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Retirement Security 2015: Roadmap for Policy Makers

Americans' Views of the Retirement Crisis

By Diane Oakley and Kelly Kenneally

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ABOUT THE AUTHORS

Diane Oakley is executive director of the National Institute on Retirement Security and leads the organization's research, education and strategic planning initiatives. Before joining NIRS in 2011, 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-CREF, a leading financial services provider. During her 28-year tenure with the organization, she held a number of management, public policy and technical positions. She began there as an actuarial assistant and was promoted to positions including vice president for special consulting services and vice president for associations and government relations. 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.

Kelly Kenneally has provided communications counsel to the National Institute on Retirement Security since its founding in February 2007. On behalf of NIRS, she implements communications programs that provide accurate data and information on retirement policy issues. This includes NIRS reports she co-authored including the 2009, 2011 and 2013 opinion research studies. She has more than 20 years of public affairs experience with corporations, government, and non-profit organizations. Previously, Ms. Kenneally served in the White House as associate director of the President's Commission on White House Fellowships. She has held communications positions at Micron Electronics and MCI WorldCom, and began her career at the Maryland General Assembly. She holds a B.A. in Government and Politics from the University of Maryland and is a member of the National Press Club.

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We also extend our thanks to Doug Kincaid, senior research associate with Greenwald & Associates, for his valuable contributions to this project.

EXECUTIVE SUMMARY

The evidence is clear that United States is on the precipice of another financial threat—older Americans lacking sufficient income to be self-sufficient as they move out of the workforce. Despite improvements in the market, the typical working-age American household is far off-track toward accumulating ample savings to maintain their current living standard, and many will be challenged to have the resources to pay for their basic needs in retirement.

Looking back, there was a time when the U.S. had a stronger retirement infrastructure in place. Middle class Americans could maintain their standard of living in retirement with three key sources of income: Social Security, defined benefit (DB) pension plans and defined contribution (DC) individual savings accounts like 401(k) plans.

In recent years, however, this retirement infrastructure has degraded dramatically. A large portion of the workforce lacks access to or is not participating in retirement plans, making future retirement security prospects—especially for middle class employees—challenging at best.

This financial insecurity crisis for older Americans comes as no surprise to the experts who have been forecasting the problem for years. A wide and growing body of research shows that just as retirement income needs are growing because Americans are living longer and have higher costs in retirement, the weakened retirement system is providing less income when Americans need it most.

The retirement savings shortfall is particularly problematic because of U.S. demographics. The nation is experiencing a large wave of Americans entering retirement. Some 76 million Americans born between the years 1946 and 1964—Baby Boomers—are retiring. That translates to about ten thousand Boomers retiring daily.[1] Now, more Americans are starting to leave the workforce without pensions, with lower Social Security benefits, inadequate individual account balances and skyrocketing healthcare costs. It doesn't take an actuary to see that the numbers for many just don't add up.

Against this backdrop, the National Institute on Retirement Security (NIRS) commissioned its fourth nationwide public opinion research project. The survey is conducted on a biennial basis to monitor over time how Americans feel about their financial security in retirement and to assess their views on policies that could improve their retirement outlook. This research is intended to serve as a tool for policymakers, thought leaders and retirement service providers as they work to stem the retirement crisis and re-fortify the U.S. retirement infrastructure.

The key research findings are as follows:

1. **An overwhelming majority of Americans believe there is a retirement crisis.** Some 86 percent agree that the nation faces a retirement crisis, and 57 percent strongly agree there is a crisis. Surprisingly, the sentiment is highest among those with annual income above $75,000 (92 percent); but not surprisingly is equally high among the Millennial generation (92 percent). Public and private sector workers are equally concerned about retirement (87 and 88 percent respectively) even though public employees are far more likely to have reliable retirement income from a pension. Some 86 percent agree that America's retirement system in under stress and needs reform, with women and Millennials having the highest levels of agreement, 91 and 93 percent respectively. Some 81 percent say that it is harder for future generations to prepare for retirement.

2. **Three in four Americans remain highly anxious about their retirement outlook, but the concern has dissipated slightly as the economy has recovered.** Some 74 percent of Americans say they are concerned, down from 85 percent as reported in the 2013 study. The high level of concern is consistent across gender, generational and economic lines. Some 73 percent agree that the average worker cannot save enough on their own to guarantee a secure retirement. More than half of Americans say they will seek employment after retirement to be financially secure, and 42 percent are concerned they will have to sell their home after retirement for financial security reasons.

3. **Even though Americans feel slightly less stressed about their retirement prospects, support for steady and reliable retirement income from a pension is high and growing.** In fact, 82 percent say a pension is worth having because it provides steady income that will not run out, while 67 percent of Americans indicate they would be willing to take less in pay increases in exchange for guaranteed income in retirement. Some 85 percent of Americans agree that all workers should have access to a pension plan so they can be independent and self-reliant in retirement, and 86 percent of Americans say that those with pensions are more likely to have a secure retirement. When it comes to pension confidence, 84 percent say they believe their pension will be there at retirement, up from 78 percent in 2013. Some 78 percent say the disappearance of pensions has made it harder to achieve the American dream, and 83 percent report favorable views of pensions. A substantially higher number this year (56 percent) strongly agree that those with pensions are more likely to have a secure retirement than those who do not.

4. **Americans continue to feel that leaders in Washington do not understand their struggle to save for retirement, and Americans strongly support efforts by states to set up retirement plans for those workers without access to an employer sponsored plan.** Some 87 percent of Americans say Washington policymakers do not understand how hard it is to prepare for retirement, while 84 percent say Washington needs to do more to help ensure retirement security. As for state efforts to set up retirement plans, 71 percent agree this is a good idea with three-fourths indicating they would consider participation. Some 86 percent say that government leaders should make it easier for employers to offer pensions, and this support has remained constant over time.

5. **Americans see retirement benefits as a job feature that is almost as important as salary.** Salary is viewed as important by 75 percent of Americans, and retirement benefits are close behind at 72 percent. Health insurance ranks highest, with 84 percent of Americans saying it is an important job feature. Two-thirds of Americans are willing to forgo salary increases in exchange for guaranteed retirement income.

6. **Americans express strong support for pensions for public employees. Few Americans realize that 75 percent of public pension costs are paid for with employee contributions and investment returns.** For police officers and firefighters, 88 percent of Americans say these employees deserve pensions because of job risks. For teachers, 75 percent of Americans say that pensions are deserved to compensate for low pay. The vast majority of Americans, 71 percent, support public pensions because employees fund a significant portion of these benefits. But, only one-fourth of Americans understood that public employers pay for 25 percent or less of public pension costs. More than 8 out of 10 Americans—a vast majority—say that all workers, not just public employees, should have a pension. Some 87 percent of Americans say pensions are a good way to recruit and retain qualified teachers, police officers and firefighters.

7. **Protecting Social Security benefits is increasingly important.** Some 73 percent of Americans say it's a mistake to cut government spending in such a way as to reduce Social Security benefits for current retirees, which is up from 67 percent in 2013. When it comes to benefits for future generations, 69 percent oppose cutting government spending that reduces Social Security benefits. Americans appear unaware of the benefits of delaying Social Security payments. They are divided when it comes to increasing the amount of Social Security benefits by delaying benefit withdrawals at an older age: 42 percent agree with a delay while 52 percent disagree.

INTRODUCTION

The evidence is clear that United States is on the precipice of another financial threat—older Americans lacking sufficient income to be self-sufficient as they move out of the workforce. The typical working-age American household is far off-track toward accumulating ample savings to be able to maintain their current living standard, and many will be challenged to have the resources to pay for their basic needs in retirement. Financial insecurity in retirement will reach beyond the walls of individual households and families. Inadequate retirement income harms the broader economy when spending declines. It puts pressure on strained government budgets when older Americans need financial assistance to meet their basic needs—food, housing and medicine.[2]

The Boston College Center for Retirement Research National Retirement Risk Index indicates that as of 2013, more than half of U.S. households lack sufficient retirement income to maintain their standard of living even if they work longer than the average retirement age of 65.[3] NIRS research calculates that the typical working family has only a few thousand dollars saved for retirement. Four out of five families have retirement savings less than one times their annual income. This low level of savings translates into a U.S. retirement savings deficit of at least $6.8 trillion based on total household net worth.[4]

The situation is especially dire for minority populations. While a typical white household near retirement has nearly $30,000 saved in retirement accounts—clearly an insufficient amount—the typical black or Latino household near retirement fares even worse with zero dedicated retirement savings in a 401(k) or IRA. For working-age households, the average retirement savings is only about $20,000 among blacks and $18,000 for Latinos—a small fraction of the $112,000 average among white households.[5]

Looking back, there was a time when the U.S. had a stronger retirement infrastructure in place. Middle class Americans could maintain their standard of living in retirement with three key sources of income: Social Security, defined benefit (DB) pension plans and defined contribution individual savings accounts like 401(k) plans. This infrastructure enabled Americans to be self-reliant after a lifetime of work, a critical accomplishment in the U.S. given the impoverished conditions older Americans faced during the Great Depression.

In recent years, however, this retirement infrastructure has degraded dramatically. According to economist James Poterba, only about one-quarter of the elderly population draws substantial retirement income support from all three legs (Social Security, pensions and individual savings) of the "three-legged stool," and Social Security is the primary source of income for elderly Americans in the bottom half of the income distribution.[6]

A large portion of the workforce lacks access to or does not participate in retirement plans. This makes future retirement security prospects challenging at best, especially for middle class workers.

Pensions for private sector workers continue to disappear under an unworkable regulatory environment.[7] Social Security benefits have been cut, and Congress is said to be eyeing additional benefit reductions.[8] Additionally, Americans just are not saving enough in their individual accounts at a time when their retirement income needs are increasing thanks to rising longevity and costs. Consider the following:

- Only 65 percent of private sector workers had access to a retirement plan through their employer, and just 48 percent participated in the plan as of 2014. For full-time employees, more than 25 percent lack access to an employer-sponsored retirement plan, and more than 40 percent did not participate in one. These numbers have declined substantially since 2000. Long-term analysis studies indicate that the share of private sector employees with access to workplace retirement plans is lower now than it was in the late 1980s.[9]

- Fewer private sector employees have access to traditional DB pension plans, which provide regular, monthly income that does not run out. In 1975, a full 88 percent of private sector workers with a workplace retirement plan had pension coverage.[10] Among households covered by workplace retirement benefits in 2013, a majority (57 percent) of older households age 55-64 still are covered by a DB pension. In contrast, younger households are half as likely to have a DB pension—29 percent for those age 25-34 and 30 percent for those age 35-44.[11]

- Americans continue to struggle to save enough in their IRAs or 401(k) plans. Initially designed to supplement pensions, many corporations have switched to these accounts that now are the central means for private sector employees to save for retirement. In 2013, the typical working household approaching retirement had only $103,000 in 401(k)/IRA assets.[12] One reason for such modest balances is plan "leakage," which occurs when individuals tap into their retirement savings during their working years for non-retirement purposes. Overall, such leakage reduces aggregate individual account retirement assets by about 25 percent.[13] Other significant factors working against 401(k) accounts is the fee structure, lower investment returns and wage stagnation. For most Americans, wages after inflation have been flat or falling for decades, regardless of whether or not the economy has added or lost jobs.[14] This means it is simply harder to save for the future when wages are not keeping up with day-to-day living expenses.

- Social Security is a central component of retirement security for Americans, but benefits are at risk. Nearly two-thirds of older Americans rely on Social Security benefits for most of their income.[15] Scheduled increases in the Social Security retirement age mean lower benefits for many retirees—especially lower income workers who rely most heavily on Social Security to make ends meet and often cannot continue to work to age 66 or 67. The 2014 Social Security Trustees Report indicates that the program continues to face a long-term financing shortfall equal to about one percent of gross domestic product (GDP). Although this shortfall is considered manageable, it likely will be addressed by either further benefit cuts or by putting more money into the system.[16]

- Americans need to save more money to cover healthcare costs in retirement as life spans rise and more employers move away from retiree health insurance. Between 1988 and 2013, the share of large companies offering retiree healthcare plummeted from 66 percent to 29 percent. Simultaneously, these benefits have been reduced and employers are requiring higher retiree contributions.[17]

- The vast majority of public sector employees continue to have access to and participate in pensions. But in the aftermath of the financial crisis, nearly every state has modified plans either through reduced benefits, increased employee contributions and/or retirement ages to ensure these retirement plans are sustainable over the long term. In some cases, benefits have been reduced for current retirees[18] and some changes to benefits are facing legal challenges. In a few cases, public employees have moved to DC accounts, which are more expensive and reduce financial security.[19]

This financial insecurity crisis for older Americans comes as no surprise to experts who have been forecasting the problem for years. A wide and growing body of research shows that just as retirement income needs are growing because Americans are living longer and have higher costs in retirement, the weak retirement system is providing less income when Americans need it most.

The retirement savings shortfall is particularly problematic given U.S. demographics. The nation is experiencing a large wave of Americans entering retirement. Some 76 million Americans born between the years 1946 and 1964—Baby Boomers—are retiring. That translates to about ten thousand Boomers retiring daily.[20] Now, Americans are starting to leave the workforce without pensions, with lower Social Security benefits, inadequate individual account balances and skyrocketing healthcare costs. It doesn't take an actuary to see that the numbers for many just don't add up.

