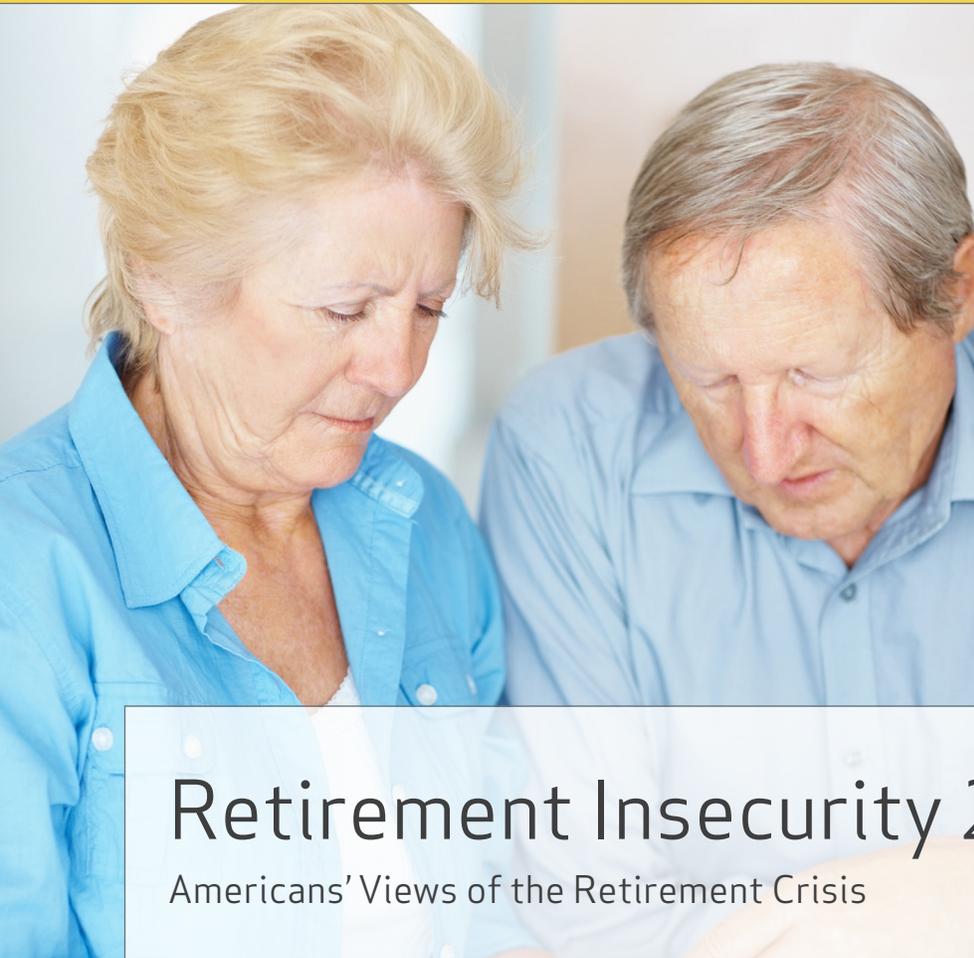




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Retirement Insecurity 2019

Americans' Views of the Retirement Crisis

By Diane Oakley and Kelly Kenneally

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Diane Oakley served as the executive director of the National Institute on Retirement Security from 2010 until 2019, leading the organization's research and education initiatives. Before joining NIRS, Ms. Oakley worked on Capitol Hill where she played a key staff role in formulating legislative strategy on pension, tax, Social Security, financial services and workforce issues. Ms. Oakley held leadership positions with TIAA, a leading financial services provider. During her 28-year tenure with the organization, she held several management, public policy and technical positions. She holds a B.S. in Mathematics from Fairfield University and an M.B.A. in Finance from Fordham University. She is a member of the National Academy of Social Insurance.

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NIRS ASKED AMERICANS:

In your own words, what does a secure retirement mean to you?

There is no such thing as a secure retirement.



Changes to the U.S. retirement system during the past several decades have put retirement in peril for most working Americans. When all working individuals are considered, the typical American has zero dollars saved for retirement. Among workers who have managed to accumulate savings in a retirement account, that typical account balance is only about \$40,000. And even when accounting for an individual's entire net worth—considered a generous measure of retirement savings—more than three-fourths (77 percent) of Americans fall short of conservative retirement savings targets for their age and income based on working until age 67.¹

This massive retirement savings shortfall can be attributed to a decades-long degradation of our nation's retirement infrastructure. Most of the workforce lacks an employer-sponsored retirement plan, fewer workers have stable and secure defined benefit (DB) pensions, while 401(k)-style defined contribution (DC) individual accounts provide less savings and protections. Also, increases to the Social Security retirement age translate into income cuts for retirees.

According to the U.S. Government Accountability Office (GAO), private sector employers since the 1980s have moved away from offering traditional pensions that provide workers with a guaranteed, monthly income stream that cannot be outlived and offer professional asset management.² Instead, private sector employers have shifted from pensions to individual accounts like 401(k) plans, if they offer employees any retirement plan at all.

With 401(k) plans, the risks and the bulk of the funding burden fall squarely on individual employees, who tend to have difficulty contributing enough on their own to accumulate sufficient savings for retirement. Employees typically also lack the requisite investment expertise, while many also find it challenging once retired to calculate precisely how to spend down their retirement savings in an optimal manner so that their nest egg lasts as long as they live.³

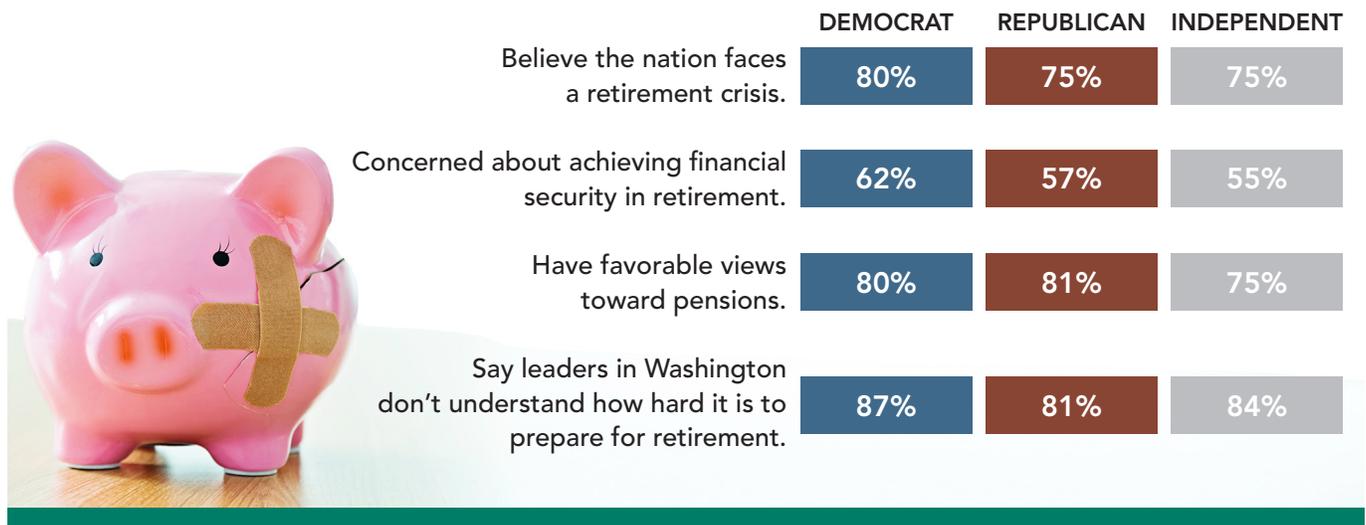
Meanwhile, retiring Baby Boomers are feeling the financial sting of changes to Social Security implemented in 1983 that are gradually raising the full retirement age to 67. This means that workers turning 62 in 2019 face increasing reductions in Social Security benefits if they start receiving benefits before their normal retirement age. For example, starting benefits at age 62 results in receiving only 72.5 percent of the full benefit that would be payable at age 66 and a half. If a person born in 1957 waited until reaching age 65, he or she would receive 90 percent of the full benefit. Once fully phased in for Americans born in 1960 and later, the reduction in Social Security benefits for those choosing to draw benefits at age 62 will equal 30 percent less than the benefits at the full retirement age of 67. Despite these benefit cuts, the Social Security program remains in need of a longer-term financial fix. The program has resources to pay scheduled benefits until 2034, but after such time the program will have financing to pay only 79 percent of benefits.⁴

Against this troubling backdrop, the National Institute on Retirement Security (NIRS) conducted a survey of working age Americans to measure their sentiment on a range of retirement issues.

The key research findings are as follows:

1. **In overwhelming numbers, Americans are worried about their ability to attain and sustain financial security in their older years.** Three-fourths of Americans say the nation faces a retirement crisis. Some 70 percent say the average worker cannot save enough on their own to guarantee a secure retirement. And 65 percent say it's likely they will have to work past retirement age to have enough money to retire.
2. **Even as the nation remains deeply politically polarized, Americans are united in their sentiment about retirement issues.** Democrats (80 percent), Republicans (75 percent) and Independents (75 percent) agree that the nation faces a retirement crisis. Across party lines, Americans have highly favorable views toward pensions (Democrats at 80 percent, Republicans at 81 and Independents at 75 percent). Despite party affiliation, Americans agree that leaders in Washington don't understand how hard it is to prepare for retirement (Democrats at 87 percent, Republicans at 81 percent and Independents at 84 percent).
3. **Americans continue to see government as playing an important role in helping workers prepare for retirement, but lawmakers in Washington, D.C. just don't get it.** And the recent tax cut has not helped. Some 84 percent say leaders in Washington have no idea how hard it is for American workers to prepare for retirement. More than half agree that government needs to increase Social Security contributions from both employers and workers. Few Americans (34 percent) see the new tax law as improving their retirement prospects.
4. **In contrast to the sentiment about Washington, D.C., efforts by state lawmakers to expand access to retirement accounts for all workers is widely supported by Americans.** Americans overwhelmingly agree (71 percent) that state-based retirement plans are a good idea, and 74 percent of Americans say they would participate in state-based retirement plans. Americans view many key features of state-based retirement plans as highly favorable, especially portability (90 percent), monthly checks (90 percent) and higher returns (86 percent).

