1959	<p>The first comprehensive group dental insurance plan is written for Dentists' Supply Company of New York by Continental Casualty Company.</p> <hr/> <p>Continental Casualty Company and Guardian Life Insurance Company write the first group policies covering nursing home care.</p>
1960	<p>In the 1960s, comprehensive major medical plans begin to replace more expensive base/major medical plans.</p> <hr/> <p>The beginning of rapid growth in long-term disability plans.</p> <hr/> <p>Social Security disability benefits are extended to all age groups.</p>
1961	Social Security is amended to enable men to be eligible for reduced retirement benefits at age 62.
1962	<p>Basic steel companies negotiate savings and vacation plans; followed later in the year by extended vacations in the can industry.</p> <hr/> <p>A long-range sharing plan is introduced in the Kaiser Steel/United Steel Workers negotiations. This plan measures productivity rather than profits, and shares gains among employees and the company.</p> <hr/> <p>The Self-Employed Retirement Act extends some of the advantages available in corporate retirement funds to the self-employed.</p> <hr/> <p>Congress amends the Internal Revenue Code to allow pension plans to provide medical benefits to retired employees and their dependents.</p>

1963	The Equal Pay Act protects men and women who do substantially equal work from sex-based wage discrimination.
1964	Settlement in the auto industry introduces supplemental early retirement benefits and survivors' income benefits, placing emphasis on family protection.
	Civil Service pensions are tied to cost-of-living increases.
	Qualified stock options are introduced in the federal tax law.
1965	In the mid-1960s, the trend toward managed care begins by introducing elements of "managing" care into indemnity plans.
	A report is issued by the Presidential Committee on Corporate Pensions, with specific recommendations for improvements in the basic soundness and equitable character of pension plans.
	The concept of flexible or "cafeteria" compensation first appears.
	Medicare is introduced through amendments to the Social Security Act. Also, Social Security retirement benefits are increased, providing benefits of up to \$132, and coverage is extended to interns and self-employed doctors.
1966	Accounting Principles Board Opinion No. 8 requires that pension expense be reported on a consistent basis from year to year and that certain disclosures be made in financial statements.
1967	Ford/UAW negotiations extend supplemental unemployment benefits to 50 weeks—essentially a guaranteed annual wage. The contract also provides a prescription drug plan, the first such plan on a nationally uniform basis. Limitations are placed on cost-of-living allowances.
	Social Security benefits are increased to a maximum of \$156, and additional benefits are made available under Medicare.
	The Age Discrimination in Employment Act (ADEA) becomes effective, protecting employees between ages 40 and 65.
	The University of Pennsylvania introduces group property and liability (including group auto) insurance for its faculty and staff.
1968	Firestone Tire and Rubber begins to self-fund health benefits.
1969	More restrictive Social Security integration guidelines are introduced. The basic integration rate is 30%.
	The Tax Reform Act modifies the tax treatment of lump-sum distributions from qualified pension and profit sharing plans. Seven-year averaging replaces capital gain treatment of future employer contributions. The Act also changes the method of taxing capital gains and provides a new limit on taxation of earned income. The 15% restriction imposed on voluntary employees' beneficiary associations (VEBAs) in 1942 is removed, opening the way to growth.
	Across-the-board increases in Social Security benefits of 15% are made effective January 1970, providing benefits up to \$190.
	The International Ladies Garment Workers Union adopts the first state-of-the-art, mail-order prescription drug benefit.