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I. AN OVERWHELMING MAJORITY OF AMERICANS BELIEVE THERE IS A RETIREMENT CRISIS

The data is indisputable that Americans fall far short of the income needed to maintain their standard of living in retirement. The Boston College Center for Retirement Research National Retirement Risk Index indicates that as of 2013, more than half of U.S. households lack sufficient retirement income to maintain their standard of living even if they work longer than the average retirement age of 65.[21] NIRS calculates that the U.S. retirement savings deficit of at least $6.8 trillion based on the most generous measure of household assets net worth, which includes assets like home equity beyond financial assets.[22]

Now it is clear that Americans are highly cognizant of the retirement crisis. Some 86 percent of Americans agree that the nation faces a crisis, and 57 percent strongly agree there is a crisis (Figure 1). Surprisingly, the sentiment is highest among those with annual income above $75,000 (92 percent), a population that is more likely to have a retirement plan and financially able to save on a regular basis. Not surprisingly, 92 percent of the Millennial generation believes the nation faces a retirement crisis—a generation that has been hampered by a number of economic issues.

Despite the data and American sentiment on the retirement crisis, some organizations deny the crisis. For example, the American Enterprise Institute indicates that "there is no retirement crisis" and that "Americans have among the highest retirement incomes in the world, both in terms of absolute buying power and relative to the incomes of the working-age population."[23] However, research indicates that retirement account ownership rates are closely correlated with income and wealth. More than 38 million working-age households did not own any retirement account assets, whether in an employer-sponsored 401(k) type plan or an IRA in 2010. Households that do own retirement accounts have 2.4 times the income of households without retirement account assets.[24]

This research reveals that awareness of the overall crisis in retirement readiness is broad based with both public and private sector workers, 87 and 88 percent respectively, agreeing that the nation faces a crisis—even though public employees are far more likely to have reliable income from pensions that substantially reduce retirement financial risk.[25]

Some 86 percent of Americans agree that the nation's retirement system in under stress and needs reform (Figure 2). Women and the Millennial generation have the highest level of agreement that reform is needed, 91 and 93 percent respectively.

We wanted to understand how Americans are planning to help ensure financial security in retirement. About three-quarters plan to cut back spending in retirement (77 percent) or stay in their current job as long as possible (72 percent). About two-thirds of Americans plan to cut current spending (64 percent) and save one to four percent more than they are saving now (63 percent). These actions clearly have broader implications. Older workers staying on the job longer crowds out younger workers from employment opportunities and may result in employers losing promising young employees to other organizations with greater opportunities for advancement. Also, decreased spending by retirees and workers has negative economic implications (Figure 3).

Figure 1: **86 Percent Believe The Nation Faces a Retirement Crisis**

Would you say you agree or disagree that America is facing a retirement crisis?

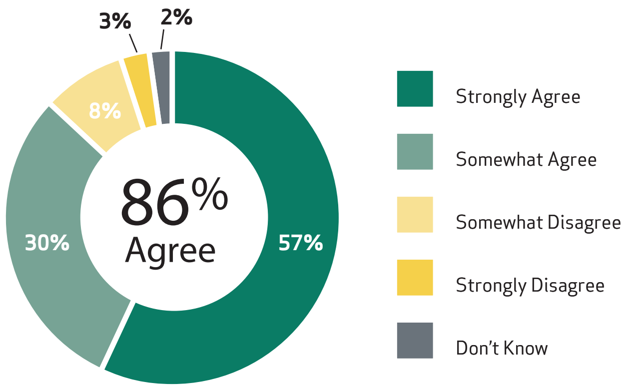


Figure 2: **86 Percent of Americans Believe the Retirement System is Under Stress, Needs Reform**

To what extent do you agree or disagree that the retirement system in this country is under stress and needs to be reformed?

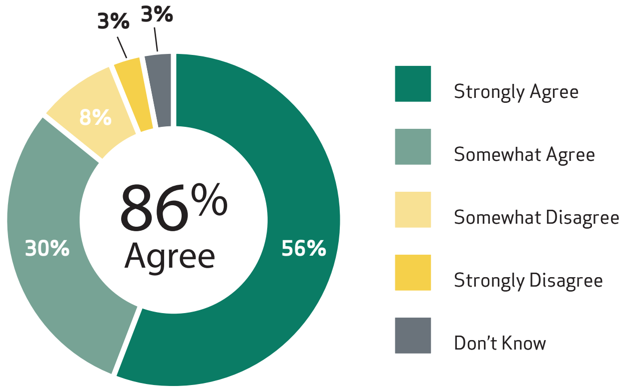
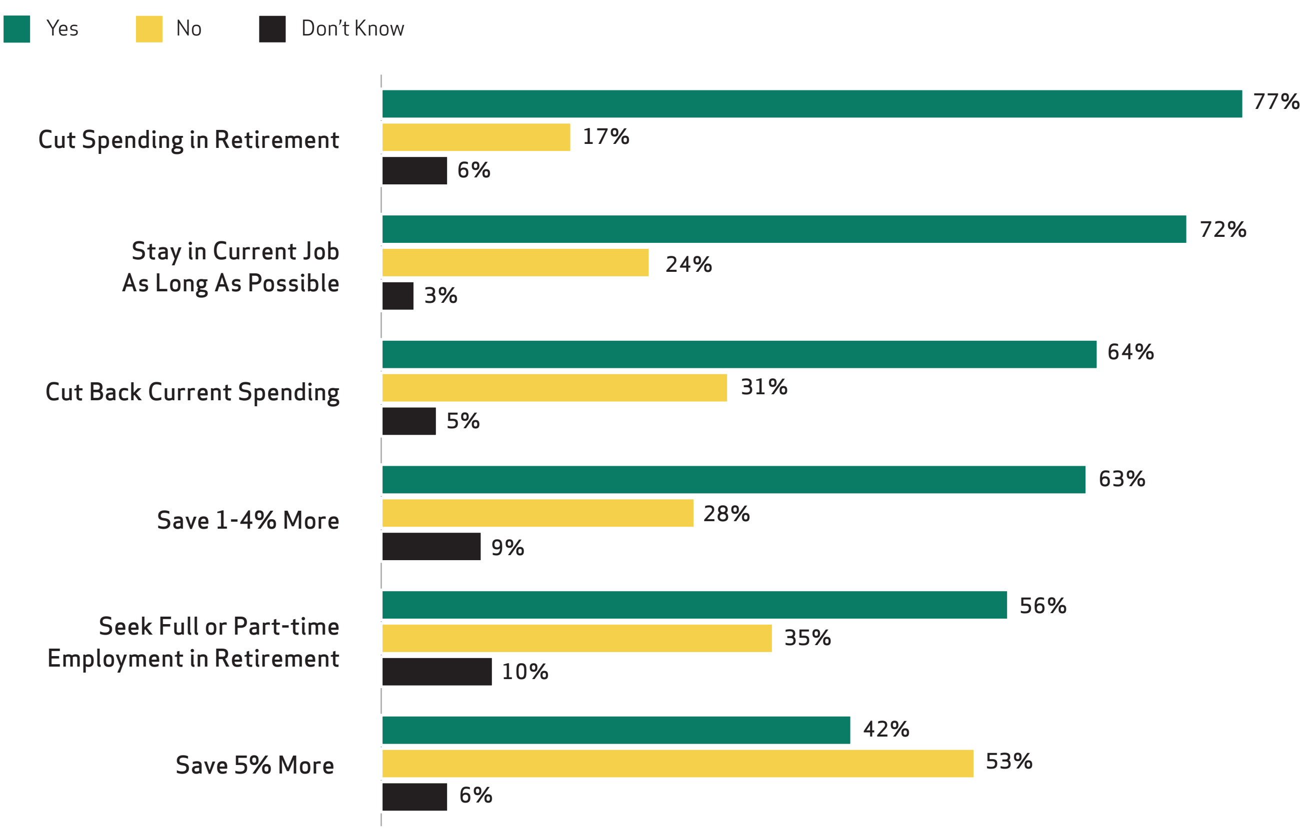


Figure 3: **Americans Plan to Stay In Their Jobs, Cut Current Spending to Ensure Secure Retirement**

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



A majority of Americans plan to keep working in retirement (56 percent) to ensure financial security, which seems to substantiate claims that the retirement dream is out of reach for many Americans (Figure 4).

Additionally, a number of Americans (42 percent) are concerned that they will have to sell their home in order to ensure financial security in retirement (Figure 5). This is in contrast to research indicating that most Americans prefer to stay in their homes as they age.[26]

Americans also agree that preparing for retirement is not getting easier. Some 81 percent say it is hard for Americans to prepare for retirement in the future (Figure 6).

Figure 4: **A Majority of Americans Will Seek Employment After Retirement to Be Financially Secure**

Which of the following, if any, do you plan to do to help ensure a financially secure retirement? Will you seek full or part-time work in retirement?

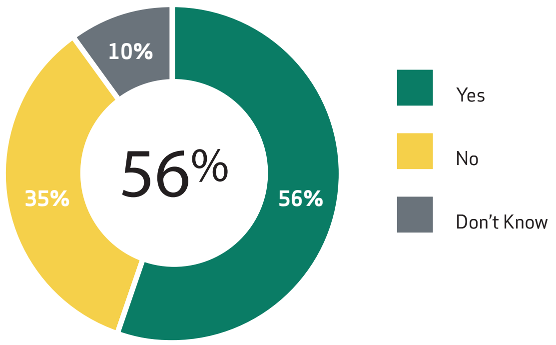


Figure 5: **42 Percent of Americans Are Worried They Will Have to Sell Their Homes to Be Financially Secure In Retirement**

How concerned are you that someday you may have to sell your home in order to ensure a secure retirement?

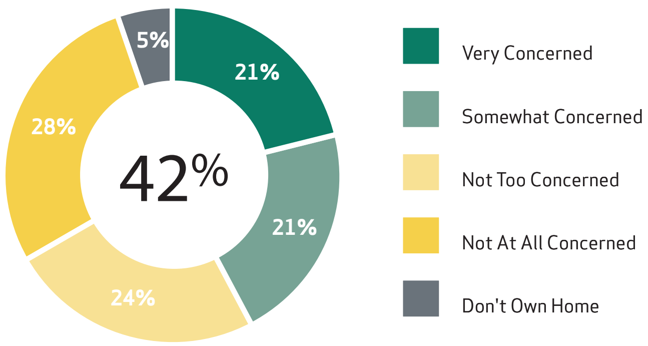
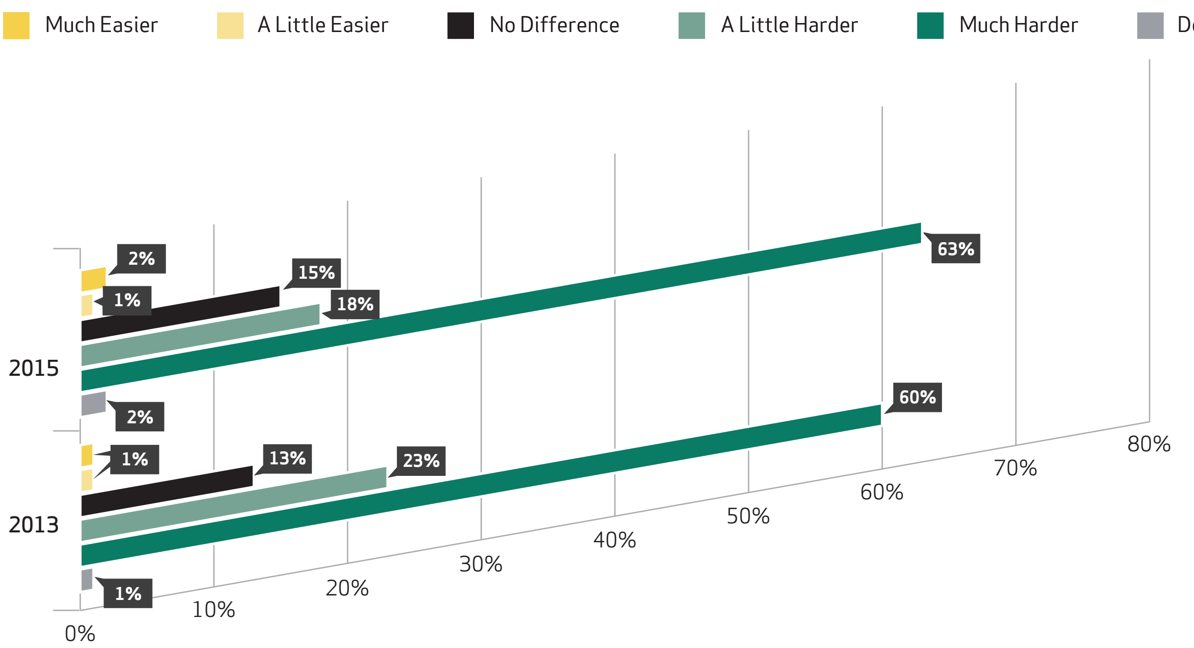


Figure 6: **81 Percent Say It Will Be Harder in Future to Prepare for Retirement**

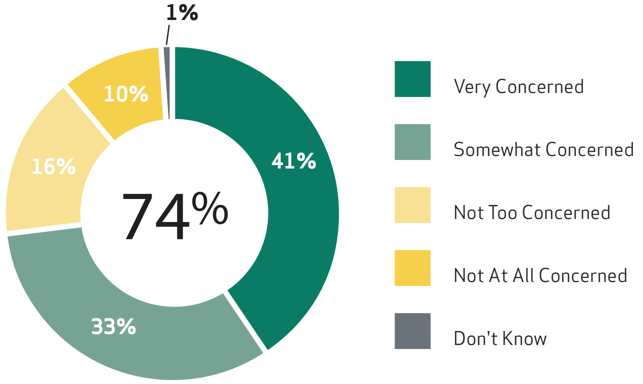
Do you feel that—compared to today—it will be easier or harder for Americans to prepare for retirement in the future, or will there be no difference?



