



### 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](http://www.nirsonline.org).

### Who Has a Pension?

#### Among Older Households:

- In 2006, nearly half of all American households whose head was age 60 or older had income from their own or a spouse’s pension.
- 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 Current Workers:

- In 2007, 21 million private-sector American workers had access to a workplace DB pension plan.
- State and local pension plans served 7.5 million retirees and beneficiaries, as well as 14.2 million active and 4.2 million inactive members in 2007.
- In 2005, among those with a workplace retirement plan, 98% of public sector employees and 33% of private sector workers had a DB pension.

#### In the Private Sector:

- In 2006, 69% of unionized workers, but just 15% of nonunion workers, had access to a DB pension plan.
- In 2007, 32% of employees of firms with 100 or more workers had a DB pension, as compared to just 9% for employees of firms with less than 100 workers.
- In 2007, 23% of full-time private-sector workers had a DB plan, as compared to just 9% of part-time workers.

#### Among Demographic Groups:

- In 2006, just 23% of women had a DB pension, as compared to 42% of men.
- Among women, 31% of white women, 26% of African American women, 17% of Asian American women, and 13% of Hispanic women have pension income.
- Among racial and ethnic groups, 33% of whites and 32% of blacks aged 60 and older, but just 23% of Hispanics, had pension income in 2006.

### How Much Pension Income Do People Usually Receive?

- 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 private pension income was \$8,739, and the median amount of public pension income was \$20,947.<sup>1</sup>
- Among women aged 60 and older, the median pension amount from a former employer was just \$8,400, as compared with \$13,509 for men in 2006.

<sup>1</sup> 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.

- The median pension amount in 2006 was \$12,908 for whites, \$11,402 for blacks, and \$11,976 for members of other racial groups.

## DB Pensions Critical to Retirement Readiness

- 4.7 million American households avoided “poor” or “near-poor” classifications due to their DB pension income in 2006.
- Poverty rates among older households lacking pension income were six times greater than those with such income in 2006.
- 560,000 fewer households experienced a food hardship, 380,000 fewer experienced a shelter hardship, and 320,000 fewer experienced a health care hardship due to their DB pension income.

## DC Plans Are Insufficient as a Primary Source of Retirement Income

- Among early Baby Boomers, 35% are at risk of being unable to maintain their pre-retirement standard of living after they stop working.
- This number is not only much larger for those with income only from DC plans and for those with no retirement plan, but there is also virtually no difference in the retirement risk of those with DCs and those with no retirement plan—49% versus 50%, respectively. Among households with DB pensions, however, these numbers drop significantly—to 15% for those with just a DB pension, and 12% for those with both DB and DC income.

## Employees Value DB Pension Plans Highly

- A 2008 survey found that 72% of employees cite retirement benefits as an important factor in their loyalty to their employer.
- A 2004 survey found that 84% of DB plan sponsors believe their pension plan has an impact on employee retention.

## DB Pensions Can Help Employers Recruit and Retain Skilled Workers

- DB pension coverage increases tenure with an employer by 4 years, as compared to having no retirement plan in place, while DB coverage increases tenure with an employer by 1.3 years, as compared with DC coverage.
- Having a DB and DC plan shows the greatest retention effects, as the two plans together increase tenure by a full 3.1 years, as compared with a DC-only plan.

## DB Pension Plans Are Economically Efficient

- The cost to deliver the same retirement income to a group of employees is 46% lower in a typical DB plan than in a DC plan. This is because:
  - DB plans need to only accumulate enough funds to provide benefits for the average life expectancy of the group. This reduces costs by 15%.
  - DB plans are able to take advantage of the enhanced investment returns that come from a balanced portfolio over long periods of time. This reduces costs by 5%.
  - DB plans achieve greater investment returns than DC plans. This reduces costs by 26%.

## DB Plans Save Governments Billions in Public Assistance Expenditures

- Some \$7.3 billion in public assistance expenditures was avoided in 2006 due to Americans’ receipt of pension income.
- In the absence of DB pensions, spending on public assistance for the elderly would be about 40% higher than we observe.

## Expenditures from DB Pensions Have a Broad and Deep Economic Impact

- In 2006, over \$151.7 billion in pension benefits were paid to 7.3 million retired employees of state and local government and their beneficiaries. Expenditures made out of those payments collectively supported:
  - More than 2.5 million American jobs that paid more than \$92 billion in total compensation.
  - Over \$358 billion in total economic output nationwide.
  - Over \$57 billion in federal, state, and local tax revenue.
- For each dollar paid out in pension benefits in 2006, \$2.36 in total economic output was supported.
- For every dollar contributed by taxpayers to state and local pension funds, \$11.45 in total output was supported in the national economy.