FACT Sheet

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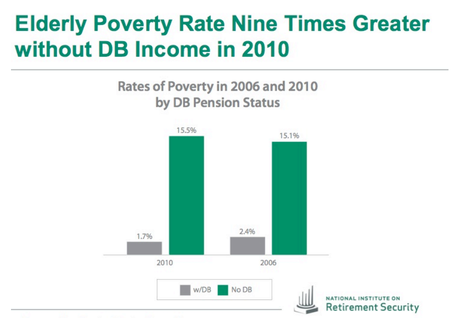
"*The Pension Factor 2012: Assessing the Role of Defined Benefit Plans in Reducing Elder Economic Hardships*

Dr. Frank Porell
Professor of Gerontology,
University of Massachusetts-Boston
and
Diane Oakley
Executive Director,
National Institute on Retirement Security

Poverty Risk Increases 50 Percent For Older Americans Lacking Pensions

Rates of poverty among older households lacking defined benefit (DB) pension income were approximately nine times greater than the rates among older households with DB pension income in 2010, up from six times greater in 2006. Older households with lifetime pension income are far less likely to experience food, shelter, and health care hardship, and less reliant on public assistance. The data also indicate that pensions are a factor in preventing middle class Americans from slipping into poverty during retirement.

These findings are contained in a new report, "***The Pension Factor 2012: Assessing the Role of Defined Benefit Plans in Reducing Elder Economic Hardships***," an update of a similar study conducted in 2009. The report was authored by Dr. Frank Porell, Professor of Gerontology at the University of Massachusetts-Boston, and Diane Oakley, Executive Director at the National Institute on Retirement Security (NIRS).



Source: The Pension Factor, Figure 3.

The report estimates that in 2010, DB pension receipt among older American households was associated with:

- 4.7 million fewer poor and near-poor households
- 460,000 fewer households that experienced a food insecurity hardship
- 500,000 fewer households that experienced a shelter
- 510,000 fewer households that experienced a health care
- 1.22 million fewer households receiving means-tested public assistance

Retirement Crisis: Middle Class and Subpopulations At Risk

This report sounds an alarm bell for policymakers and taxpayers. It documents a substantial increased risk of elder poverty for Americans lacking pensions that coincides with an alarming decline of pension coverage. These findings come at a time when some 75 million Baby Boomers are beginning to retire. Yet, less than half of older American households today can count on a modest pension income that will last for their lifetimes. The ongoing financial crisis has eroded individual retirement savings and home values.

DB Pensions Still an Important Source of Income to Middle Class Retirees

DB Pension Income Received by Persons Age 60 or Older (from Own or Spouse's Former Employer)

	# of Persons (millions)	% of Persons	Mean Pension Amount	Median Pension Amount
All Persons	**55.2**	**42.8%**	**$20,943**	**$14,403**
Lowest Quintile	11.0	16.9%	$3,349	$1,920
2nd Quintile	13.8	40.3%	$8,680	$6,996
3rd Quintile	12.9	**55.4%**	$18,446	$17,296
4th Quintile	10.4	**54.5%**	$31,264	$30,516
Highest Quintile	7.1	42.0%	$42,668	$36,000

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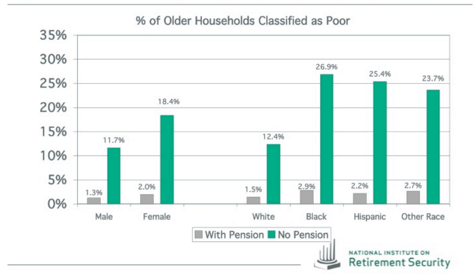
Source: The Pension Factor, Table 2.

The study reveals a future with older Americans – many of them middle class – who may be unable to pay their basic bills and at risk of falling into poverty. There is a price to pay when older Americans can no longer be self-sufficient in retirement – either as increased public assistance costs to taxpayers or backsliding to a time with elder Americans living in poverty.

The 'Pension Factor' Matters

The analysis indicates pensions exert an independent, positive impact on older Americans' economic well-being – an effect we call the '**pension factor**.' This 'pension factor' is particularly strong for more vulnerable subpopulations of elder households. In fact, gender and racial disparities in poverty rates, material hardships, and public assistance rates are greatly diminished, and in some cases nearly disappear, among households receiving pension income. The bottom line is that households with a pension fare better than those without – even after controlling for socio-demographic factors such as education, race, gender, and work history.

Gender and Race Gaps in Poverty Shrink Among Those with Pensions

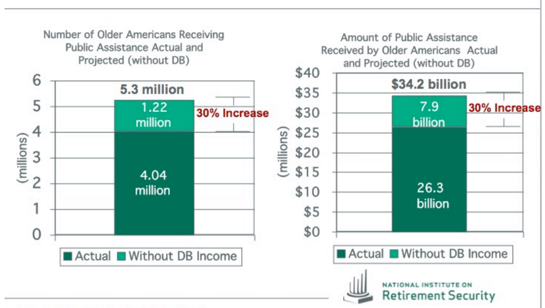


Source: The Pension Factor, Table 5.

Pensions Reduce Public Assistance Costs

In 2010, governments spent about $7.9 billion dollars less on public assistance to older households because of pension income. This represents about 6.4 percent of aggregate public assistance dollars received by all American households from similar benefit programs. These are substantial dollars, particularly in light of the growing financial pressure on government programs in the wake of the financial crisis.

DB Income Helps Large Numbers Avoid Public Assistance



Source: The Pension Factor, Table 11.

The study also finds:

- a continued decrease in rates of DB pension income receipt likely related to more than three decades of declining DB plan participation rates among active employees.
- increasing numbers of older American workers will be entering retirement without the security of a pension.
- older households with pension income generally fared better during the recent economic turmoil relative to households without such income.
- income from pensions may be especially important to middle income American households.
- lower rates of DB pension receipt are found among older persons living in the West and South relative to other regions.
- pensions have helped many older minority and female-headed households escape poverty.

The analysis was conducted using the U.S. Census Bureau's Survey of Income Program Participation (SIPP) panels. The study sample included SIPP respondents age 60 years or older and all households with a head age 60 and older, who had records in both the Pension and Adult Well-Being topical modules of the survey.

Additional data and analysis is available in the full research brief available at www.nirsonline.org.

The National Institute on Retirement Security is a non-profit organization established to contribute to informed policymaking by fostering a deep understanding of the value of retirement security to employees, employers, and the economy through national research and education programs. Located in Washington, D.C., NIRS has a diverse membership of organizations interested in retirement including financial services firms, employee benefit plans, trade associations, and other retirement service providers.