II. AMERICANS REMAIN HIGHLY ANXIOUS ABOUT THEIR RETIREMENT OUTLOOK

Figure 7: **74 Percent Are Concerned About Their Ability to Achieve Secure Retirement**

How concerned are you about current economic conditions affecting your ability to achieve a secure retirement?



Precisely how do Americans feel about their retirement prospects? Following the 2009, 2011 and 2013 opinion research, we again polled Americans regarding their level of concern about economic conditions impacting their ability to retire. We learned that about three in four Americans remain highly anxious about their retirement outlook (Figure 7), although the concern has dissipated slightly as the economy has recovered (Figure 8). More specifically, some 74 percent of Americans say they are concerned, down from 85 percent as reported in the 2013 results. While the intense level of anxiety about economic conditions affecting retirement security from earlier NIRS surveys appears to have eased slightly, the high level of overall concern is consistent across gender, generational and economic lines.

Figure 8: **Retirement Anxiety Falls Slightly As Economy Recovers, With 74% Concerned**

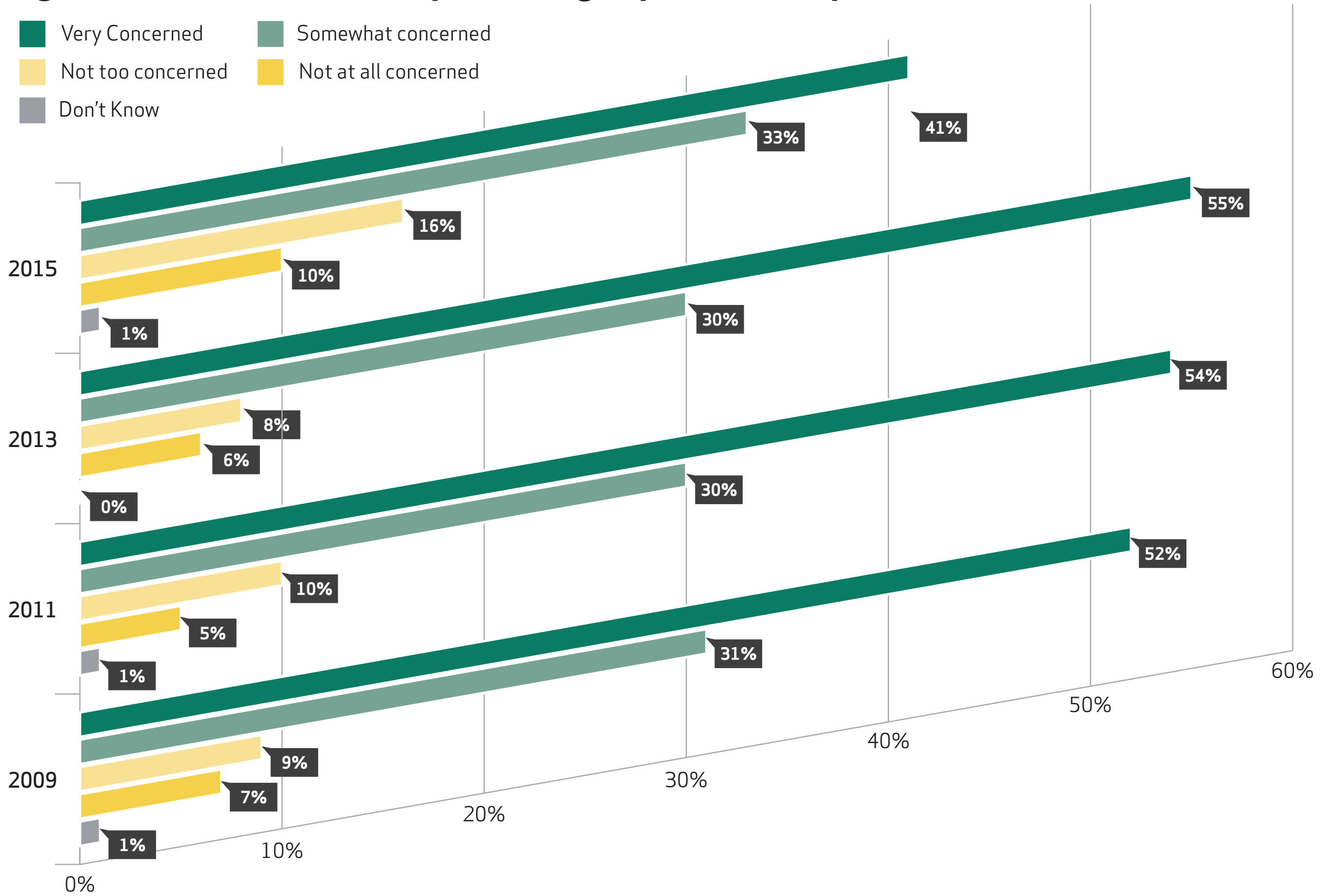


Figure 9: **Americans Can't Do It Alone**

To what extent do you agree or disagree that the average worker cannot save enough on their own to guarantee a secure retirement?

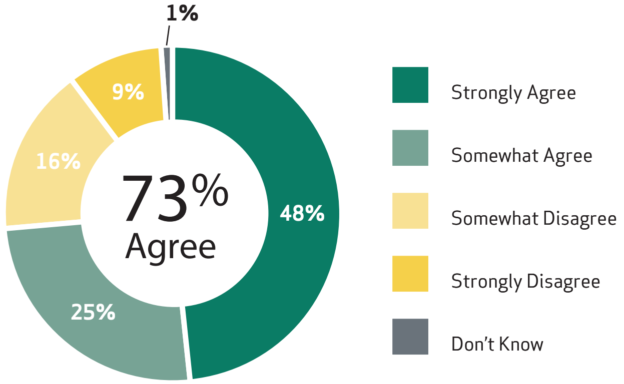
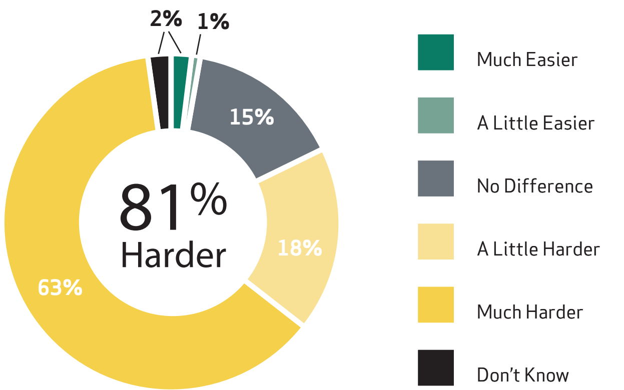


Figure 10: **81 Percent Say It's Getting Harder to Prepare for Retirement**

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?



The results also reveal that some 73 percent agree that the average worker cannot save enough on their own to guarantee a secure retirement (Figure 9). This should not be surprising given the trend of wage stagnation. For most Americans, wages after inflation have been flat or falling for decades, regardless of whether the economy has added or lost jobs.[27]

Perhaps the high level of anxiety can be tied to Americans' sentiment about the weakened retirement infrastructure. Fewer private sector employees have access to traditional pension plans in favor of "do-it-yourself" retirement accounts. In 1975, a full 88 percent of private sector workers with a workplace retirement plan had pension coverage. In the early 1990s, 35 percent of private industry employees were covered by a pension, and by 2011 coverage has fallen further to 18 percent.[28]

Americans also do not see the outlook improving. Some 81 percent feel that compared to today, it is getting harder to prepare for retirement, and two percent say it will be easier (Figure 10).

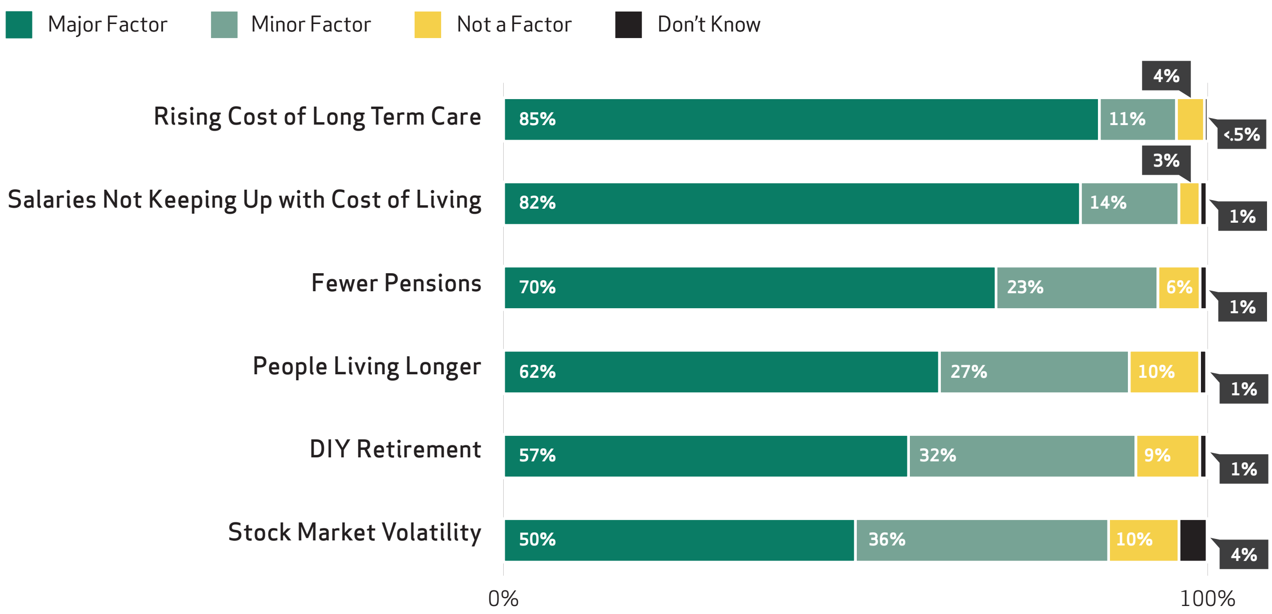
The research also examined why Americans feel it is more difficult now to prepare for retirement as compared to previous generations. We asked Americans to rank each of the following issues are in terms of complicating retirement:

- The rising cost of long-term care.
- Middle class salaries are not keeping up with the cost of living.
- Fewer Americans have pensions through their employer.
- People are living longer.
- Workers now must fund and manage their retirement savings themselves.
- The stock market is more volatile.

Respondents indicated that rising long-term care costs are the primary factor, followed by stagnant salaries, fewer pensions, longer life expectancy, do-it-yourself retirement and stock market volatility making it harder to prepare for retirement (Figure 11).

Figure 11: **Rising Healthcare Costs, Stagnant Wages, Fewer Pensions, Longer Lives and Do it On Your Own Plans Make Retirement More Difficult**

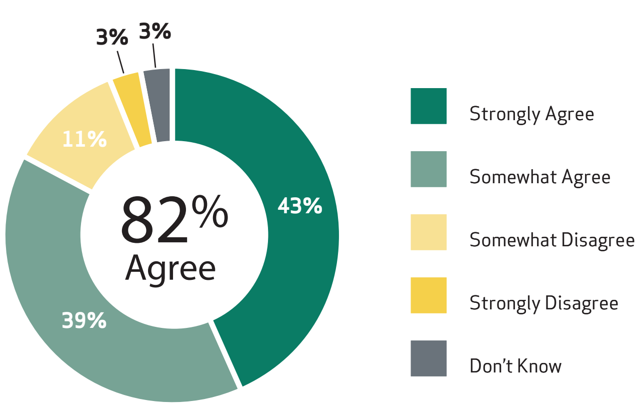
For each issue, do believe it is a major factor, a minor factor, or not a factor making it harder for Americans to prepare for retirement?



III. SUPPORT FOR STEADY, RELIABLE RETIREMENT INCOME FROM PENSIONS IS HIGH AND GROWING

Figure 12: **82 Percent Agree A Pension is Worth Having For Steady Income That Lasts**

To what extent do you agree or disagree that a pension is worth having because it provides steady income that won't run out—even if you didn't spend your full career at the company offering the pension plan.



Even though Americans feel slightly less anxious about their retirement outlook as the economy rebounds, they still are seeking steady income in retirement. Perhaps the pain of economic meltdown left an indelible reminder that individual DC account balances can quickly and dramatically crash, and offer no guarantee of adequate retirement income.

To illustrate, 82 percent say a pension is worth having because it provides steady income that lasts (Figure 12). In fact, 67 percent of Americans indicate that they would be willing to take less in pay increases in exchange for guaranteed income in retirement (Figure 13). Some 83 percent report favorable views of pensions, which provide a steady stream of retirement income (Figure 14).

