



Who Has a Pension?

Just the Facts

State and local pension plans in the United States are an economic force. These plans hold \$2.6 trillion in assets and serve 14.4 million active employees. They pay out some \$162.7 billion in pension benefits each year to some 7.5 million retirees.

The data in this fact sheet were taken from a larger “Public Pension Resource Guide.” This guide was developed to provide readers with facts and data on the important role that public pensions play in our economy—for employee and retirees, public employers, and taxpayers alike.

“Public Pension Basics” presents key facts about how pensions work—how benefits are earned, how pensions are funded, and how investment decisions are made. It also provides data on the number of Americans who rely on pensions for their retirement security.

“Why Pensions Matter” discusses the characteristics of pension plans that make them attractive to employees, employers, taxpayers, and the broader economy.

“Strong Public Pensions for Today and Tomorrow” identifies practices that can enhance the long-term sustainability of public pension plans, specifically through the integration of funding, investment, and benefit policies.

The full guide is available at
www.nirsonline.org.

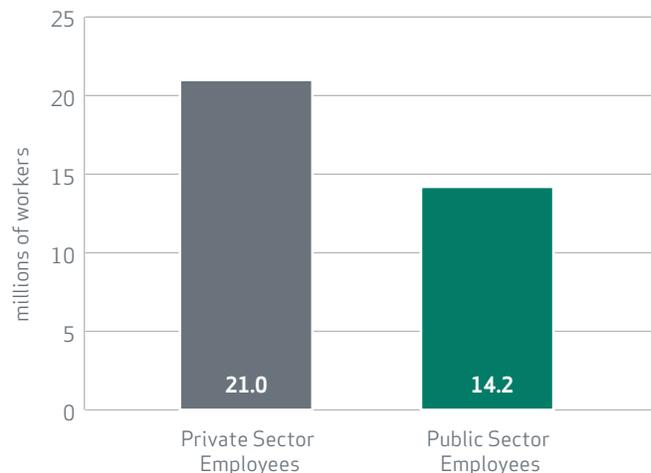
DB pensions provide a critical source of reliable income for many Americans, and go a long way in ensuring that middle-class Americans are able to maintain their middle-class status in retirement.

How Many Americans Rely on Pensions?

Of the 31.6 million older American households in 2006, about half had income from a DB pension plan. Of older households with pension income, 9.4 million had pension income from a private sector job, 3.9 million had pension income from a public sector job, and 1.7 million households had both public and private sector pension income.

Among U.S. workers with a DB pension plan, there are currently more private sector employees with pensions than public sector employees. In 2007, 21.0 million private-sector American workers had a workplace DB pension plan, while state and local pension plans served 14.2 million workers.

Active U.S. Workers With a DB Pension Plan, 2007



When looked at as a share of the workforce, the public sector compares favorably. In 2005, among those with a workplace retirement plan, 98% of public sector employees had a DB pension, as compared with just 33% of private sector workers.

In the private sector, those workers who are unionized, working for large firms, and/or full-time employees are in general more likely to have DB pension coverage than those who are nonunionized, working for small firms, and/or working part-time.

Among demographic groups, white men are still more likely to have DB pension income than women and members of racial and ethnic minority groups. However, when racial/ethnic minorities and women do have a pension, their pension income plays a unique role in shrinking gender and racial/ethnic income gaps in retirement.

How Much Pension Income Do People Usually Receive?

Although pension income goes a long way in ensuring Americans middle-class status in retirement, it tends to be relatively modest. Among Americans aged 60 and older, in 2006 the average pension benefit was \$15,784 per year, and the median benefit was \$11,467 per year.

The median amount of public pension income was \$20,947, while the median amount of private pension income was \$8,739. This may be because public employees, unlike private sector workers, contribute to their pensions. Also, public sector workers tend to have longer job tenures than those in the private sector, which can lead to higher pension income. Finally, benefits may be greater to compensate for lack of Social Security coverage in the public sector.

What Have Been the Pension Trends over Time?

Over the past 25 years, traditional pension coverage has been on the decline in the private sector. In 1975, of employees with a retirement plan at work, 88% of private sector workers were covered by a DB pension plan; by 2005, that number dropped to just 33%.

There are several reasons for the decline in private-sector DB participation. Firstly, it seems that many employers may not realize just how highly their employees value pensions. If employers believe that employees do not value DB pensions, they may not see a good enough reason to continue to offer such a plan.

Secondly, the private sector has seen significant regulatory changes to single-employer DB plans in the past few decades, which have had the unintended effect of making the DB plan less attractive to many employers.

Thirdly, industry shifts and technological changes in the private sector over the past several decades may have contributed to the decline in DB coverage as well. As unionized industries such as manufacturing have declined, newer industries have sprung up, such as information technology, which tends to employ nonunion and shorter-tenured employees. These new industries have not taken up DB pension plans as much as the more established industries.

The public sector, by contrast, has been able to maintain DB coverage for the vast majority of its employees because each of the reasons for the private sector decline has little relevance to the public sector.