1970	In the 1970s, health maintenance organizations (HMOs) are introduced. These plans represent a complete shift from indemnity to managed care.
	General Motors/UAW contract further liberalizes early retirement benefits and restores unlimited cost-of-living wage adjustments.
1971	President Nixon freezes wages and salaries.
	Social Security benefits are increased 10%, up to \$213.
	The Internal Revenue Service makes significant changes in the rules governing the integration of qualified retirement plans with Social Security. The basic integration rate increases to 37.5%.
	General Laborers Local 229 and the Shreveport, LA Bar Association establish a formal prepaid legal plan in the modern sense. However, legal benefits can be traced back to insurance contracts written in 1907.
	Akzona, Amstar, J.C. Penney, and CBS receive shareholder approval for performance share plans.
	H.J. Heinz adopts the first performance unit plan.
	Studebaker-Worthington, Warner-Lambert, and others pioneer the idea of stock appreciation rights as an executive compensation tool.
1972	Increases are made in Social Security benefits amounting to 20% across the board, raising maximum benefits to \$259. Automatic cost-of-living increases in benefits and the wage base are provided beginning 1975.
	Medicare is extended to Social Security disability benefit recipients under age 65.
	The first variable life insurance policy is written by Aetna Variable Annuity Life Insurance Co. as part of a corporate pension program at Arkansas Neurological Clinic in Little Rock.
	APB 25 on accounting for stock issued to employees is published. It permits companies to award stock options to employees without an earnings charge.
1973	Congress passes the Health Maintenance Organization Act to assist in the expansion and establishment of HMOs.
1974	The Employee Retirement Income Security Act, the most sweeping overhaul of employee benefit rules in history, is signed by the President on September 2. The new rules, both tax and nontax in scope, will affect virtually every employee benefit plan. Individual retirement accounts (IRAs) are introduced.
	The first plan permitting the purchase of book value shares by employees of a large publicly-held company is adopted by Corning Glass Works; the idea, however, can be traced back to duPont and Carnegie Steel in the early 1900s.
	Education Testing Service and TRW Systems Group install the first flexible compensation plans.
1975	The Tax Reduction Act creates the tax credit employee stock ownership plan (TRASOP).

1976	<p>Restricted stock plans make a comeback and qualified plans fall from favor because of the Tax Reform Act.</p> <hr/> <p>The first chapter in concessionary (give-back) collective bargaining is written at Eastern Airlines.</p>
1977	<p>Congress amends Social Security to “decouple” the benefit formula beginning in 1979. Significant increases in both the tax rate and wage base are also adopted.</p>
1978	<p>President Carter introduces a voluntary federal program of wage and price restraints.</p> <hr/> <p>Sections 125 and 401(k) are added to the Internal Revenue Code to eliminate taxation when a nontaxable benefit is elected in a choice plan. Section 125 “cafeteria plans” allow choice between nontaxable benefits, taxable benefits, and cash. Section 401(k) plans allow cash or deferred profit sharing plans.</p> <hr/> <p>The Pregnancy Discrimination Act prohibits employers from treating pregnancy-related disabilities differently than other disabilities.</p> <hr/> <p>The US Supreme Court rules in <i>Los Angeles Department of Water & Power v. Manhart</i> that Title VII of the Civil Rights Act requires employers to treat employees as individuals not simply as components of a sexual class, i.e., the unisex concept.</p> <hr/> <p>Congress amends ADEA to prohibit differences in pay or benefits for most employees from age 40 to 70, with the exception of justified (age-based) differences in treatment by bonafide employee benefit plans.</p> <hr/> <p>The first physician preferred provider organization (PPO) is formed in Denver by fee-for-service doctors in independent practice.</p>
1980	<p>The 1980s bring another alternative to HMOs, the exclusive provider organization (EPO) plan.</p> <hr/> <p>The Multiemployer Pension Plans Amendments Act tightens multiemployer plan requirements.</p>
1981	<p>A divided US Supreme Court rules in <i>County of Washington v. Gunther</i> that Title VII sex-based wage discrimination claims are not limited to cases involving “equal work.”</p> <hr/> <p>The Economic Recovery Tax Act (ERTA) expands individual retirement account availability, adds dependent care assistance programs to the Internal Revenue Code, and creates the incentive stock option (ISO).</p> <hr/> <p>Raychem receives shareholder approval for the first ISO.</p> <hr/> <p>Hughes Aircraft institutes a two-tier wage plan at its missile factory in Tucson.</p>
1982	<p>The Tax Equity and Fiscal Responsibility Act (TEFRA) amends ERISA by reducing retirement benefit and contribution limits and makes other rules for group life insurance, medical plans, and incentive stock options.</p> <hr/> <p>Installation of Section 401(k) salary reduction plans surges, with Honeywell, FMC, and Quaker Oats among the early sponsors.</p> <hr/> <p>The Village Voice Newspaper becomes the first private business to offer health benefits to the unmarried domestic partners of employees.</p>