Americans also seem to trust that pension income is safe and will be there when they reach retirement. In terms of confidence in pensions, 84 percent say they believe pensions will be there at retirement, up from 78 percent in 2013 (Figure 15).

Americans also see the downside of the decline of pension coverage for private sector employees. In 1975, 88 percent of private sector workers with a workplace retirement plan had pension coverage, and by 2011 private pension coverage has fallen to 18 percent.[29] Also, some 78 percent say the disappearance of pensions has made it harder to achieve the American dream (Figure 16). And, 85 percent of Americans believe that all workers should have access to a pension plan to be self-reliant in retirement (Figure 17).

Figure 13: **67 Percent of Americans Indicate They Would Be Willing to Take Less in Pay Increases in Exchange for Guaranteed Income in Retirement.**

I'd be [would have been] willing to take less in pay increases [while I was working] in exchange for guaranteed income in retirement.

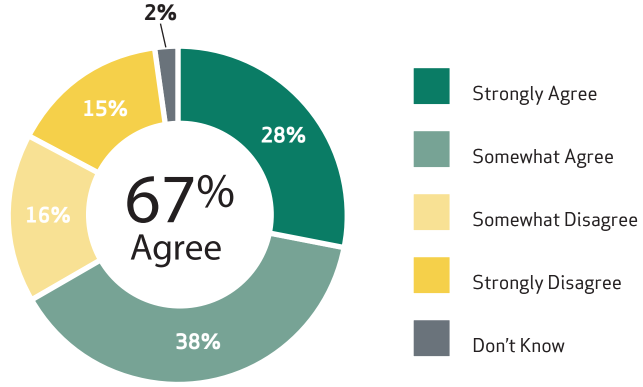


Figure 14: **83 Percent of Americans Have Favorable Views of Pensions**

How would you describe your overall view of traditional pensions?

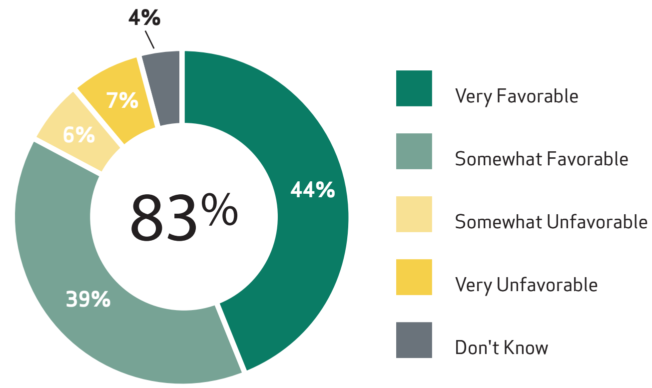


Figure 15: **84 Percent Confident Pensions Will Be There in Retirement**

How confident are you that your pension will be there when it is time to retire?

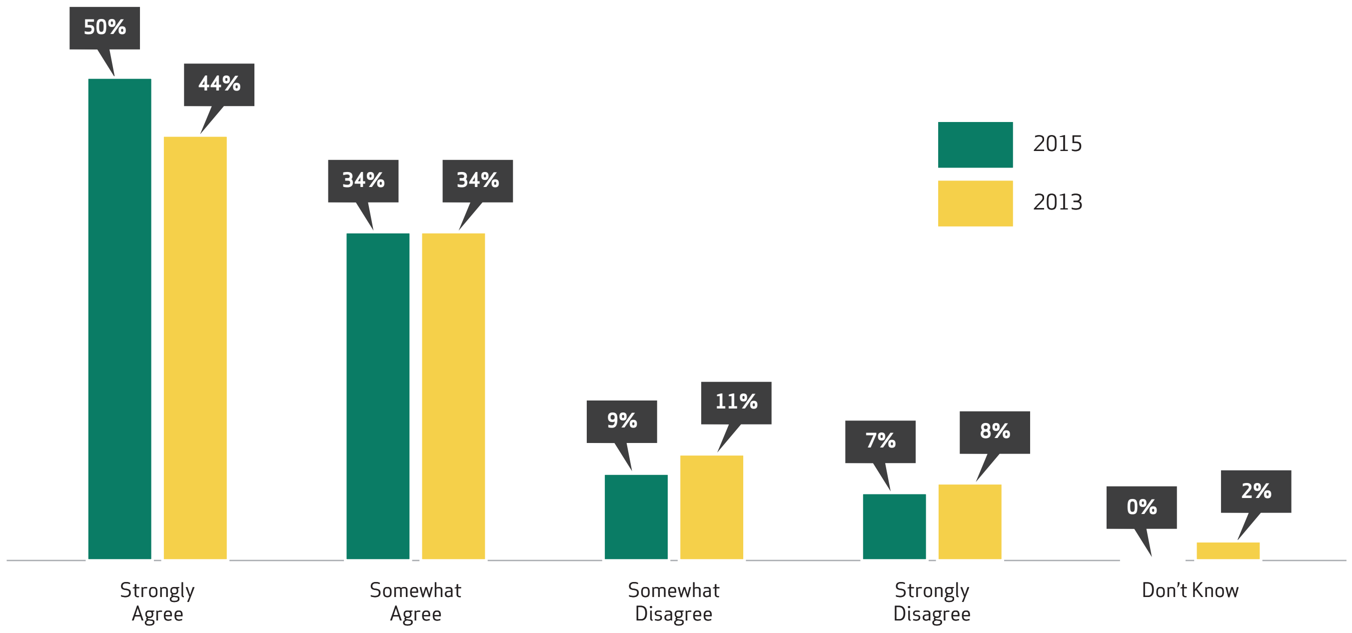


Figure 16: **78 Percent of Americans Say The Disapearance of Pensions Makes It Harder to Achieve the American Dream**

To what extent do you agree or disagree that the disappearance of pensions has made it harder for workers to achieve the American dream?

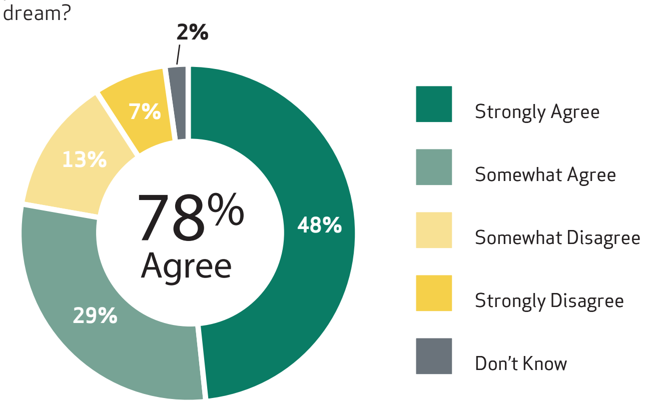
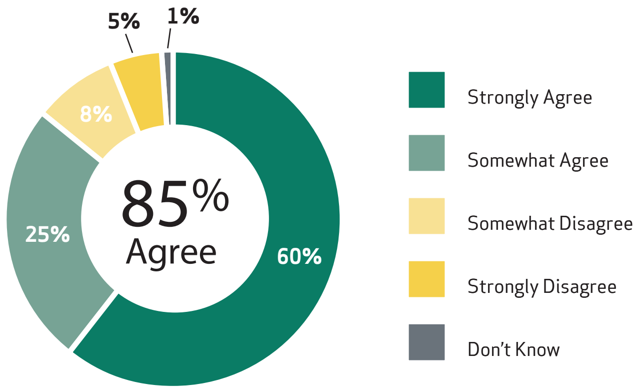


Figure 17: **85 Percent of Americans Say Everyone Should Have a Pension**

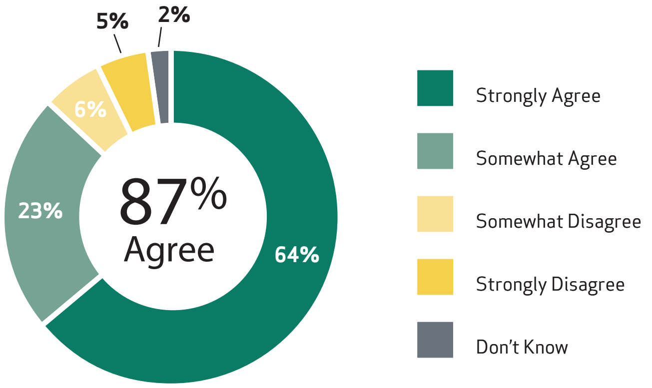
Please tell me whether you agree or disagree that all workers should have access to a pension plan so they can be independent and self-reliant in retirement.



IV. WASHINGTON LEADERS DON'T UNDERSTAND RETIREMENT STRUGGLES, AMERICANS SUPPORT STATE EFFORTS TO INCREASE RETIREMENT SAVINGS

Figure 18: **87 Percent of Americans Say Leaders in Washington Do Not Understand It's Difficult to Prepare for Retirement**

To what extent do you agree or disagree that leaders in Washington do not understand how hard it is to prepare for retirement?



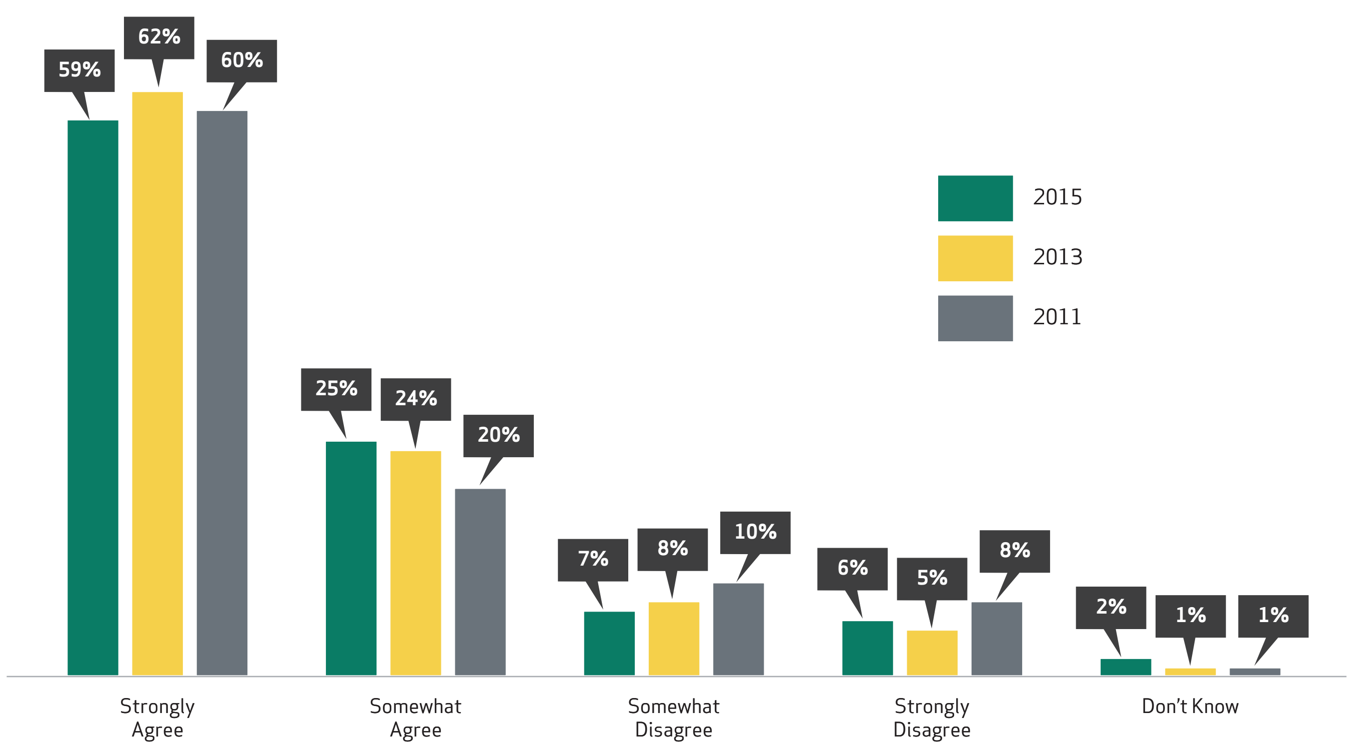
Confidence in Washington is at historic lows. Overall in 2014, Gallup found that only seven percent of Americans say they had confidence in Congress.[30] So it should not be surprising that Americans believe national leaders fail to understand and implement solutions to address their struggles to prepare for retirement.

This research finds that 87 percent of Americans say Washington policymakers do not understand how hard it is to prepare for retirement (Figure 18), while 84 percent say Washington needs to do more to help ensure retirement security (Figure 19).

On the federal level, the Obama Administration has proposed creation of auto-IRAs, and this year the

Figure 19: **Leaders in Washington Need to Give Retirement Issues a Higher Priority**

To what extent do you agree or disagrre that leaders in Washington need to give a higher priority to ensuring more Americans can have a secure retirement?



administration kicks off the myRA initiative. This is a voluntary program aimed at helping employees at companies without retirement plans set aside small amounts of their paycheck into a savings bond-like account. On Capitol Hill, Congress has held hearings on the retirement crisis and introduced legislation on several issues, but there has not been enactment of any measures that will begin to re-fortify the retirement infrastructure.