Americans are united in their sentiment about retirement.



5. **Americans are highly positive on the role of pensions in providing retirement security and see these retirement plans as better than 401(k) plans.** More than three-fourths of Americans have a favorable view of defined benefit pensions. Some 64 percent say pensions are better than 401(k) accounts in terms of ensuring retirement security. And, 77 percent say those with pensions are likely to feel more comfortable retiring than those relying on individual savings.
6. **There is strong support for pension plans for state and local workers, and Americans see these retirement plans as a tool to recruit and retain public workers.** Some 82 percent say police officers & fire fighters deserve a pension because they have risky jobs, while 74 percent say teachers deserve pensions to compensate for low pay.

The overwhelming majority (79 percent) say all workers, not just state and local workers, should have a pension. Some 83 percent say pensions are a good way to recruit state and local workers.

7. **Millennials are the most concerned about financial security in retirement and are more willing than other generations to save more.** Millennials are the most pessimistic (72 percent) generation about achieving financial security in retirement. Millennials are the generation most likely to believe they will have to work past normal retirement age (77 percent) to have a secure retirement. More than half of Millennials are willing to save five percent or more to help ensure a financially secure retirement, which is more than double the response for that level of savings from Boomers and GenX.

I. IN OVERWHELMING NUMBERS, AMERICANS ARE WORRIED ABOUT THEIR ABILITY TO ATTAIN AND SUSTAIN FINANCIAL SECURITY IN THEIR OLDER YEARS

NIRS ASKED AMERICANS:

In your own words, what does a secure retirement mean to you?

Having funds available for every day expenses, medical expenses and things that come up such as home repairs that we wouldn't have to dip into savings. Being sure that we have good coverage for medical expenses including dental and vision and prescription drugs.



The data are clear that the nation is far off-track when it comes to preparing for retirement. When all working individuals are included—not just individuals with retirement accounts—the median retirement account balance is \$0 among all working individuals. Even among workers who have accumulated savings in retirement accounts, the typical worker had a modest account balance of \$40,000. Furthermore, some 68 percent of individuals age 55 to 64 have retirement savings equal to less than one times their annual income, which is far below what they will need to maintain their standard of living over their expected years in retirement.⁵

The survey results reveal that workers indeed understand that our retirement infrastructure is broken, and that the vast majority of Americans just are not able to save enough to achieve financial security in retirement. A full three-fourths of working age Americans say that the nation faces a retirement crisis (Figure 1).

And, nearly three out of five of Americans (58 percent) believe that they will not be able to achieve financial security in their golden years (Figure 2).

Figure 1: Three-fourths of Americans say the nation faces a retirement crisis.

To what extent you agree or disagree with the following statement: America is facing a retirement crisis.

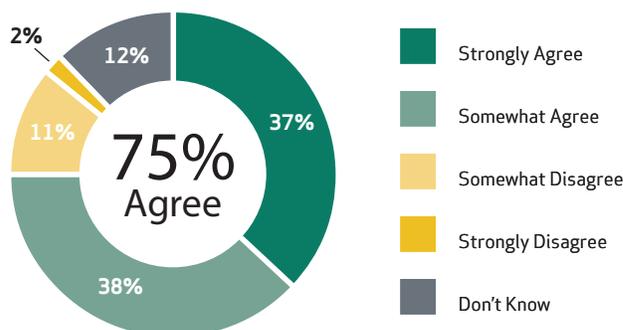
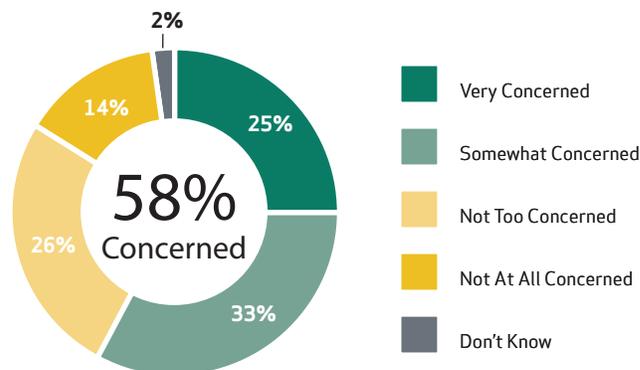


Figure 2: The majority of Americans believe they can't achieve financial security in retirement.

How concerned are you that you won't be able to achieve a financially secure retirement?



The shift from employer pensions to individual 401(k) accounts has put the weight of preparing for retirement squarely on the shoulders of workers. But Americans believe that preparing for retirement isn't something they are prepared to manage on their own, with a full 70 percent saying that the average worker cannot save enough on their own to guarantee a secure retirement (Figure 3).

A large majority of Americans see working longer and into their golden years as a necessity to help achieve some sense of financial security in their older years. Some 65 percent say it is likely they will have to work past retirement age to have enough money to retire (Figure 4).

Workers do not see any relief in sight when it comes to preparing for retirement. More than half say it is only getting harder (Figure 5).

Figure 3: 70% say the average worker cannot save enough on their own to guarantee a secure retirement.

To what extent you agree or disagree with the following statement: The average worker cannot save enough on their own to guarantee a secure retirement.

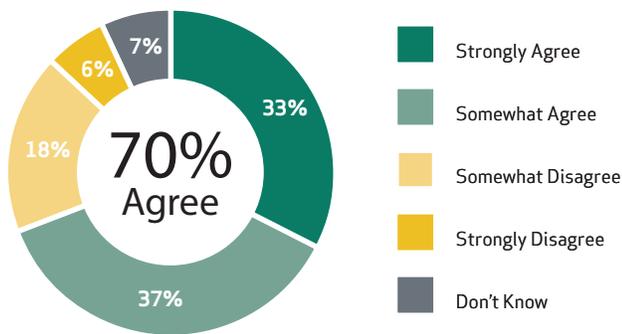


Figure 4: 65% say it's likely they will have to work past retirement age to have enough money to retire.

How likely is it that you will need to work past the normal retirement age to have enough money in retirement?

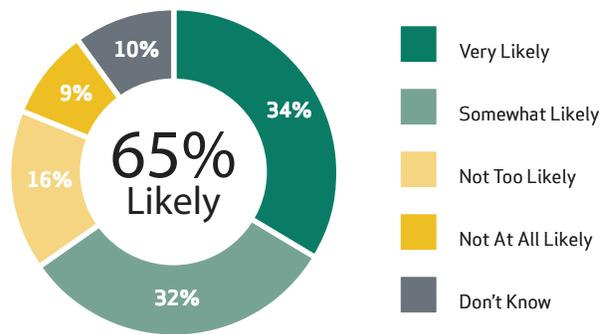
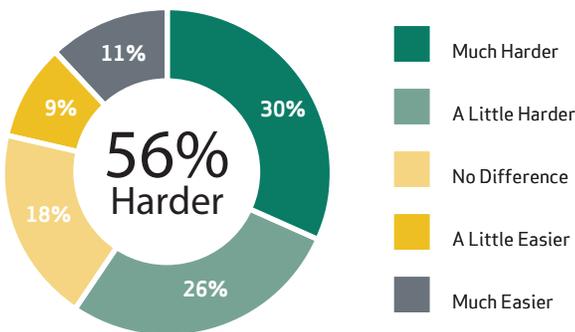


Figure 5: More than half of Americans say it's getting harder to prepare for retirement.

Do you feel that—compared to today—it will be easier or harder for Americans to prepare for retirement in the future, or will there be no difference?



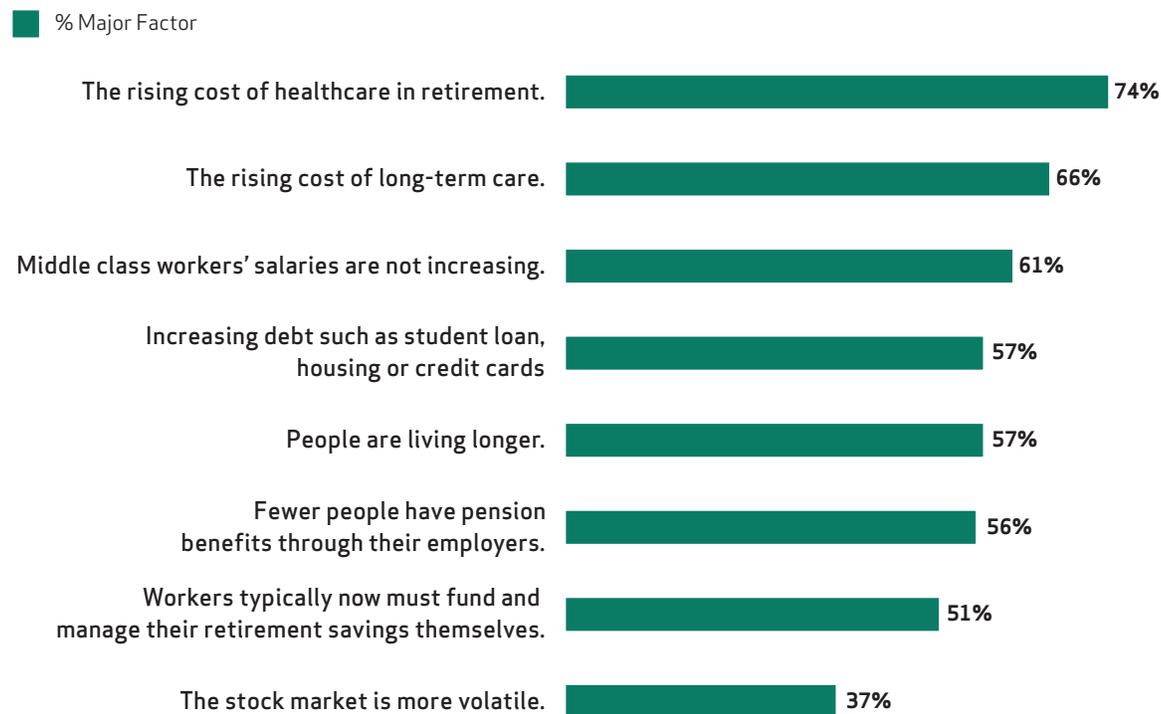
When asked about why preparing for retirement is more difficult, Americans point to several issues as major factors—the rising cost of healthcare and long-term care, stagnant salaries, increasing debt, fewer pensions and “do-it-yourself” retirement plans (Figure 6).