1983	<p>Social Security amendments raise the minimum retirement age to 67 for future retirees, delay cost-of-living increases, and substantially increase taxes. Federal employees hired after 1983 are brought into the system.</p> <hr/> <p>The federal government introduces the diagnosis-related group (DRG) concept for hospital reimbursement under the Medicare program.</p>
1984	<p>The Deficit Reduction Act is signed into law to increase federal revenue and help reduce the deficit. The Act affects VEBAs, flexible compensation plans, 401(k) plans, and other types of employee benefit plans.</p>
1985	<p>The Financial Accounting Standards Board issues two statements (87 and 88) affecting accounting for single-employer pension plans by standardizing the accounting for, and disclosure of, pension plan information.</p> <hr/> <p>California-based BankAmerica establishes the first cash balance pension plan.</p> <hr/> <p>The Consolidated Omnibus Budget Reconciliation Act (COBRA) mandates a new termination policy for defined benefit pension plans, increases annual, per-participant PBGC premiums for single-employer plans, and provides for continuation of group health coverage to certain beneficiaries, terminated employees, and employees with reduced hours.</p>
1986	<p>The Tax Reform Act makes dramatic changes in employee benefits intended to produce more comparable employee benefit coverage between high- and low-paid employees through tighter nondiscrimination rules.</p> <hr/> <p>The President signs the Federal Employees' Retirement System Act establishing a new retirement system coordinated with Social Security for federal employees hired after 1983.</p> <hr/> <p>Amendments to the Age Discrimination in Employment Act extend and expand job protection and employee benefit security for older workers. Mandatory retirement at any age is eliminated and accrual rules for retirement plans are changed.</p> <hr/> <p>Congress approves sanctions and fines for employers who hire illegal aliens.</p>
1987	<p>The first employer-sponsored, group long-term nursing care insurance program is offered to retired employees and spouses of the state of Alaska.</p> <hr/> <p>OBRA changes the funding rules for under- and overfunded pension plans and increases PBGC premiums.</p>
1990	<p>Point-of-service (POS) plans are introduced in the 1990s as a compromise between managed care and indemnity plans.</p> <hr/> <p>The Older Workers Benefit Protection Act amends ADEA to prohibit employers from denying benefits to older workers. Employers may reduce benefits based on age but only if the cost of the reduced benefit is the same as the cost of benefits for younger workers.</p> <hr/> <p>Congress approves the Americans With Disabilities Act (ADA) prohibiting most employers from discriminating against qualified individuals with disabilities in job application procedures, hiring, firing, advancement, compensation, job training, and other terms and conditions of employment.</p> <hr/> <p>Financial Accounting Standards Board issues statement 106 on accounting for postretirement benefits other than pensions.</p>