In the absence of Congressional action, state governments are taking action to shore up retirement prospects for Americans. Perhaps this is because state leaders understand what is happening in their local jurisdictions, and they know that Americans without enough money to survive will turn to state and local government for assistance.

Almost 20 states have considered so-called "Secure Choice" legislation over the past several years. This legislation makes it easier for employers to give employees the option of payroll deduction for retirement savings. Research indicates that participation rates increase dramatically when employees have this option.[31] Concerned about the retirement crisis, states like California, Connecticut, Illinois, Massachusetts, Minnesota and Oregon enacted legislation to implement or study increasing retirement security for all workers in their states. More states are examining this approach in 2015.

We asked Americans how they feel about these state efforts to improve retirement readiness given that about half of the U.S. workforce does not have access to a retirement plan through their employer. We explained that a state could set up a low-risk, low-cost automatic-enrollment retirement plan for employees without retirement plans at work. Private employers would provide their employees with access to these new retirement accounts through payroll deductions, and the plans would be overseen and administered by the state.

We further explained that workers in these states would have access to these retirement savings accounts, which likely would guarantee higher returns than a bank savings account—around a two to three percent return on the money invested.

With that explanation, 71 percent agree this these state plans are a good idea (Figure 20), with three-fourths indicating they would consider participating (Figure 21).

Figure 20: **71% Think That State Sponsored Retirement Plans Are a Good Idea.**

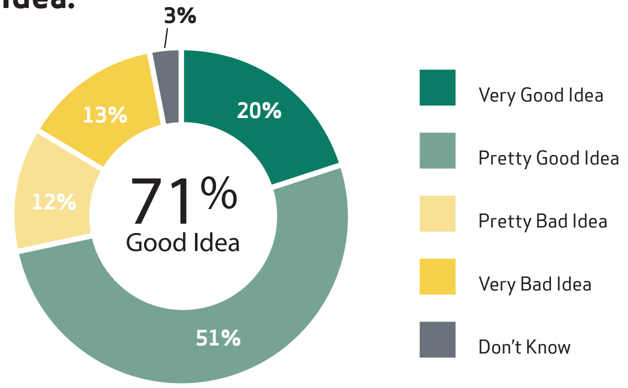
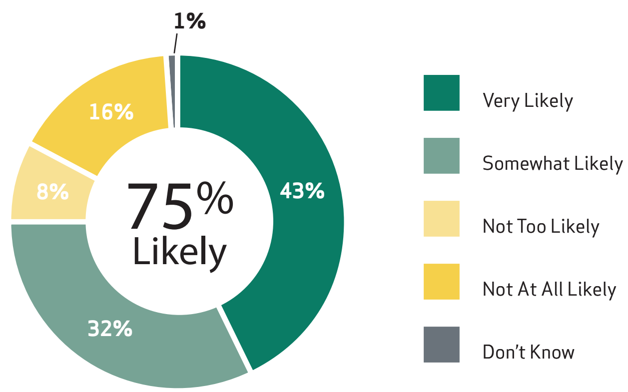


Figure 21: **Three-fourths of Americans Would Participate in State Retirement Plans**

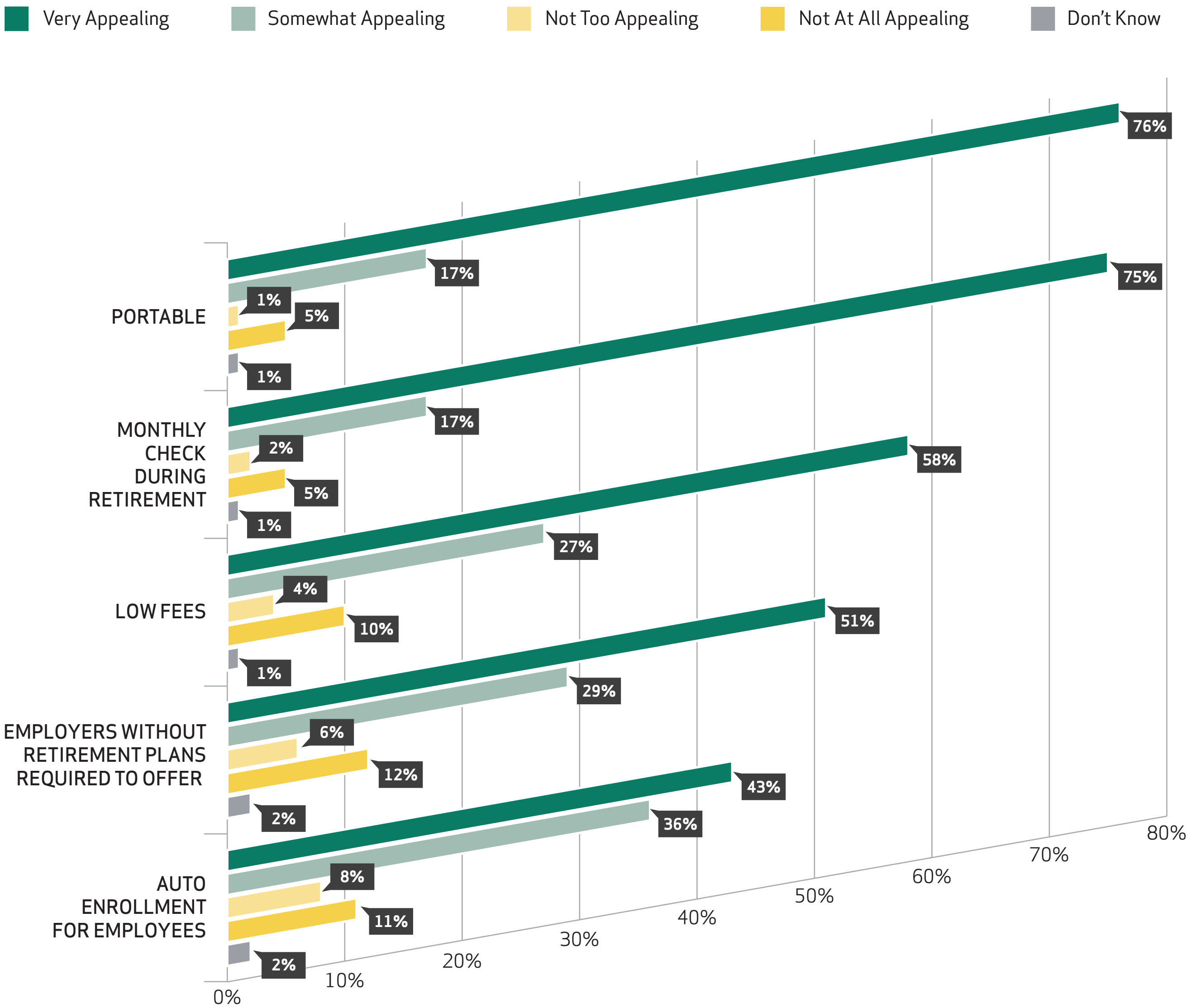
Overall, based on the description read to you, how likely would you be/have been to consider participating in this plan if it were available?



We asked about specific features that such retirement accounts would offer. Americans ranked both portability from job to job and receipt of monthly check as the most attractive features of these state plans (93 percent each), followed by low fees for the plans (85 percent), employer requirements to offer the plans (80 percent), and the employee opt-out option (79 percent) (Figure 22).

Figure 22: **Portablity and Receipt of a Monthly Check are the Most Attractive Features of the State Plan**

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



V. AMERICANS PLACE A HIGH VALUE ON RETIREMENT BENEFITS

Historically, the U.S. had in place a strong retirement infrastructure whereby middle class Americans could maintain their standard of living after a lifetime of work. Over time, the three-tiered retirement system—Social Security, employer pension plans and individual savings—has degraded dramatically.

For private sector workers, a pension plan with regular monthly income that lasts has been replaced with individual accounts like 401(k) plans that were intended to supplement pensions. Among households covered by workplace retirement benefits in 2013, a majority (57 percent) of older households age 55-64 are covered by a DB pension. In contrast, younger households are half as likely to have a DB pension—29 percent for those age 25-34 and 30 percent for those age 35-44.[32]

Also, Americans just are not saving enough in their individual accounts at a time when their retirement income needs are increasing due to rising longevity and costs. In 2013, the typical working household approaching retirement had only $103,000 in 401(k)/IRA assets.[33] Part of the problem is referred to as plan "leakage" that occurs when individuals tap into their retirement savings while working for non-retirement purposes. Overall, such leakage reduces aggregate individual account retirement assets by about 25 percent.[34]

Another significant factor harming Americans' ability to save is wage stagnation. For most Americans, wages after inflation is taken into account have been flat or falling for decades, regardless of whether the economy has added or lost jobs.[35]

The reality today is that Americans need to save more money because they are living longer and to cover healthcare costs in retirement as employers move away from offering retiree health insurance. Between 1988 and 2013, the share of large companies offering retiree healthcare plummeted from 66 percent to 29 percent. Simultaneously, those offering retiree healthcare benefits have reduced benefits and required higher retiree contributions for coverage.[36]

Given financial pressures and changes to retirement benefits, it is not surprising that Americans highly value retirement benefits (Figure 23). In fact, it is a job feature that is almost as important as salary. Salary is viewed as important by 75 percent of Americans, and retirement benefits are close behind at 72 percent. Health insurance tops the list with 84 percent of Americans saying it is an important job feature.

Some interesting differences emerged between public and private sector when it comes to the importance of job features, in particular retirement benefits and salary.

The data indicate that retirement benefits are far more important to public sector workers as compared to private sector workers. While 88 percent of public employees rated retirement benefits as extremely or very important, only 65 percent of workers in the private sector gave retirement benefits the same level of importance. In fact, 45 percent of public workers rated retirement benefits as extremely important.

Moreover, salary considerations are far more important to private sector workers with 82 percent indicating that salary was an important feature as compared to the public workforce where salaries are lower. Only 57 percent of those working in the public sector rated salary as important (Figure 24).[37] This difference is important because pensions are more prevalent in the public sector (nearly all public workers still have an employer-sponsored pension) as compared to the private sector where pension benefits are dwindling rapidly.

The findings seem to support the notion that pensions are an important public sector workforce management tool whereby lower salaries are offset by retirement benefits. This is important because research indicates shifting away from pensions to DC retirement accounts may impact the make up of the public sector workforce.[38]

Figure 23: **Three-fourths of Americans Say Retirement Benefits are an Important Job Feature**

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

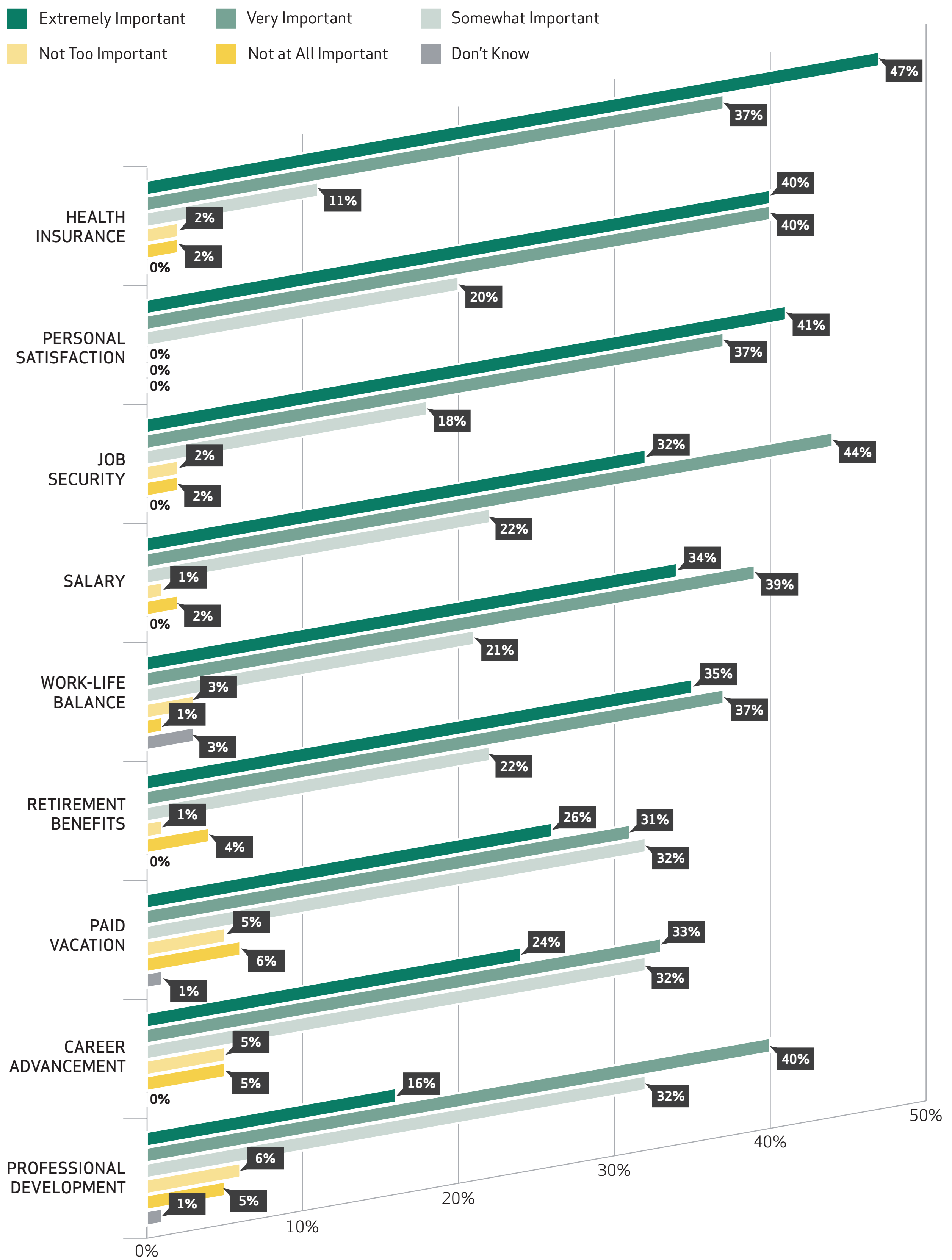
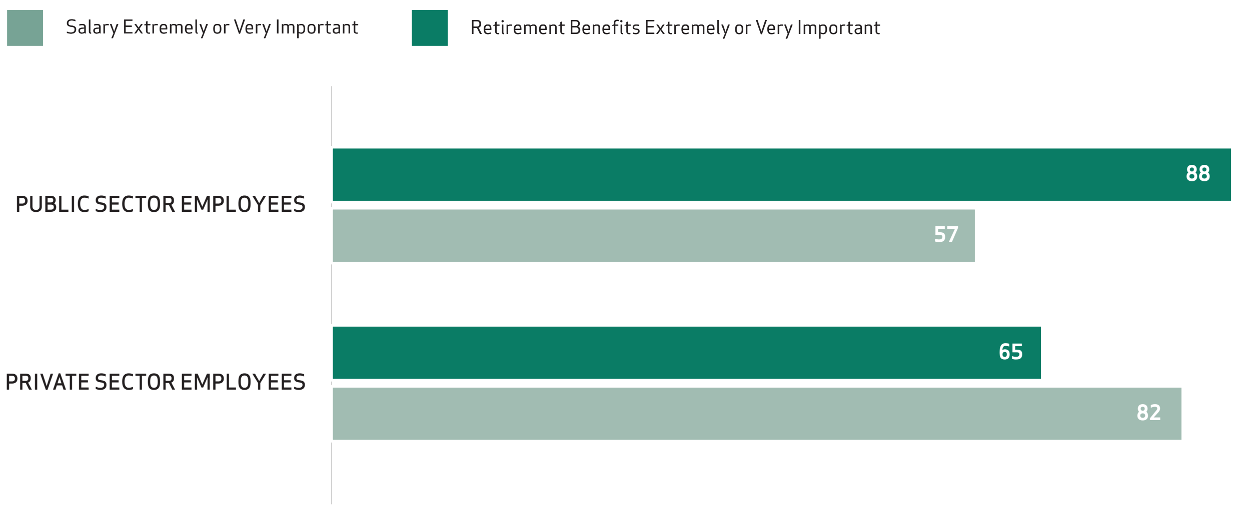