With the growing shift from pensions to 401(k) accounts, workers now must manage their retirement savings, develop an investment strategy, and decide how they spend down

(decumulate) their nest egg once retired. Navigating this decumulation stage is important because it drives whether or not a retiree will run the risk of running out of money when returning to work is a less feasible option. At a time when more and more retirees are responsible for managing retirement asset decumulation, nearly three-fourths say workers don’t have the financial skills to manage money in retirement (Figure 7). And equally worrisome is that 79 percent say retirees don’t know enough about investing to ensure retirement savings last through retirement (Figure 8).

Figure 6: Rising cost of healthcare and long-term care, stagnating salaries, increasing debt, fewer pensions, and DIY retirement are major factors making it harder to prepare for retirement.

To what extent of you feel each of the following issues are a factor in making it harder for Americans to prepare for retirement?



In terms of improving their retirement outlook, Americans firmly believe that their employers must be part of the solution by contributing more to workers' retirement. More than three-fourths (77 percent) say employers need to contribute more so Americans can have a secure retirement (Figure 9). While

workers also appear to gravitate back toward pensions and see guaranteed income as a solution to their retirement worries, about half would be willing to give up some of their retirement savings in order to purchase guaranteed income, perhaps through a costly annuity (Figure 10).

Figure 7: Nearly 3/4 say workers don't have the financial skills to manage money in retirement.

To what extent you agree or disagree with the following statement: Most workers don't have the financial skills to manage their money in retirement.

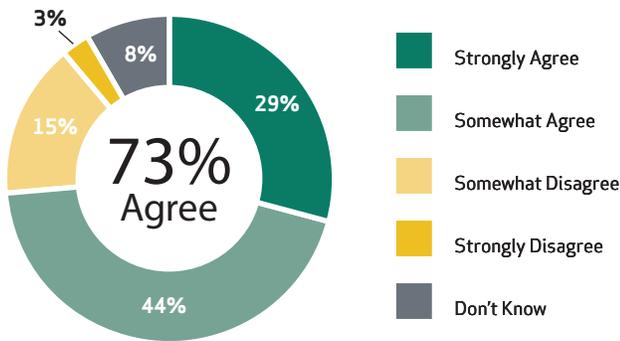


Figure 8: 79% say retirees don't know enough about investing to ensure retirement savings last through retirement.

To what extent you agree or disagree with the following statement: The average retiree does not know enough about managing investments to be able to make their retirement savings last.

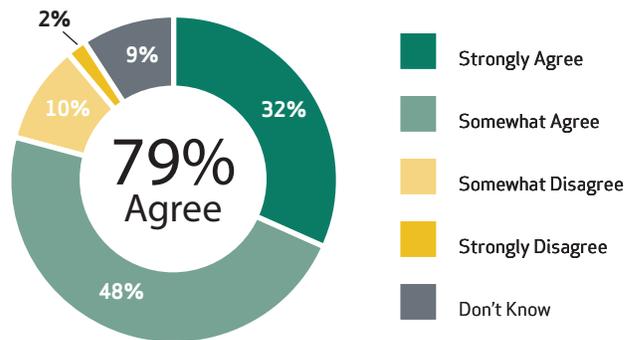


Figure 9: More than 3/4 say employers need to contribute more so Americans can have a secure retirement.

To what extent you agree or disagree with the following statement: Employers should contribute more money to workers' retirement plans to allow them to achieve a secure retirement.

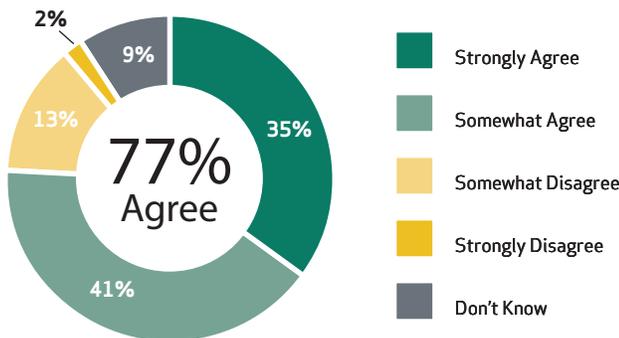
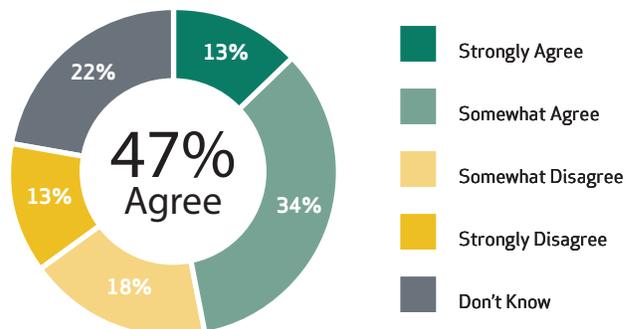


Figure 10: Nearly half are willing to sacrifice control of savings to buy guaranteed income in retirement and another 25% don't know.

To what extent you agree or disagree with the following statement: At retirement, I would be willing to use some retirement savings to buy guaranteed monthly income for as long as I live in exchange for giving up control over that portion of my retirement savings.

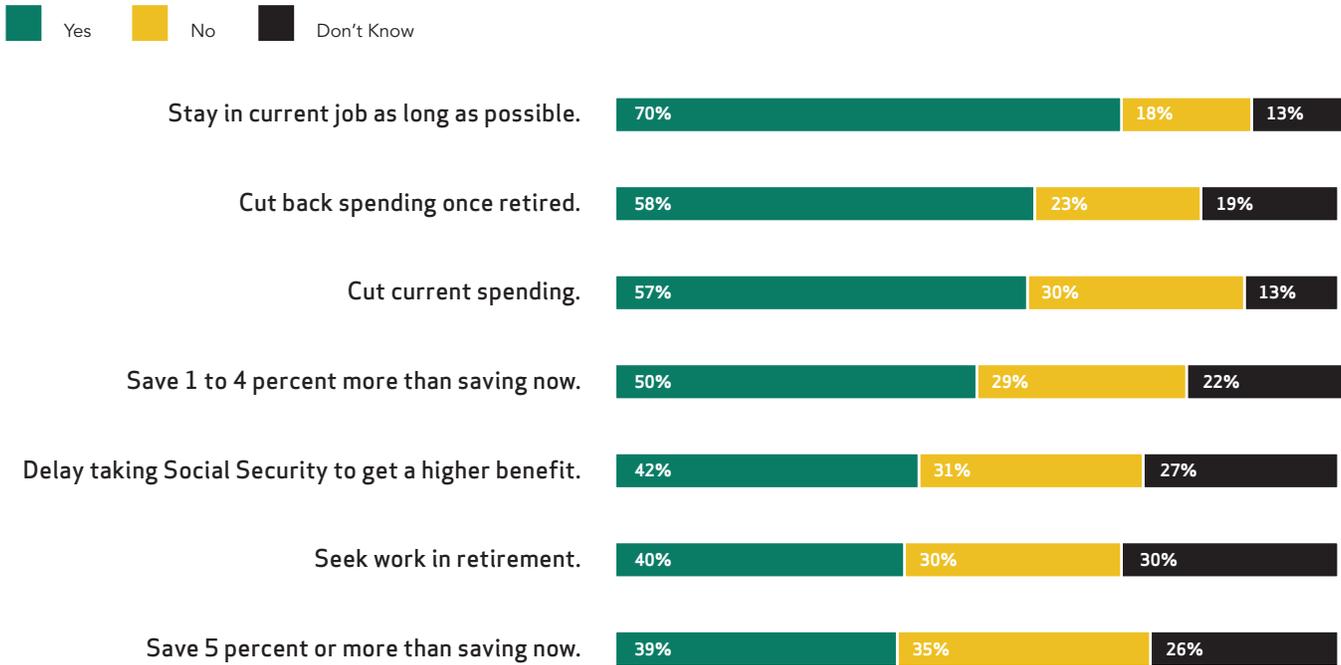


Americans told us that they plan to stay in their job as long as possible (70 percent), cut back on spending in retirement

(58 percent), seek work in retirement (57 percent), cut back current spending (57 percent) and save more (Figure 11).

Figure 11: Most Americans say they will work as long as possible or cut spending to be secure in retirement.

Which of the following, if any, do you plan to do to help ensure a financially secure retirement?



II. EVEN AS THE NATION REMAINS DEEPLY POLITICALLY POLARIZED, AMERICANS ARE UNITED IN THEIR SENTIMENT ABOUT RETIREMENT ISSUES

NIRS ASKED AMERICANS:

In your own words, what does a secure retirement mean to you?

To have enough money to live on, pay rent, pay utilities, buy food, buy clothing, pay other bills, buy gas for car. Have insurance.



The gulf between the views of Republicans and Democrats continues to widen and is one of the most important trends in American society in the past two decades. This trend is most evident in presidential job approval ratings, but also on issues such as immigration, gun control and climate change, among others.⁶

This is not the case, however, when it comes to retirement. Democrats, Republicans and Independents are aligned in their concern about achieving financial security in retirement. Some 62 percent of Democrats are concerned, with Republicans and Independents closely behind at 57 and 55 percent, respectively (Figure 12). Democrats, Republicans and Independents in overwhelming numbers agree that the nation faces a retirement crisis (Figure 13).

Figure 12: Democrats, Republicans and Independents are concerned that they can't achieve financial security in retirement.

How concerned are you that you won't be able to achieve a financially secure retirement?

