

EMPLOYER-SPONSORED PENSIONS

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This fact sheet focuses on private pensions, employers' shift from traditional defined benefit to defined contribution retirement plans, and employee participation in retirement plans.

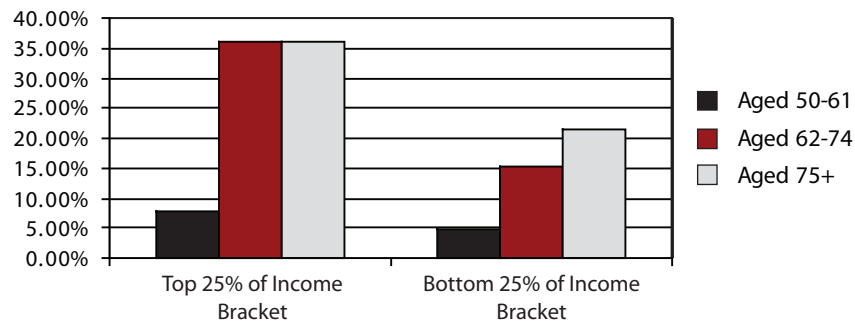
Question 1: How many workers have access to pension plans?

- "Among aging Baby Boomers (age 55-59), a significant percentage of workers have minimal savings, and 18% expect to have no access to retirement benefits (e.g. pension, 401(k), SEP) when they stop working. Among employees age 60-65, the percentage of workers having no access to retirement benefits drops somewhat to 14%." (MetLife, 2006: 6).
- According to the "A Work Filled Retirement" survey, "almost 60% of employees still working in their primary job are currently eligible through their employer for a retirement or pension plan, including 401(k)s." (Reynolds, Ridley, and Van Horn, 2005: 21).
- In 2002, 55% and 24.9% of all male workers age 45 to 64 and age 65 and above had pension plan coverage. At the same time, 51.7% and 26.2% of all female workers age 45 to 64 and age 65 and above had pension plan coverage. (US Census, 2005: 353).

Question 2: How much of total retirement income is accounted for by pensions?

- According to the "A Work-Filled Retirement" survey, "4 in 10 workers believe their principle source of retirement income will come from employer-sponsored pensions or 401(k) plans. Twenty-two percent believe their own personal savings will be their main income source, with Social Security the third most cited primary retirement income source (14%)." (Reynolds et al., 2005: 18).

Figure 1: Percentage of Persons Receiving Pension Income In 2000



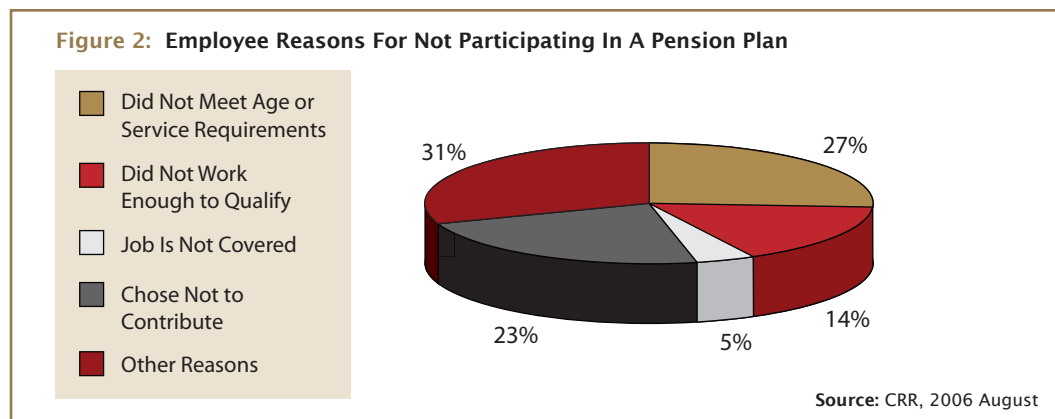
Source: AARP, 2002.

Question 3: What types of pension plans are available to workers?

- “In 2004, 11% of workers had defined benefit only pension coverage, 61% of workers had defined contribution only pension coverage, and 28% of workers had both types of coverage.” (Center for Retirement Research, 2006b: 5).
- “Between 1984 (the first year separate data are available for 401(k) plans [in the Current Population Survey]) and 2004, all dimensions of 401(k) plans – assets, benefits, participants and contributions – have increased from between 30 and 50 percent of total defined contribution plans to about 90 percent.” (Center for Retirement Research, 2006b: 4).
- The National Study of Employers, which surveyed workplaces with 50 or more employees, found that “employers in 2005 are less likely (41%) than those in 1998 (48%) to provide defined-benefit pension plans.” (Families and Work Institute, 2005: 26).
- “Men age 50 or older (45 percent) are more likely than women (35 percent) to indicate that they have a defined-benefits pension plan (or guaranteed-benefits pension plan) through work.” (Center on Aging and Work, 2005: 8).

Question 4: What proportion of workers participates in their employer-sponsored pension plans?

- In 2001, 26% of eligible workers were not participating in 401(k) plans. In 2004, that number had fallen to 21% of eligible workers. (Center for Retirement Research, 2006a: 3).
- In 2004, workers cited the following reasons for not participating in a pension plan: 27% of workers stated they did not meet age or service requirements, 14% of workers stated they do not work enough to qualify, 5% of workers stated their type of job is not covered, 23% of workers chose not to contribute, and 30% of workers cited other reasons. (Center for Retirement Research, 2006b: 3).



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