Figure 24: **Retirement Benefits are Significantly More Important to Public Workers as Compared to Private Sector Workers**

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



NIRS AND GREENWALD ASKED AMERICANS:

How would you personally define what a secure retirement means to you?

"Being able to have a house to live in and food to eat."

"To have the **relief of worrying about not having money** to pay bills, buy groceries or medicine in my old age."

"I sold my house and moved in with my son, and the responsibility is on him. **I could not afford to stay in my house.** I have been retired for 10 years."

"Being **able to retire** without seeking employment or additional income."

"Having enough financial wherewithal **to support myself**, and take care of all my needs without having to depend on the government."

"Live at the same standard while I worked and not have to take another job."

"I would say **not a 401(k) because they are too unstable.**"

"That I can pay my bills and that I can have food and housing and heat and transportation. **Just the basics I guess.**"

"Having a good pension."

"Being able to pay your bills without going for government help. Being able to go where you want to and having gas in your car. **Being self-sufficient**, I guess."

"**Where I can live month to month** with money coming in so I can afford the expenses that I have."

VI. AMERICANS SUPPORT PUBLIC EMPLOYEE PENSIONS, HAVE MISPERCEPTIONS ABOUT WHO PAYS FOR BENEFITS

In recent years, pension benefits for public employees have come under intense scrutiny. This attention can be attributed to several factors: the financial crisis that resulted in steep investment losses for all investors including pension funds; ideological organizations opposed to government programs; and "pension envy" as private sector employees continue to lose pension coverage.

Across the country, the debate has been charged and large amounts of dollars have been spent by ideological groups to strip away pension benefits for public employees like teachers and firefighters. It is estimated that one non-profit organization "has given over $53 million to groups backing pension reform efforts in 17 states since 2008."[39]

Some argue that the real issue is that private sector workers have too little retirement security, rather than the public sector having overly generous benefits.[40] The typical monthly retirement benefit for public employees is $2,100 and employees share the funding responsibility with substantial contributions from each paycheck.[41] This is in contrast to private sector pensions. Private sector employees typically do not contribute to their pensions because of unfavorable tax treatment under the U.S. tax code.[42]

Since the financial crisis, nearly every state has adopted reforms to their public pension plans rather than shifting to individual DC accounts, likely because the shift is expensive and undermines retirement security.[43] These reforms have come

Figure 25: **88 Percent Say That Police Officers and Firefighters Deserve a Secure Retirement With a Pension Because of Their Risky Jobs**

Please tell me whether you agree or disagree that police and firefighters have agreed to take jobs that involve risks and therefore deserve pensions that will afford them a secure retirement.

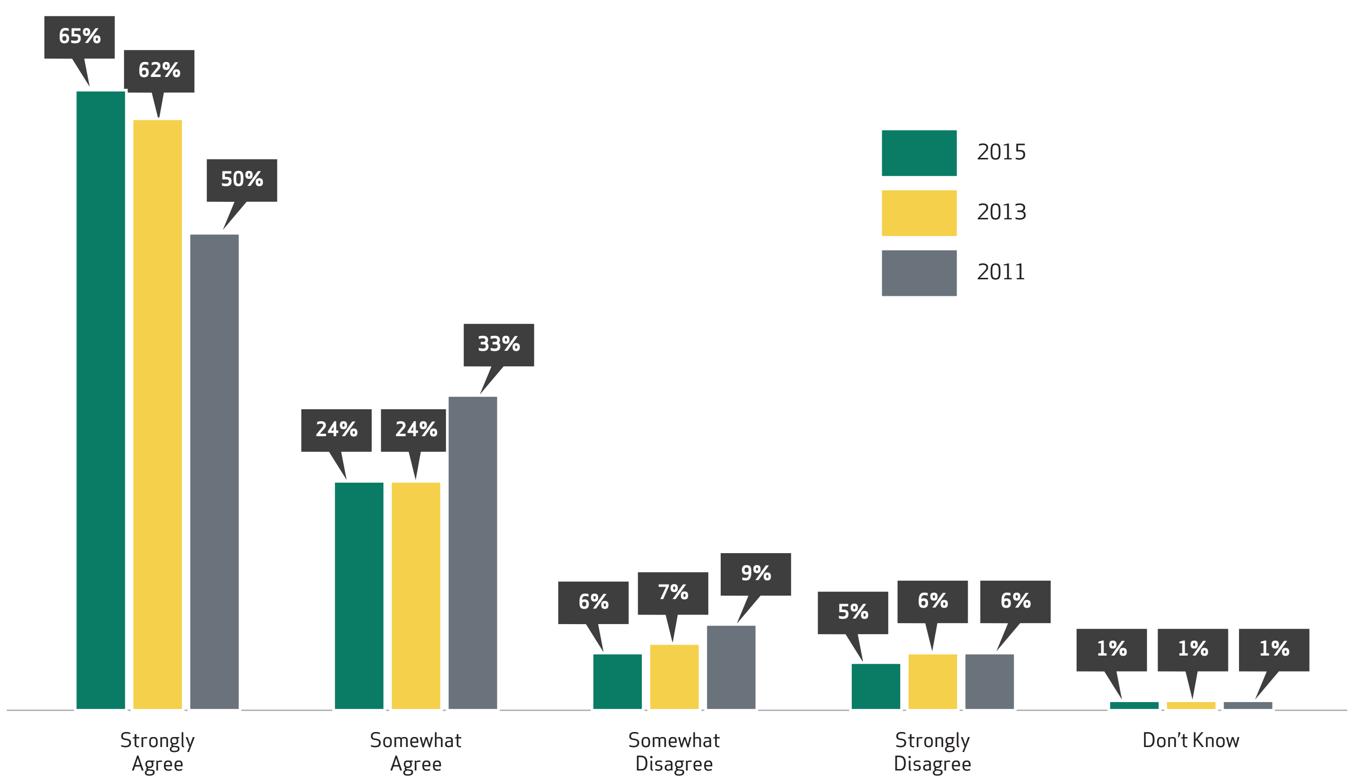
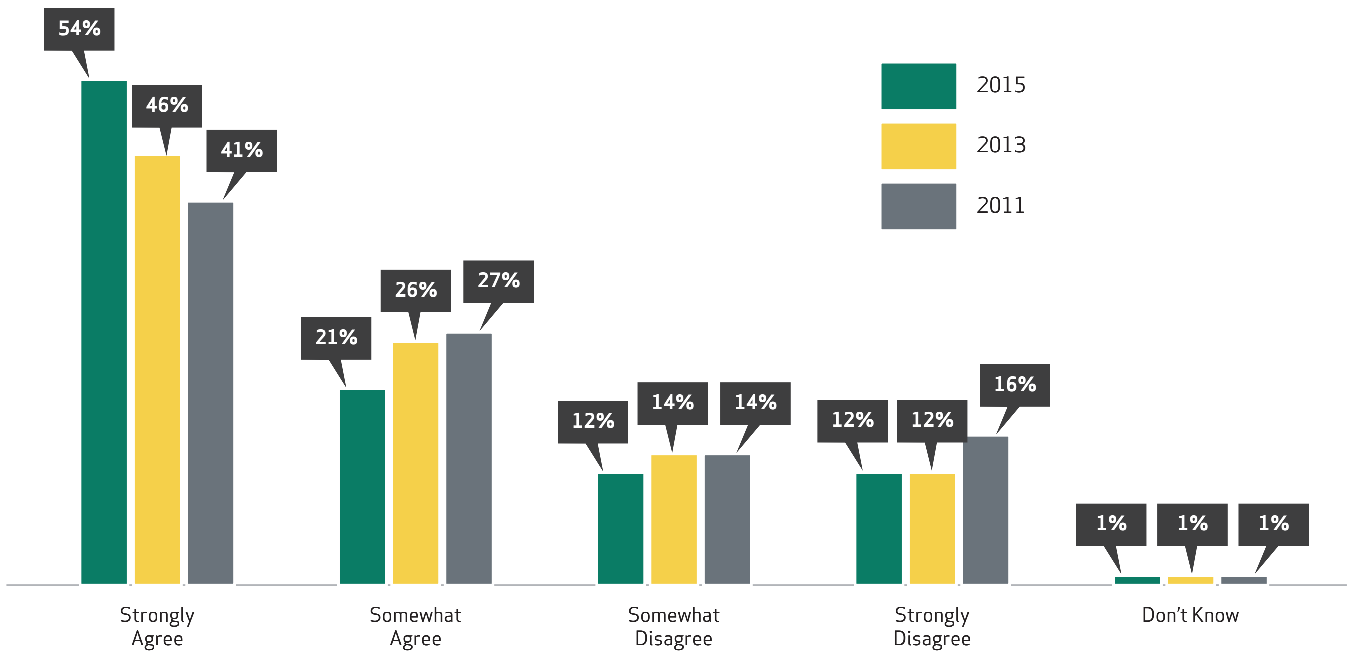


Figure 26: **Three Quarters (75%) Say Public School Teachers Deserve Pensions Because of Their Low Pay**

Please tell me whether you agree or disagree that public school teachers deserve pensions to compensate for lower pay.



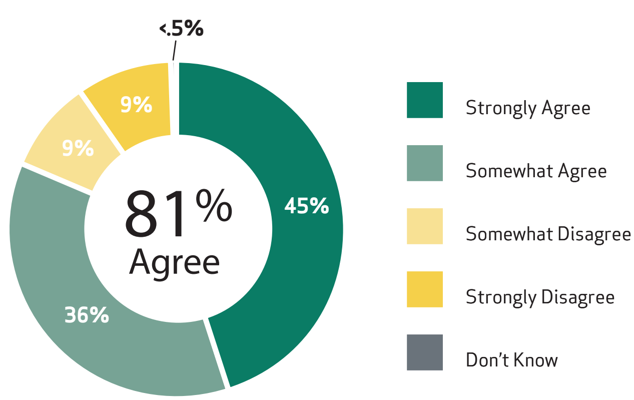
in the form of increased contributions from employees and employers, increases to the retirement age, cuts to current and future employee benefits, and modifications to retirement plan formulas.[44] With reform, most plans are on track to return to an appropriate funding level by 2017.[45]

Against this backdrop, Americans were asked their views about public pensions. The data indicate that Americans express strong and growing support for public employee pensions because: segments of the public workforce have high-risk jobs; lower pay; funding of benefits is shared with employees; and pensions help recruit and retain skilled workers. Americans also think that pensions should be widely available to the entire workforce, not just those in the public sector.