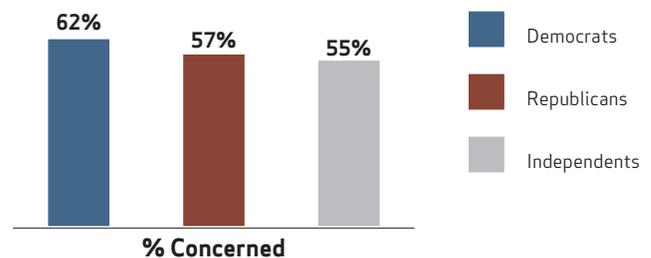
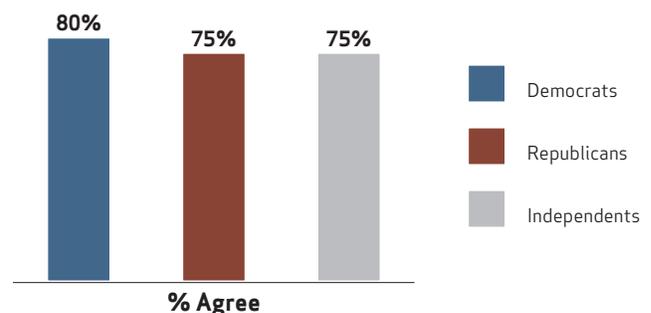


Figure 13: Democrats, Republicans and Independents agree that the nation faces a retirement crisis.

To what extent you agree or disagree with the following statement: America is facing a retirement crisis.



Americans also are united in their dismay with national leaders' ability to understand the retirement plight of workers. Some 87 percent of Democrats say that leaders in Washington just do not understand how hard it is to prepare for retirement, while 84 percent of Independents and 81 percent of Republicans share this sentiment (Figure 14). There also is strong agreement across party lines that American retirees don't know enough about managing investments to make their retirement savings last (Figure 15).

In the closing days of 2017, the Republican-controlled Congress enacted the Tax Cuts and Jobs Act that is considered the most significant reform of the U.S. tax code in more than 30 years. The law was touted by Republican lawmakers and President Trump as making reforms that would benefit the financial prospects of the middle class. However, few Americans see the tax overhaul as helping them to address retirement savings issues. Republicans are more likely to agree that tax reform made retirement easier, but less than half share the view

Figure 14: Across party lines, Americans agree that leaders in Washington don't understand how hard it is to prepare for retirement.

To what extent you agree or disagree with the following statement: Leaders in Washington do not understand how hard it is for workers to save enough for retirement.

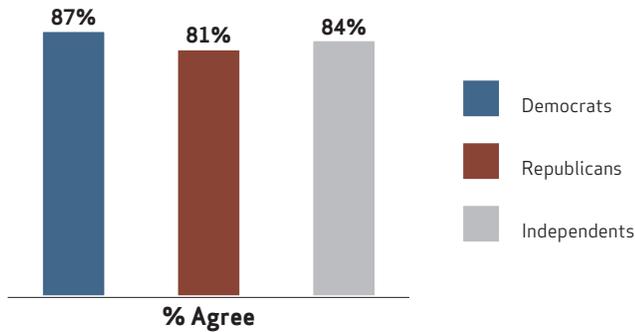


Figure 15: Across party lines, Americans agree retirees don't know enough about managing investments to make their retirement savings last.

To what extent you agree or disagree with the following statement: The average retiree does not know enough about managing investments to be able to make their retirement savings last.

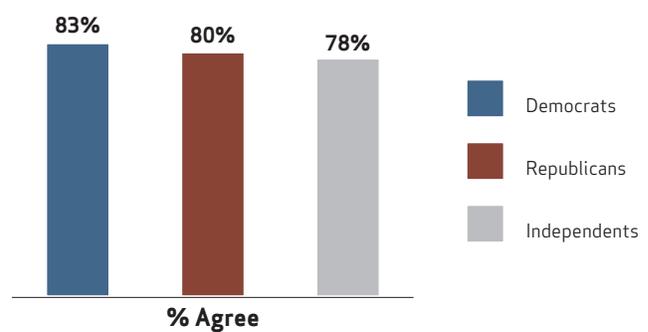


Figure 16: Most, especially Democrats, don't think the new tax law is helping them save for retirement.

To what extent you agree or disagree with the following statement: The new tax bill is making it easier for me to save for retirement.

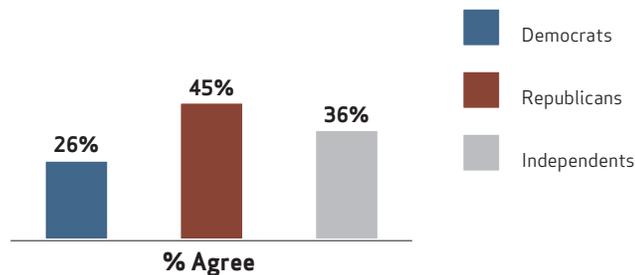
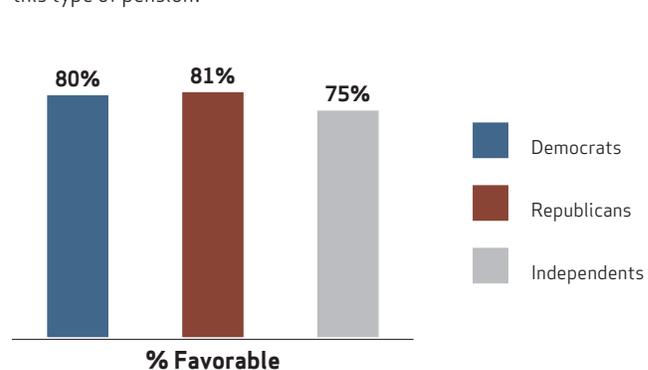


Figure 17: Across party lines, Americans have highly favorable views about pensions.

"Traditional pension plans" refers to a retirement plan where you receive a regular monthly check in retirement where the payment amount is based on your salary at retirement and how many years you worked. This is sometimes called a defined benefit pension (DB) plan or a group retirement plan. How would you describe your overall view of this type of pension?



that the law will help them prepare for retirement. Only 26 percent of Democrats agree the tax law will help them save for retirement, along with 36 percent of Independents (Figure 16).

When it comes to retirement plans, Americans across party lines have highly positive views of pensions, retirement plans that provide guaranteed income and professional asset management. A full 81 percent of Republicans have highly favorable views about pensions, with Democrats at 80 percent and Independents at 75 percent (Figure 17). And they also agree in overwhelming numbers that those with pensions are

more likely to have a secure retirement (Figure 18). There also is alignment that pensions are better at helping Americans achieve a secure retirement in contrast to individual 401(k) accounts (Figure 19).

Across the political divide, Americans also see the value of pensions beyond providing reliable retirement income. Democrats (86 percent), Republicans (84 percent) and Independents (83 percent) see pensions as a valuable tool to recruit and retain public sector workers like teachers and public safety workers (Figure 20).

Figure 18: Across party lines and in overwhelming numbers Americans say those with pensions more likely to have a secure retirement.

To what extent you agree or disagree with the following statement: Americans with traditional pensions are more likely than those without pensions to have a secure retirement.

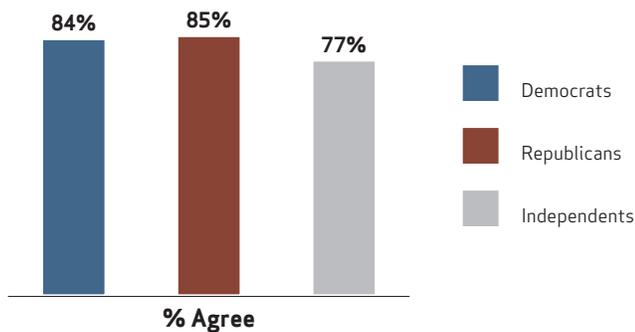


Figure 19: Across party lines, most Americans say that pensions do more than 401(k) accounts for achieving a secure retirement.

To what extent you agree or disagree with the following statement: Pensions do more to help workers achieve a secure retirement as compared to retirement savings plans such as 401(k)s.

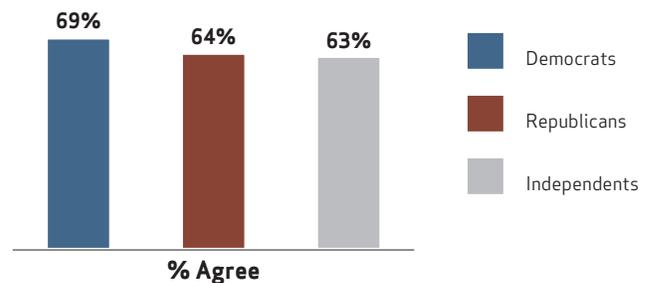
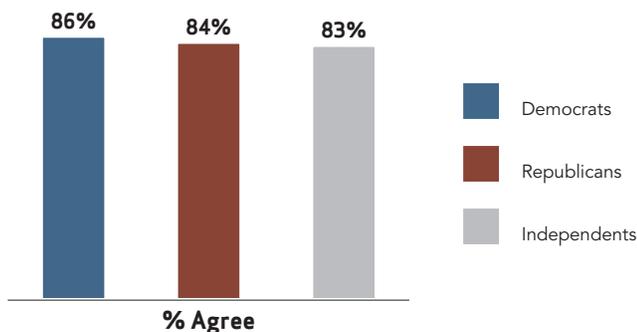


Figure 20: Across party lines, Americans overwhelmingly agree pensions help recruit and retain public workers like teachers, firefighters and police.

To what extent you agree or disagree with the following statement: Pensions are a good way to recruit and retain qualified teachers, police officers, and firefighters.



III. AMERICANS SEE GOVERNMENT PLAYING AN IMPORTANT ROLE IN HELPING WORKERS PREPARE FOR RETIREMENT, BUT LAWMAKERS IN WASHINGTON DON'T GET IT

NIRS ASKED AMERICANS:

In your own words, what does a secure retirement mean to you?

Living a simple comfortable life, with a small home, a small, good and functional car, and eat simply.



Congress remains mired in low approval ratings. Only 17 percent of Americans approve of the job Congress is doing. The low approval rating is about average for congressional approval for the past several years, but below the overall average of 30 percent since Gallup began tracking the public opinion regarding Congress in 1975.⁷

That dissatisfaction carries through to views on how lawmakers in Washington are doing—or not doing—to

help Americans prepare for retirement. Some 84 percent say leaders in Washington do not understand how hard it is for American workers to prepare for retirement, and 53 percent strongly agree (Figure 21).

Meanwhile, the overwhelming majority say that leaders need to step up and give a higher priority to helping Americans prepare for retirement. More than 80 percent agree and nearly half (46 percent) strongly agree (Figure 22).

Figure 21: **84% say leaders in Washington do not understand how hard it is for American workers to prepare for retirement.**

To what extent you agree or disagree with the following statement: Leaders in Washington do not understand how hard it is for workers to save enough for retirement.