1991	Starbucks becomes the first privately-held US company to offer a stock option program to all eligible full-time and part-time employees.
1992	Congress imposes a 20% mandatory withholding tax on lump-sum 401(k) distributions that are not rolled over into another qualified retirement plan. The SEC adopts extensive revisions to rules governing the disclosure of executive compensation in proxy statements and other filings.
1993	Congress passes The Family and Medical Leave Act entitling eligible employees to take up to 12 weeks of unpaid, job-protected leave in a 12-month period for certain family and medical reasons. The Revenue Reconciliation Act denies public corporations a deduction for compensation in excess of \$1,000,000 per year to a covered person unless the compensation is awarded pursuant to a performance-based plan. The Act also raises income taxes on Social Security benefits for better-off retirees and eliminates the cap on income subject to the Medicare hospital insurance tax.
1994	The Uniformed Service Employment and Reemployment Rights Act requires employers to reinstate or continue health care coverage for employees who leave work to perform military service.
1995	The Financial Accounting Standards Board issues statement 123 on accounting for stock compensation. The initial purpose of the statement was to introduce expensing of stock options, but stiff opposition forced a compromise. Companies could voluntarily expense options or continue to apply APB 25.
1996	Congress approves the Health Insurance Portability and Accountability Act setting nondiscrimination and portability standards for individual health insurance coverage, HMOs, and health plans. HIPAA also establishes tax-favored treatment for long-term care insurance. Congress approves and the President signs the Mental Health Parity Act, which prevents group health plans from placing limits on mental health benefits that are lower, or less favorable, than limits for medical or surgical benefits.
1997	Archer medical savings accounts make their debut to help eligible persons pay for certain medical expenses with tax-free dollars.
1998	An IRS revenue ruling gives the okay for automatic enrollments into 401(k) plans for newly eligible employees.
1999	Congress adds Part C to the Medicare program to give beneficiaries new benefit options. The new options are referred to as Medicare+Choice.
Late 1990s	Payroll cards make their debut allowing employers to electronically credit pay to special employee debit accounts.
2000	Congress repeals rules limiting the earnings for Social Security recipients between the ages of 65 and 69.
2001	The Economic Growth and Tax Relief Reconciliation Act makes many changes in 401(k) plans, including higher annual deferral limits and faster vesting of employer matching contributions. It also opens the door to Roth 401(k) accounts.

2002 Congress approves corporate governance legislation. The legislation forbids personal loans to directors and executive officers and includes two major provisions affecting 401(k) plans, both involving blackout periods.

2003 The first ever federal privacy standards to protect patients' medical records and other health information take effect.

The Medicare Prescription Drug, Improvement and Modernization Act is signed into law. The act makes some far-reaching changes, including creating health savings accounts (HSAs) and adding a prescription drug benefit that will be effective January 1, 2006.

FASB statement 132r revises disclosure rules for employer-sponsored pensions and other postretirement benefit plans.

The Treasury Department releases final regulations interpreting the golden parachute tax rules.

The SEC approves new NYSE and Nasdaq rules requiring shareholder approval of equity compensation plans, including stock option plans. Shareholder approval will also be required for repricings and material plan changes.

2004 The Equal Employment Opportunity Commission approves a regulation allowing employers to coordinate retiree health benefits with eligibility for Medicare or a comparable state health benefits program. The regulation reverses a 2000 court decision that held it is a violation of ADEA to provide lesser retiree medical benefits to Medicare-eligible retirees compared to pre-65 retirees. The regulation is currently under litigation.

Congress changes the rules governing nonqualified deferred compensation plans by imposing distribution and funding restrictions.

The Bankruptcy Abuse Prevention, Consumer Protection Act adds further protection for IRAs and employee retirement plan assets.

Congress provides pension plan funding relief by temporarily replacing the 30-year Treasury rate for some pension plan calculations.

The SEC releases new Form 8K disclosure rules that affect employment and other compensatory agreements with executive officers.

The Financial Accounting Standards Board mandates that, beginning in 2005, companies will have to show the fair value of their stock option awards on their income statements.

Juniper Networks Inc. makes its CEO's bonus dependent on the company's "entry into new businesses by means of acquisitions." Compensation experts say this effort to encourage growth is a first; no one can recall a similar bonus provision.

2005 In a first of its kind move, 12 Nortel Networks executives will repay bonuses and restricted stock payouts granted and paid based on manipulated financial statements.