For police officers and firefighters, 88 percent of Americans say these employees deserve pensions given their job risks. That support has increased over time: 88 percent in 2015; 86 percent in 2013; and 83 percent in 2011 (Figure 25).

Figure 27: **81 Percent of Private Sectors Workers Say All Workers Should Have a Pension**

I would like to ask how you feel about the pensions that are sometimes given to state and local government employees. Please tell me whether you agree or disagree that all workers, not just those employed by state and local governments, should have access to this kind of pension.



For teachers, 75 percent of Americans say pensions are deserved to compensate for low pay. This support has increased over time: 75 percent in 2015; 72 percent in 2013; and 68 percent in 2011 (Figure 26).

The data seems to support the notion that Americans do not begrudge or want to take away pensions for public employees. Instead, private sector employees seem to "envy" public employee pensions because they want similar benefits for themselves to improve their financial security. Americans do not seem to want a "retirement race to the bottom" by taking away pensions for public employees.

Instead, it seems Americans would prefer to move back to retirement system whereby more Americans have a predictable pension income. Some 81 percent say that all workers should have access to pensions—not just those in the public sector. This support for pensions grew to 81 percent in 2015 from 68 percent in 2011 (Figure 28).

The research also shows that the vast majority of Americans, 71 percent, strongly support public pensions for police, firefighters and municipal employees because these employees fund a significant portion of their benefits (Figure 29). Only six percent do not support these pension benefits.

And to go one step further on the funding of public pensions, the data indicate there is a significant misunderstanding about who pays for public pension costs. Only one-fourth of Americans understood that public employers pay for 25 percent or less of public pension costs.

Nearly half of Americans seem to feel comfortable with the level of benefits paid to public workers ($2,100 per month is the national average), and almost four out of ten see the benefits as too low. Only nine percent say the benefits are too high (Figure 31). This holds true across public and private sector Americans: 49 percent and 47 percent, respectively, say the benefits are about right; 45 percent and 32 percent, respectively, say the benefits are too low.

As the public pension funding recovers, a majority of Americans increasingly agree that public pensions have made the changes needed to continue providing promised

Figure 28: **81 Percent of Americans Say All Workers Should Have a Pension**

I would like to ask how you feel about the pensions that are sometimes given to state and local government employees. For each of the following statements, please tell me whether you agree or disagree that all workers, not just those employed by state and local governments, should have access to this kind of pension.

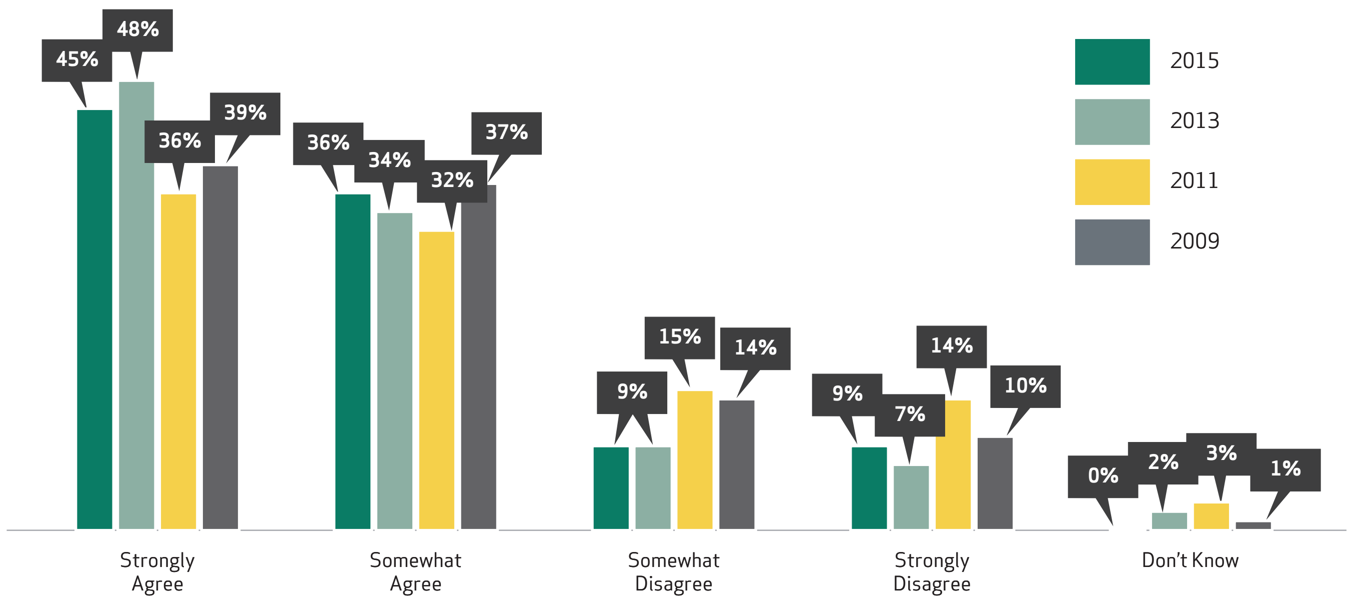


Figure 29: **71 Percent Strongly Support Local Pensions for Police, Fire, and Municipal Employees Because Workers Help Fund Pensions**

Given that they fund a significant portion of their own pensions, how strongly do you support or oppose giving pensions to local firefighters, police, and municipal employees?

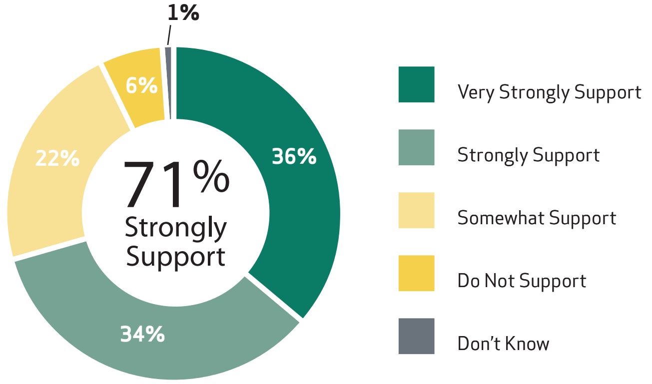
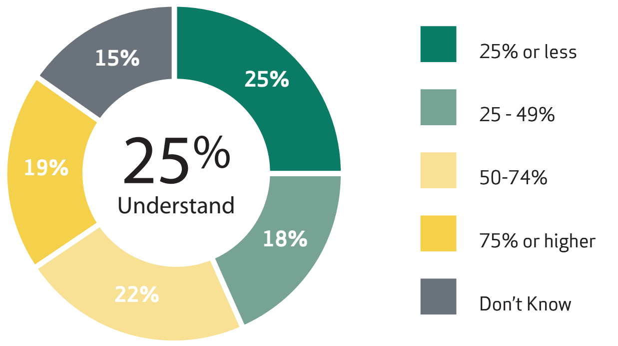


Figure 30: **Only 25 Percent of Americans Understand that Taxpayers Pay for About One-Fourth of the Cost of Pensions**

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



benefits—55 percent in 2015, 53 percent in 2013 and 45 percent in 2011 (Figure 32).

Also, some 87 percent of Americans say pensions are a good way to recruit and retain qualified teachers, police officers and firefighters with 61 percent strongly agreeing with the statement (Figure 33). This is consistent with the difference in retirement sentiment about benefits as an extremely important job factor among public employees in comparison to the private sector. Because pensions play an important role in public sector compensation, shifting from DB pension to DC accounts may negatively impact the ability of public employers to recruit and retain qualified workers.[46]

Three-fourths of Americans say that public pensions are a good source of retirement income because they are managed by financial professionals who do not over-react to market swings. This strong support could stem from the fact that private sector employees find themselves now trying to manage their own investments in individual accounts (Figure 34).

Figure 31: **Americans are Comfortable With the Level of Pension Benefits Paid to Public Workers or Think Benefits are too Low**

The average retirement benefit for public workers is about $2,100 a month, though some may receive more or less depending on their local cost of living. Judging based on what you think is reasonable, do you think that this amount of retirement income is:

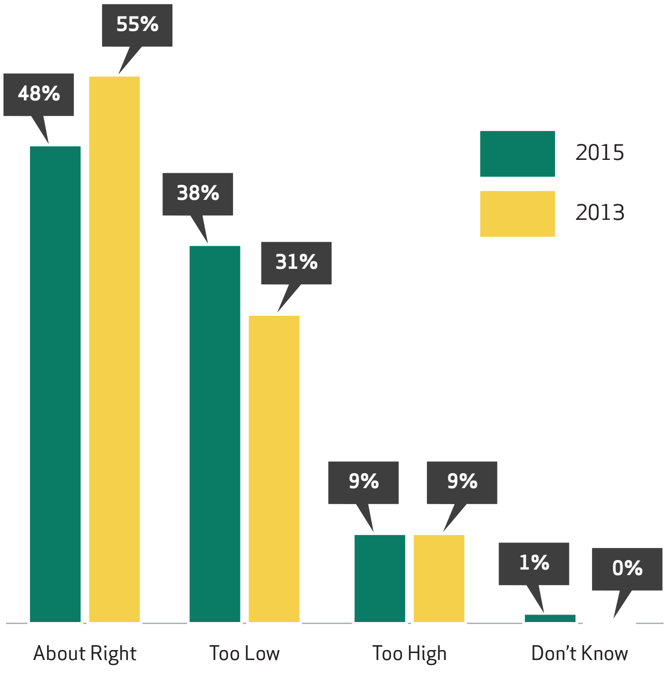


Figure 32: **A Majority of Americans Feel the Public Pensions Have Made the Changes Needed to Continue Providing Benefits**

How much do you agree or disagree with the following statements about public pensions, which are offered to state and local government workers? Public pensions have made the changes they need to in order to continue providing promised benefits.

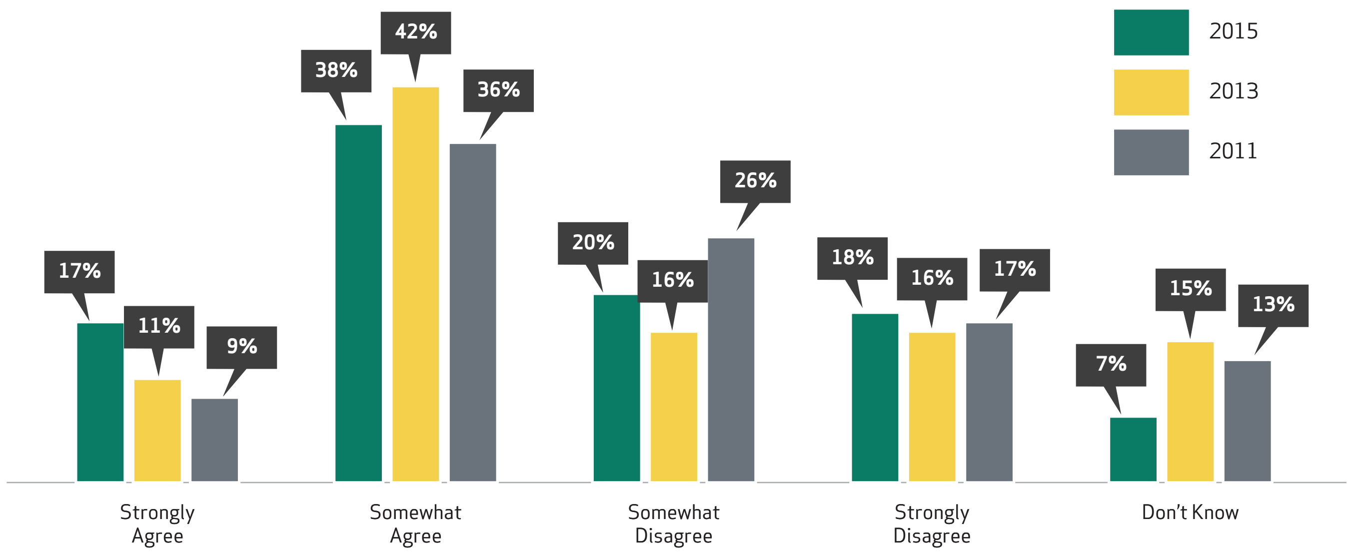


Figure 33: **87% of Americans Say Pensions Are Good Tool to Recruit Teachers, Police, Firefighters**

Are pensions a good way to recruit and retain qualified teachers, police officers and firefighters?