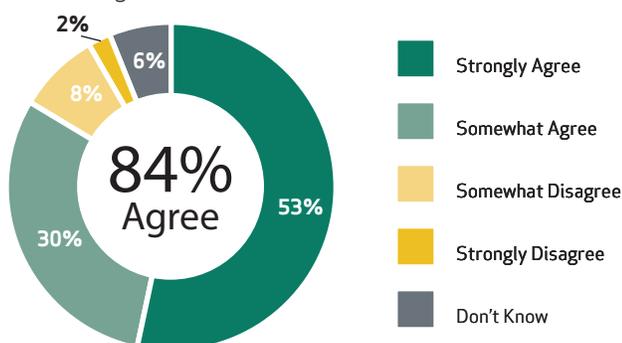
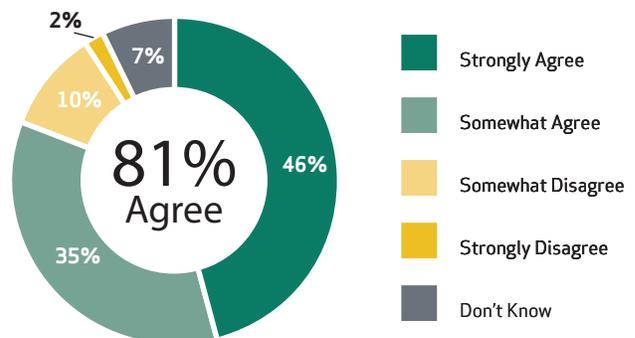


Figure 22: **81% say leaders in Washington need to give retirement a higher priority.**

To what extent you agree or disagree with the following statement: Leaders in Washington need to give a higher priority to ensuring more Americans can have a secure retirement.



And at a time when Washington is unable to devise a long-term Social Security fix and benefits continue to erode, Americans want lawmakers to shore up this program. More than half agree that the government needs to increase Social Security contributions from both employers and workers (**Figure 23**).

And Americans in overwhelming numbers say they want government leaders to find a way to bring pensions back into the mix. A full 80 percent say the government should make it easier for employers to offer traditional pensions (**Figure 24**).

Figure 23: More than half agree that the government needs to increase Social Security contributions from both employers and workers.

To what extent you agree or disagree with the following statement: To ensure that Social Security will be around for future generations, the government needs to increase the amount that workers and employers must contribute to Social Security.

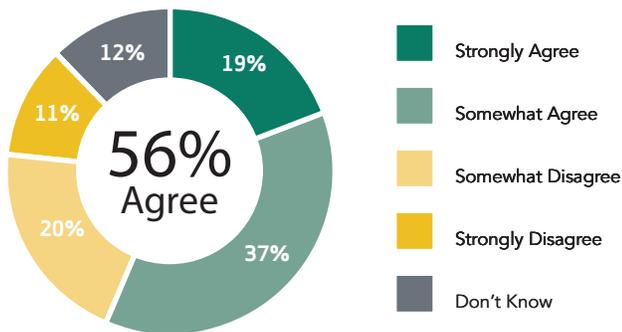
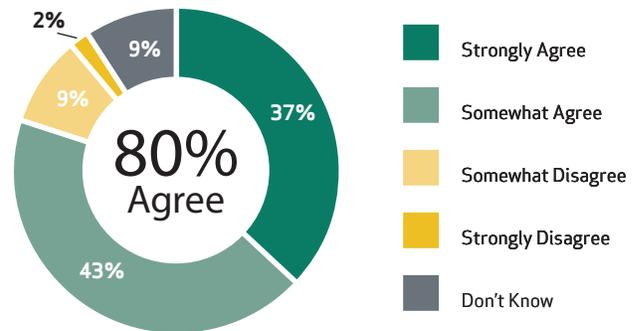


Figure 24: 80% say the government should make it easier for employers to offer traditional pensions.

To what extent you agree or disagree with the following statement: The government should make it easier for employers to offer traditional pension plans.



IV. IN CONTRAST TO THE SENTIMENT ABOUT WASHINGTON, D.C., EFFORTS BY STATE LAWMAKERS TO EXPAND ACCESS TO RETIREMENT ACCOUNTS FOR ALL WORKERS IS WIDELY SUPPORTED BY AMERICANS

NIRS ASKED AMERICANS:

In your own words, what does a secure retirement mean to you?

Having enough to live on, at or a little bit below my current standard of living without running out of money before death.



While Washington remains mired in low approval ratings, Americans are more optimistic about action at the state level to address the retirement crisis.

Indeed, states are quite active, especially when it comes to helping Americans working in the private sector who lack employer-sponsored retirement plans. In 2018, New York state joined the ten states that have enacted new state-based retirement savings programs for private sector workers who lack coverage through their employer. Additionally, 16 states and cities introduced legislation to establish new programs or form study groups in 2018. All totaled, 43 states have implemented such retirement savings programs, undertaken studies of program options or considered legislation to establish state-facilitated retirement savings programs.⁸

The most popular type of plan that states are enacting automatically enrolls workers in moderate risk, low cost retirement savings accounts. Private employers without

retirement plans must provide their employees with access to these retirement accounts through payroll deductions. The programs would be overseen and administered by the state, but investments are managed by private companies. Americans in states that offer these plans could access these retirement savings accounts when they retire.

Americans are overwhelmingly in favor of these new state-based plans. Some 71 percent of Americans agree that state-based retirement plans are a good idea (**Figure 25**). And, working-age Americans say they would be interested in participating in these plans (74 percent) (**Figure 26**).

These programs typically seek to offer key features that will be of value to workers. The features of these state-based plans that Americans rank as most appealing include benefits that are portable from job to job, a monthly retirement income, and higher investment returns (**Figure 27**).

Figure 25: Americans overwhelmingly agree that state-based retirement plans are a good idea.

Overall, do you think these state retirement plans are a...

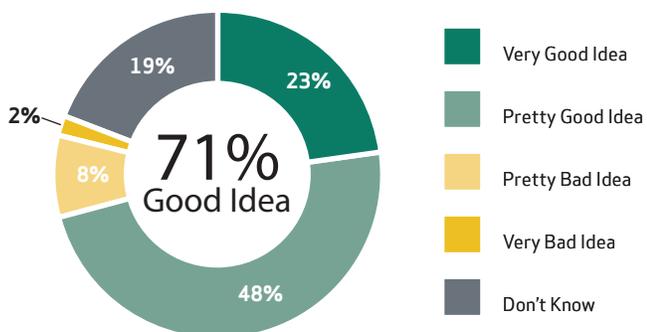


Figure 26: Nearly 3/4 of Americans would participate in state-based retirement plans.

Overall, based on the previous description, how likely do you think you would be to consider participating in this plan if it were available?

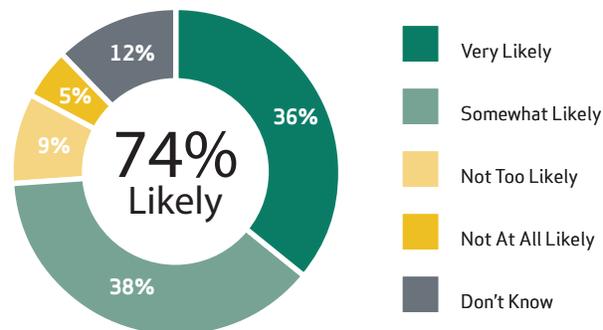
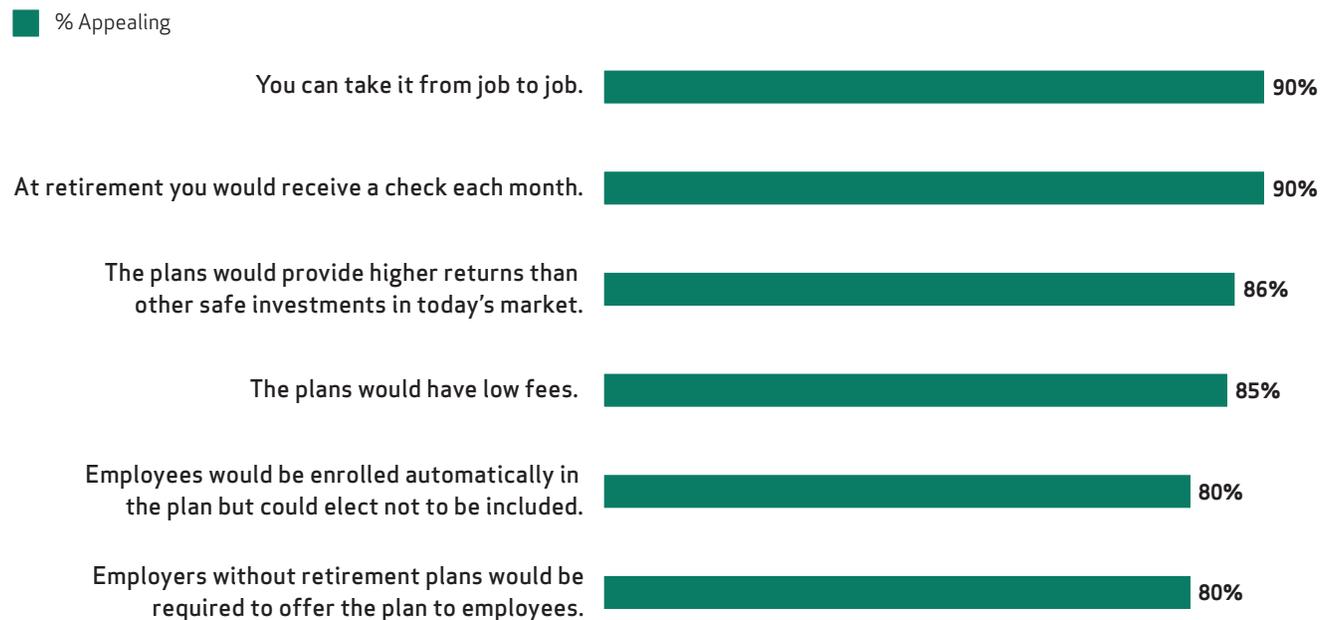


Figure 27: Americans find features of state-based retirement plans highly appealing, especially portability, monthly checks and higher returns.

How appealing are each of the following aspects of this new type of retirement plan?



V. AMERICANS ARE HIGHLY POSITIVE ON THE ROLE OF PENSIONS IN PROVIDING RETIREMENT SECURITY AND SEE THESE RETIREMENT PLANS AS BETTER THAN 401(K) PLANS

NIRS ASKED AMERICANS:

In your own words, what does a secure retirement mean to you?

A secure retirement means that I have saved enough that I hopefully won't have to work full time when I reach retirement age.



The evidence is clear that there is a substantial savings shortfall and Americans are deeply concerned about their financial security in retirement. Perhaps part of the worry can be attributed to fears of running out of money in retirement in an environment with fewer pensions and an increased reliance on individual DC accounts that can be depleted in retirement.

The volatility of Americans' individual retirement accounts has become increasingly apparent during the last decade. Assets in individual retirement accounts fell from a peak of \$9.3 trillion at the end of 2007 to \$7.2 trillion at the end of 2008.⁹ The economic downturn also reduced total

contributions to DC retirement accounts as employers stopped matching employee contributions in the wake of the financial crisis. Total contributions fell below the 2008 levels for the subsequent three years. While the combined value of 401(k) type accounts and Individual Retirement Accounts (IRAs) reached \$16.3 trillion by the end of 2018,¹⁰ this increase in retirement account assets did not translate to improved retirement security for the majority of American workers who have nothing saved.

In contrast, pensions are group plans that offer a monthly retirement benefit that lasts throughout retirement. This could

Figure 28: **More than 3/4 of Americans have a favorable view of defined benefit pensions.**

"Traditional pension plans" refers to a retirement plan where you receive a regular monthly check in retirement where the payment amount is based on your salary at retirement and how many years you worked. This is sometimes called a defined benefit pension (DB) plan or a group retirement plan. How would you describe your overall view of this type of pension?

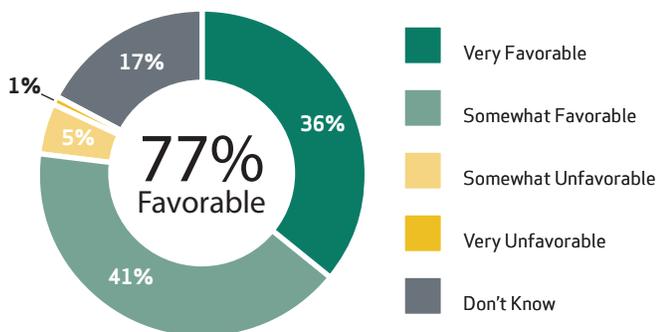
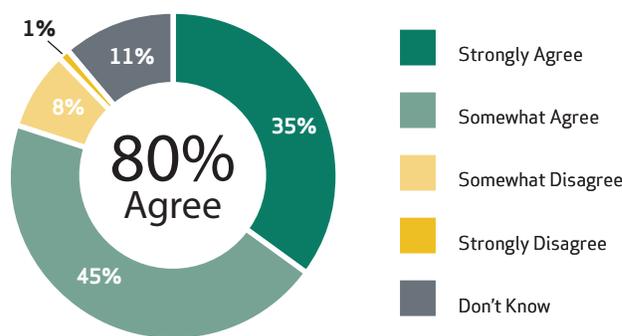


Figure 29: **Americans overwhelmingly agree that those with pensions are more likely to have a secure retirement.**

To what extent you agree or disagree with the following statement: Americans with traditional pensions are more likely than those without pensions to have a secure retirement.



explain why 77 percent of Americans have a favorable view of pensions (Figure 28) and why 80 percent of Americans agree that those with pensions are more likely to have a secure retirement (Figure 29). Also, 77 percent say those with pensions are more likely to feel comfortable retiring than those relying on individual savings (Figure 30).

Americans also see the value of pensions in terms of their role in ensuring American workers can be self-reliant and independent in retirement, rather than turning to families or government to help meet their basic needs (Figure 31). Also, nearly two-thirds of Americans say pensions are better than 401(k) accounts in terms of providing retirement security (64 percent) (Figure 32).

Figure 30: More than 3/4 say those with pensions are more likely to feel comfortable retiring than those relying on individual savings.

To what extent you agree or disagree with the following statement: Among people I know, those with a pension are more likely to feel more financially comfortable retiring than those relying on their own savings.

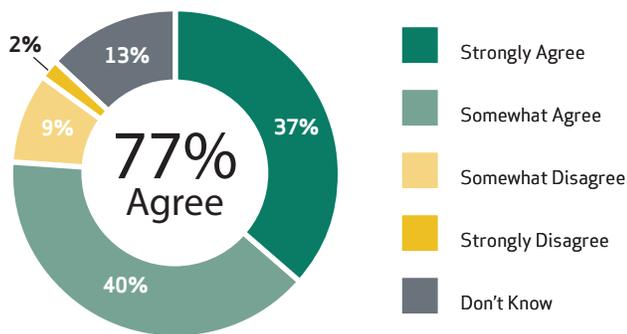


Figure 31: 3/4 say all American workers should have a pension plan in order to be self-reliant and independent in retirement.

To what extent you agree or disagree with the following statement: I believe that all workers should have access to a pension plan so they can be independent and self-reliant in retirement.

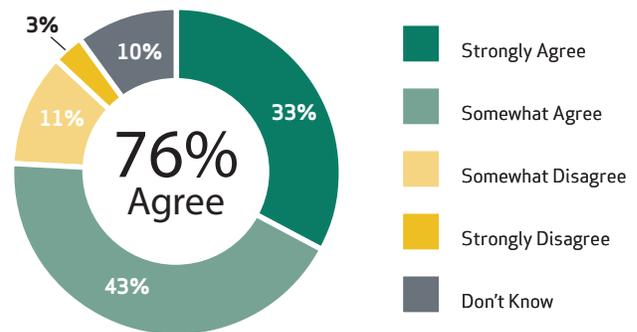
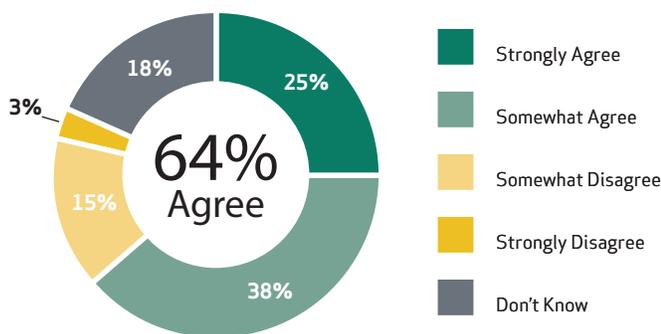


Figure 32: About 2/3 say pensions are better than 401(k) accounts in terms of ensuring retirement security.

To what extent you agree or disagree with the following statement: Pensions do more to help workers achieve a secure retirement as compared to retirement savings plans such as 401(k)s.



VI. THERE IS STRONG SUPPORT FOR PENSION PLANS FOR STATE AND LOCAL WORKERS, AND AMERICANS SEE THESE RETIREMENT PLANS AS A TOOL TO RECRUIT AND RETAIN PUBLIC WORKERS

NIRS ASKED AMERICANS:

In your own words, what does a secure retirement mean to you?

Being able to put a roof over my head, clothes on my back and food on the table.



Most public employees continue to receive pensions as their primary retirement benefit. In addition to providing retirement security for workers who often have lower salaries than their private sector counterparts, pensions also serve as a workforce management tool to recruit and retain workers.¹¹

In recent years, public employee pension benefits have remained in the headlines—from articles on teachers striking for better pay and maintaining benefits to news reports about possible legislative changes. At the same time, state and local governments continue to actively enact pension reforms designed to improve funding and recover the deep investment losses that all investors experienced in the years following the 2008 global financial crisis. Since 2009, every state has passed reforms to one or more of its pension plans. The changes took different forms throughout the country—from increasing employee contributions to raising retirement ages.¹²

Also, ideological organizations opposed to government programs continue to attack public retirement systems at the national and state levels. Some of these organizations are working to switch public employees from pensions to DC accounts even though this wholesale change has proven

to raise costs to taxpayers and dramatically worsen public pension funding levels while undermining the public sector work force.¹³

Against this backdrop, Americans were asked their views about public pensions. The data indicate that Americans express strong support for public employee pensions because some public employees have high-risk jobs or lower pay, the funding of the benefits is shared with employees, and pensions help recruit and retain skilled workers.

Specifically, nearly three-fourths of Americans say that state and local workers deserve a pension because they help pay for these retirement plans (**Figure 33**). Unlike private sector pensions, public employees make significant contributions to their pensions each pay period, and those employee contributions are rising in many jurisdictions.

In fact, the data suggest that Americans do not begrudge public employees for their benefits, but instead would like to receive similar retirement benefits. Some 79 percent say all workers, not just state and local workers, should have a pension (**Figure 34**).

Americans also see the value of pensions beyond providing retirement security. These retirement plans serve as a tool to attract and retain public workers, which is increasingly important in the public sector especially in a tight labor market and when state and local governments continue to face steep recruitment and retention challenges.¹⁴ The polling finds that some 83 percent agree that pensions are a good way to recruit and retain state and local workers (Figure 35).

Americans also see the value of providing these retirement benefits to public workers, including teachers, police officers and fire fighters. Nearly three-fourths say teachers deserve pensions to compensate for lower pay at a time when teacher strikes over education funding and pay persist into 2019 (Figure 36). And, an overwhelming majority of those polled (82 percent) say that police officers and fire fighters deserve a pension because they have risky jobs (Figure 37).

Figure 33: Nearly 3/4 say state and local workers deserve a pension because they help pay costs.

To what extent you agree or disagree with the following statement: State and local government employees deserve these retirement benefits because they help finance part of the cost, by contributing money out of every paycheck.

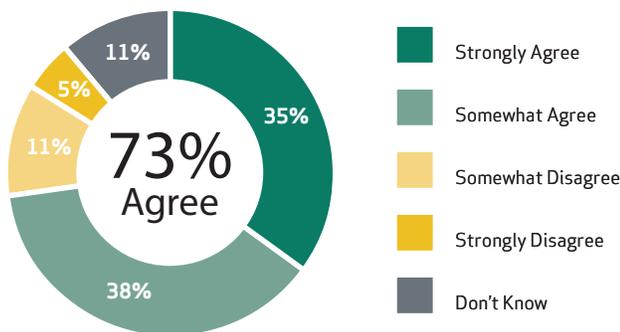


Figure 34: 79% say all workers, not just state and local workers, should have a pension.

To what extent you agree or disagree with the following statement: All workers, not just those employed by state and local governments, should have access to a pension.

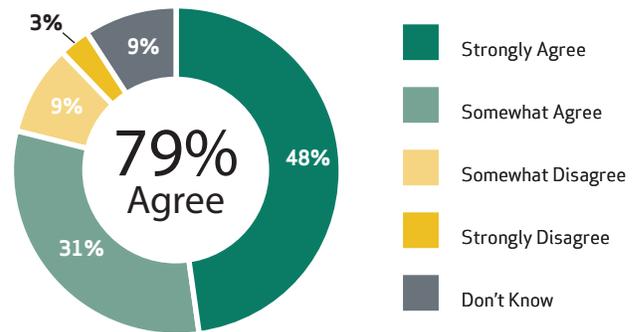


Figure 35: 83% say pensions are a good way to recruit state and local workers.

To what extent you agree or disagree with the following statement: Pensions are a good way to recruit and retain qualified teachers, police officers, and firefighters.

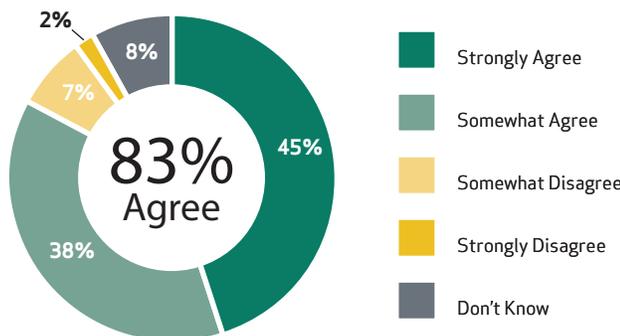


Figure 36: Nearly 3/4 say teachers deserve pensions to compensate for lower pay.

To what extent you agree or disagree with the following statement: Public schoolteachers deserve pensions to compensate for lower pay.

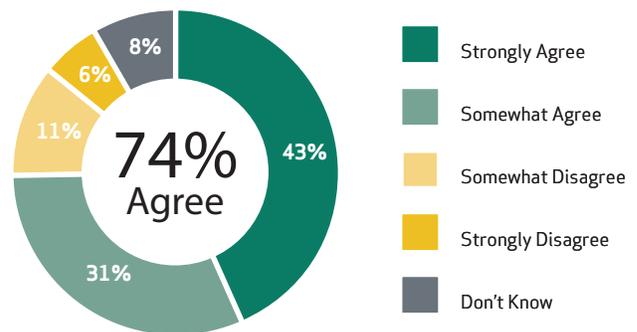
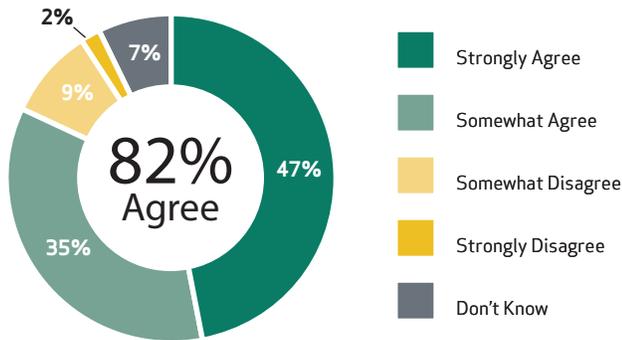


Figure 37: 82% say police officers and firefighters deserve a pension because they have risky jobs.

To what extent you agree or disagree with the following statement: Police and firefighters have agreed to take jobs that involve risks and therefore deserve pensions that will afford them a secure retirement.

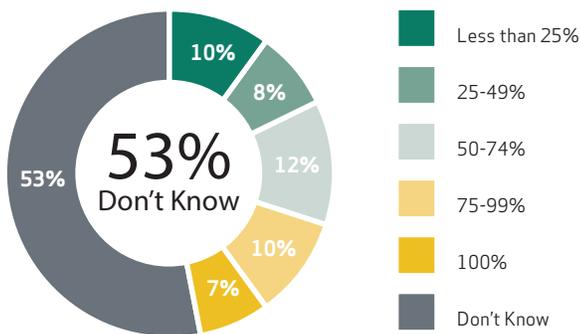


The polling also reveals that Americans do not fully understand how public pensions are funded, which is significantly different than how private pensions are funded. In state and local government pension plans, contributions typically come from three sources: employer contributions, employee contributions and earnings on investments. Between 1993 and 2016, 25 percent of public pension fund receipts came from employer contributions, 12 percent came from employee contributions and 63 percent were from investment earnings. Earnings on investments—not taxpayer contributions—have historically made up the bulk of pension fund receipts, even though this time period saw two very large market downturns within a single decade.¹⁵

The polling finds that few Americans are aware that taxpayers pay only about one-quarter of the cost of pensions for state and local government employees (**Figure 38**).

Figure 38: Few Americans understand that taxpayers pay only about 1/4 the cost of pensions for state and local government employees.

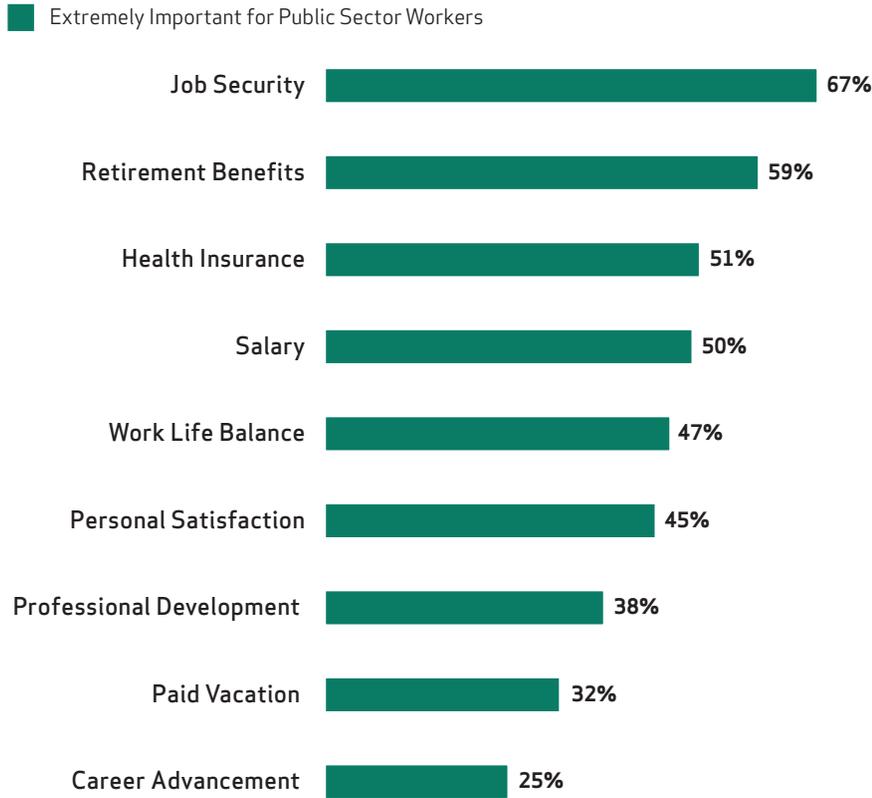
What percentage of public pensions do you think are paid for by taxpayers?



Pensions with lifetime retirement income remain prevalent in the public sector, which is not the trend in the private sector that continues to shift employees to individual retirement plans like 401(k) accounts. Interestingly, the results indicate that public sector retirement benefits are extremely important to a majority of public sector workers (59 percent), second only to job security (**Figure 39**). In contrast, retirement benefits were extremely important to only 41 percent of private sector workers. This high value placed on retirement benefits may indicate that public sector workers are willing to sacrifice salary in exchange for a secure retirement. Salaries for public sector workers lags significantly behind their private sector counterparts.¹⁶

Figure 39: **Public employees attach extremely high value to their retirement benefits.**

When making job decisions, how important are the following features to you?



VII. MILLENNIALS ARE THE MOST CONCERNED ABOUT FINANCIAL SECURITY IN RETIREMENT AND ARE MORE WILLING THAN OTHER GENERATIONS TO SAVE MORE

NIRS ASKED AMERICANS:

In your own words, what does a secure retirement mean to you?

Having the finances to work if I want to but not because I have to.



The Millennial generation—those born between 1981 and 1991—is the largest generation, numbering 83.2 million. Millennials also are the most diverse generation in the U.S, thus, the structure of the DC retirement system—which favors high-income workers and exacerbates disparities along gender, racial and ethnic lines—makes achieving a secure retirement an uphill climb for most Millennials. Millennials face higher life expectancies, lower income replacement from Social Security, and are less likely to have traditional pensions. This means Millennials must save significantly more than previous generations to maintain their standard of living in retirement.

Unfortunately, the retirement outlook for most Millennials is dire. Two-thirds (66 percent) of working Millennials have nothing saved for retirement, and those who are saving are not saving nearly enough.

There are many factors that are contributing to this generation's retirement savings challenges—from depressed wages to the lack of eligibility to participate in employer-sponsored retirement plans. Just a little more than one-third of this generation actually participates in employer-sponsored plans despite the fact that two-thirds of Millennials work

for employers that offer retirement plans. The eligibility requirements set by employers, which keep 45 percent of working Millennials out of plans, drives this coverage gap rather than Millennials choosing not to save for retirement.

Given this situation, it is not surprising that Millennials are more concerned than other generations about achieving financial security in retirement (**Figure 40**). Nearly three-fourths of Millennials (72 percent) say they are concerned about retirement security, followed by GenX (64 percent), Baby Boomers (45 percent) and the Silent Generation (34 percent).

Millennials are most likely to believe they will have to work past normal retirement age to have a secure retirement (**Figure 41**). Millennials also see the value of pensions over 401(k) plans as compared to other generations (**Figure 42**).

The polling also reveals that Millennials are willing to step up to improve their retirement outlook. Among non-retirees, Millennials are substantially more willing to sock away money now to ensure retirement security. Some 60 percent of Millennials are willing to save one to four percent more now (**Figure 43**). More than half (54 percent) are willing to save five percent more, which is more than double the rate

Figure 40: Millennials are more concerned than other generations about achieving financial security in retirement.

How concerned are you that you won't be able to achieve a financially secure retirement?

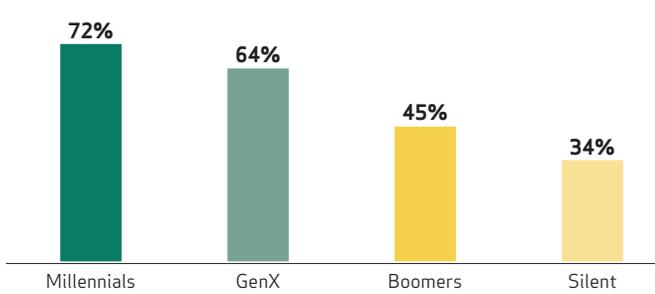


Figure 41: Millennials are most likely to believe they will have to work past normal retirement age to have a secure retirement.

How likely is it that you will need to work past the normal retirement age to have enough money in retirement?

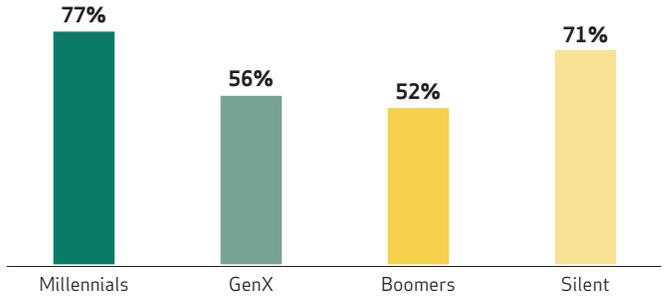


Figure 42: Millennials see the value of pensions over 401(k) plans.

Pensions do more to help workers achieve a secure retirement as compared to retirement savings plans such as 401(k)s.

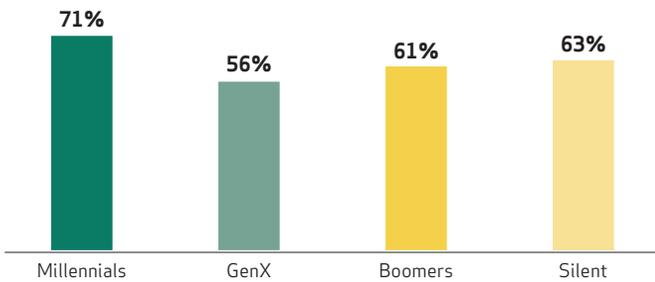
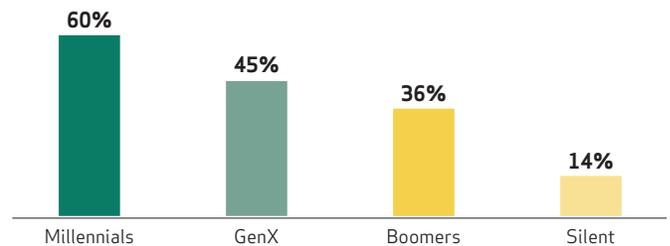


Figure 43: Millennials are more willing to save 1% to 4% more now to ensure retirement security among non-retirees.

Which of the following, if any, do you plan to do to help ensure a financially secure retirement: Save about 1% to 4% more than you are saving now.



that non-retired GenXers are willing to increase their savings (Figure 44).

In terms of addressing the retirement crisis, Millennials are slightly more inclined than other generations to believe

employers should contribute more to employee retirement plans (80 percent) (Figure 45). Millennials are substantially more willing (63 percent) to sacrifice retirement savings in order to purchase guaranteed retirement income to ensure they don't run out of money in retirement (Figure 46).

Figure 44: **Millennials are more willing to save 5% more now to ensure retirement security among non-retirees.**

Which of the following, if any, do you plan to do to help ensure a financially secure retirement? Save about 5% more than you are saving now.

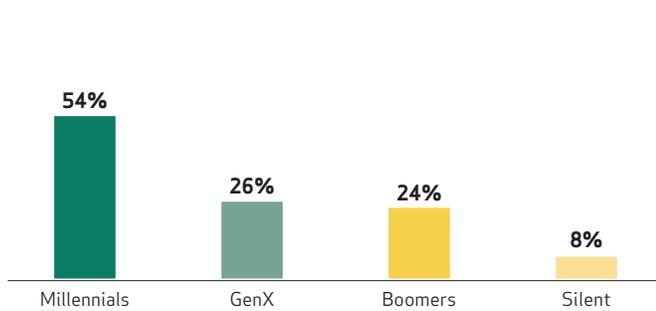


Figure 45: **American workers believe employers should contribute more to employee retirement plans.**

To what extent do you agree or disagree with the following statement? Employers should contribute more money to workers' retirement plans to allow them to achieve a secure retirement.

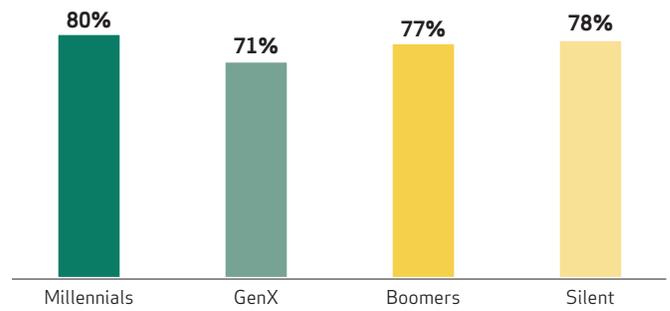
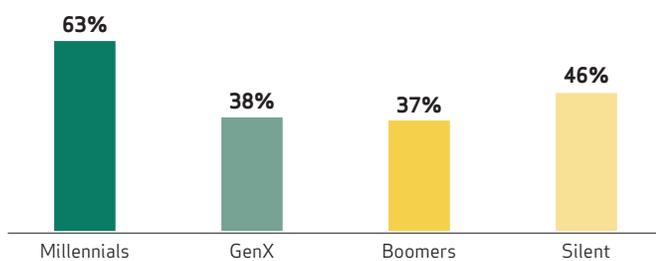


Figure 46: **Millennials are willing to buy guaranteed monthly income and give up control of funds.**

To what extent do you agree or disagree with the following statement? At retirement, I would be willing to use some retirement savings to buy guaranteed monthly income for as long as I live in exchange for giving up control over that portion of my retirement savings.



CONCLUSION

The U.S. faces a persistent retirement savings crisis. The typical American has zero dollars saved for retirement. The crisis can be attributed to a decades-long degradation of the nation's retirement infrastructure that has resulted in a large swath of the workforce lacking an employer-sponsored retirement plan. Access to employer-sponsored retirement plans has steadily declined since reaching a high mark in 1999 has resulted in corresponding declines in pension and retirement plan coverage.¹⁸ With fewer workers covered by any retirement plan, cuts to Social Security benefits, and skyrocketing costs for health and long-term care in retirement looming in the future, working Americans want help from policymakers.

Against this backdrop, NIRS conducted a survey of working age Americans to measure their sentiment on a range of retirement issues. The research reveals that Americans understand the depths of the retirement crisis and see pensions as an important tool in providing financial security in retirement. Key research findings are as follows:

1. In overwhelming numbers, Americans are worried about their ability to attain and sustain financial security in their older years.
2. Even as the nation remains deeply politically polarized, Americans are united across party lines in their sentiment about retirement issues.
3. Americans see government playing an important role in helping workers prepare for retirement, but also believe that lawmakers in Washington, D.C. just don't get it.
4. In contrast to the sentiment about Washington, D.C., efforts by state lawmakers to expand access to retirement accounts for all workers is widely supported by Americans.
5. Americans are highly positive on the role of pensions in providing retirement security and see these retirement plans as better than 401(k) plans.
6. There is strong support for pension plans for state and local workers, and Americans see these retirement plans as a tool to recruit and retain public workers.
7. Millennials are the most concerned about financial security in retirement and are more willing than other generations to save more.

METHODOLOGY

Conducted by Greenwald & Associates, information for this study was collected from online interviews between January 7–16, 2019. A total of 1,250 individuals aged 25 and older completed the survey. The final data were weighted by age, gender, income, and race to reflect the demographics of Americans 25 and older. The sample was selected using the Research Now online panel. Research Now maintains one of the industry’s most comprehensive and deeply-profiled online survey panels. Panel members are recruited through a controlled mix of both online and offline methods, using “By-Invitation-Only” acquisition, making this panel more representative of the population. Tabulations in some of the charts may not add up to 100, due to rounding.

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The National Institute on Retirement Security is a non-profit research and education organization established to contribute to informed policymaking by fostering a deep understanding of the value of retirement security to employees, employers, and the economy as a whole.

Our Vision

Through our activities, NIRS seeks to encourage the development of public policies that enhance retirement security in America. Our vision is one of a retirement system that simultaneously meets the needs of employers, employees, and the public interest. That is, one where:

- employers can offer affordable, high quality retirement benefits that help them achieve their human resources goals;
- employees can count on a secure source of retirement income that enables them to maintain a decent living standard after a lifetime of work; and
- the public interest is well-served by retirement systems that are managed in ways that promote fiscal responsibility, economic growth, and responsible stewardship of retirement assets.

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- High-quality research that informs the public debate on retirement policy. The research program focuses on the role and value of defined benefit pension plans for employers, employees, and the public at large. We also conduct research on policy approaches and other innovative strategies to expand broad based retirement security.
- Education programs that disseminate our research findings broadly. NIRS disseminates its research findings to the public, policy makers, and the media by distributing reports, conducting briefings, and participating in conferences and other public forums.
- Outreach to partners and key stakeholders. By building partnerships with other experts in the field of retirement research and with stakeholders that support retirement security, we leverage the impact of our research and education efforts. Our outreach activities also improve the capacity of government agencies, non-profits, the private sector, and others working to promote and expand retirement security.

The **National Institute on Retirement Security** is a non-profit research institute established to contribute to informed policy making by fostering a deep understanding of the value of retirement security to employees, employers, and the economy as a whole. NIRS works to fulfill this mission through research, education, and outreach programs that are national in scope.



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