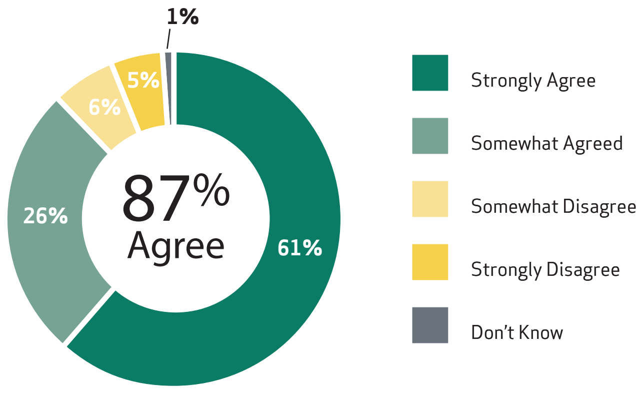
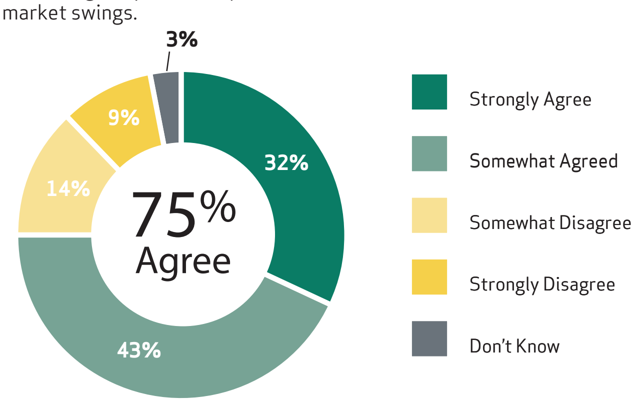


Figure 34: **75 Percent of Americans Say Pensions Are A Good Source of Retirement Due to Management by Financial Professionals**

Public pensions are a good source of retirement income because they are managed by financial professionals who don't over-react to market swings.



VII. SOCIAL SECURITY BENEFITS INCREASINGLY IMPORTANT

Social Security is a central component of retirement security for Americans, but benefits are at risk. Nearly two-thirds of older Americans rely on Social Security benefits for most of their income.[47] Increases in the Social Security retirement age already have resulted in lower benefits—a particularly difficult development for lower income workers who rely most heavily on Social Security to make ends meet.

The 2014 Social Security Trustees Report indicates that the Social Security program continues to face a long-term financing shortfall equal to about one percent of gross domestic product. Although the shortfall is considered manageable, the shortfall likely will be addressed by either further benefit cuts or by putting more money into the system.[48]

With this in mind, we wanted to learn how Americans feel about protecting Social Security. Some 73 percent of Americans say it is a mistake to cut government spending in such a way as to reduce Social Security benefits for current retirees, which is up from 67 percent in 2013 (Figure 35).

When it comes to benefits for future generations, 69 percent oppose cutting government spending that reduces Social Security benefits (Figure 36).

Given that Social Security benefits are the primary source of income in retirement for most Americans, we wanted to explore how well individuals understood the value of delaying drawing benefits as a way to increase the monthly amounts received in the retirement. Americans are divided when it comes to delaying receipt of Social Security benefits to increase benefit levels even if it means dipping into retirement savings: 42 percent agree with a delay and 52 percent disagree (Figure 37).

Figure 35:
Americans Overwhelmingly Oppose Cuts to Social Security for Current Retirees

To what extent do you agree or disagree that government should cut spending in all areas, even if it means reducing Social Security benefits for CURRENT retirees.

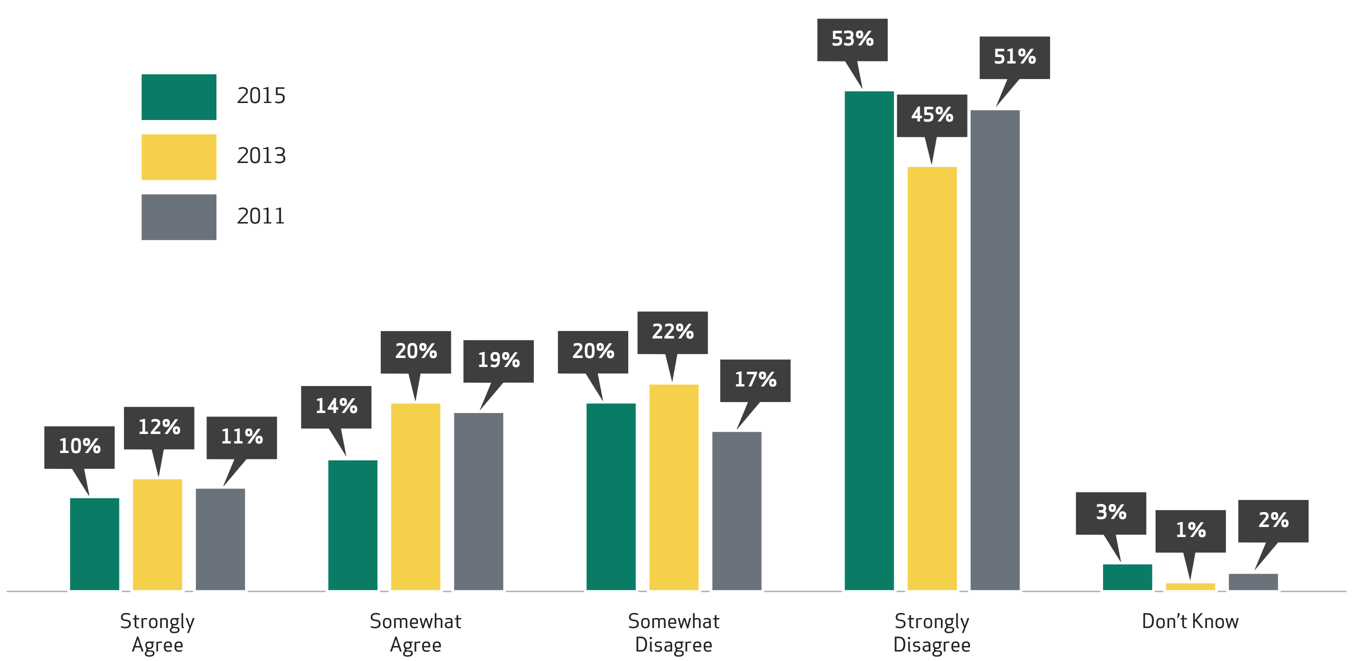


Figure 36: **Americans Overwhelmingly Oppose Cuts to Social Security for Future Retirees**

To what extent do you agree or disagree that government should cut spending in all areas, even if it means reducing Social Security benefits for FUTURE retirees.

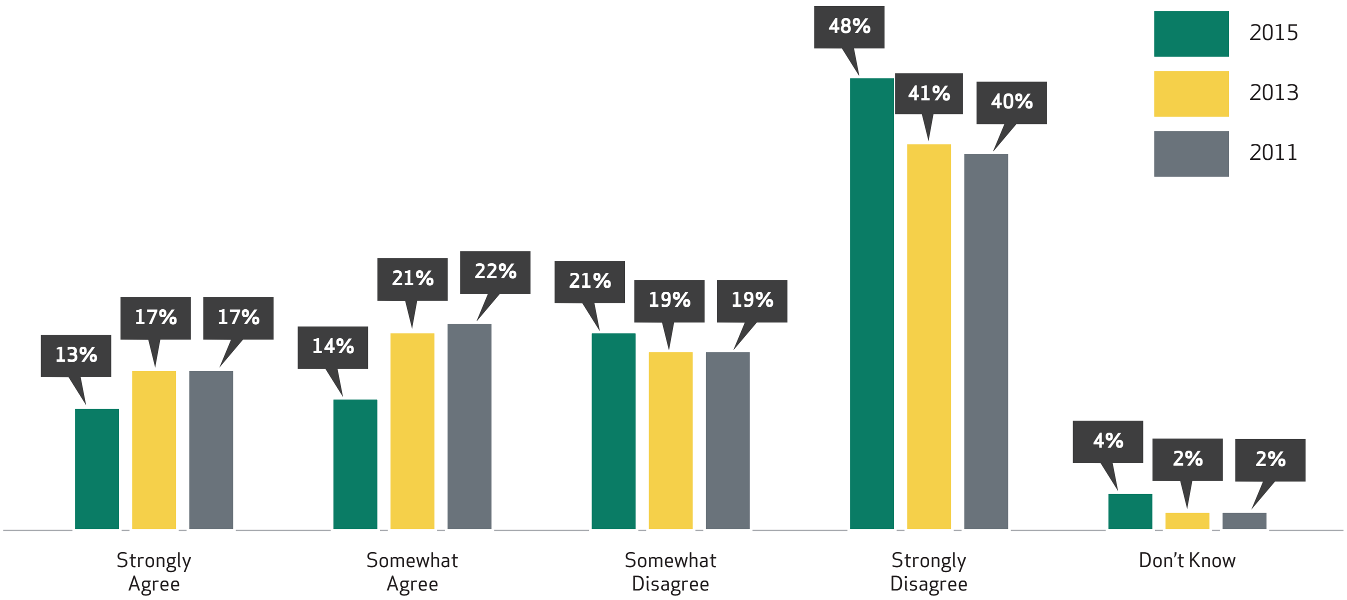
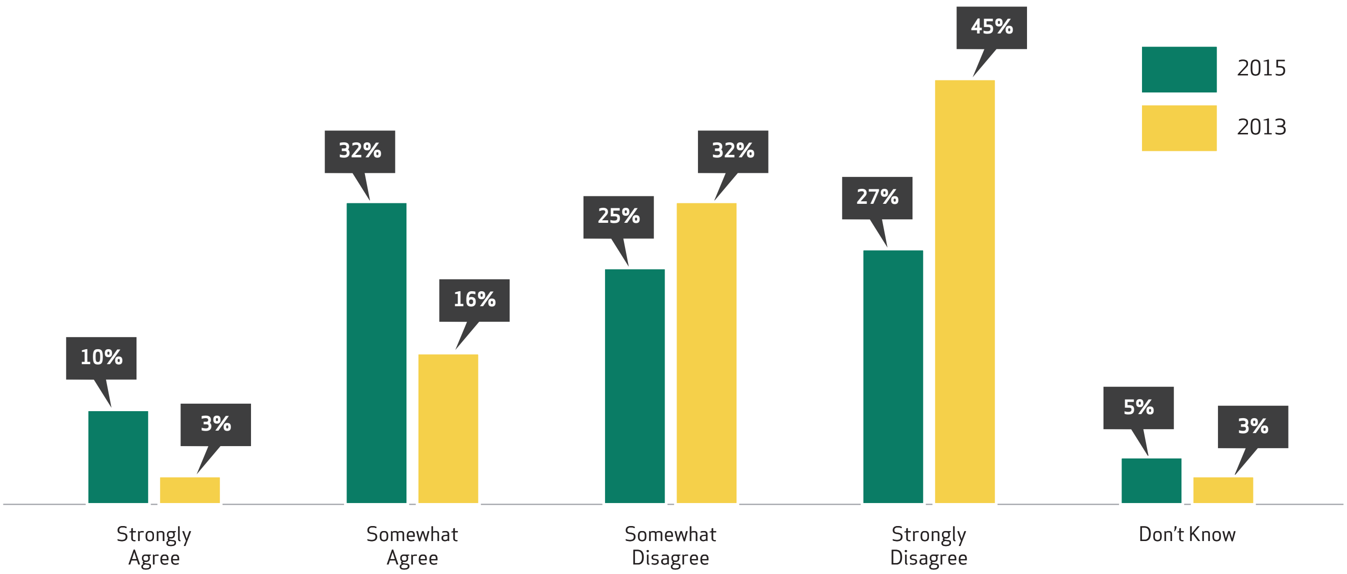


Figure 37: **Americans Divided on Delaying Social Security**

Given that Social Security benefits increase for every year you delay taking them, retirees should delay claiming Social Security even if it may mean spending down all of their savings first.



CONCLUSION

The evidence is clear that the United States is on the precipice of another financial threat—older Americans lacking sufficient income to be self-sufficient as they move out of the workforce. The typical working-age American household is far off-track toward accumulating ample savings to be able to maintain their current living standard and many will be challenged to have the resources to pay for their basic needs in retirement.

This financial insecurity crisis for older Americans comes as no surprise to experts who have been forecasting the problem for years. A wide and growing body of research shows that just as retirement income needs are growing because Americans are living longer and have higher costs in retirement, the weak U.S. retirement system is providing less income when Americans need it most.

This fourth biennial nationwide public opinion research project to measure how Americans feel about their financial security in retirement and to assess their views on policies that could improve their retirement outlook. It is intended to serve as a tool for policymakers, thought leaders and retirement service providers as they work to stem the retirement crisis and re-fortify the U.S. retirement infrastructure.

The research finds that:

1. **An overwhelming majority of Americans believe there is a retirement crisis.** Some 86 percent agree that the nation faces a retirement crisis, and 57 percent strongly agree there is a crisis.

2. **Three in four Americans remain highly anxious about their retirement outlook, but the concern has dissipated slightly as the economy has recovered.** Some 74 percent of Americans percent say they are concerned, down from 85 percent as reported in the 2013 study.

3. **Even though Americans feel slightly less stressed about their retirement prospects, support for steady and reliable retirement income from a pension is high and growing.** In fact, 82 percent say a pension is worth having because it provides steady income that won't run out, while 67 percent of Americans indicate they would be willing to take less in pay increases in exchange for guaranteed income in retirement.

4. **Americans continue to feel that leaders in Washington do not understand their struggle to save for retirement, and they strongly support efforts by states to set up retirement plans for those workers without access to an employer sponsored plan.** Some 87 percent of Americans say Washington policymakers do not understand how hard it is to prepare for retirement, while 84 percent say Washington needs to do more to help ensure retirement security.

5. **Americans see retirement benefits as a job feature that is almost as important as salary.** Salary is viewed as important by 75 percent of American, and retirement benefits are close behind at 72 percent.

6. **Americans express strong support for pensions for public employees. Few Americans realize that 75 percent of public pension costs are paid for with employee contributions and investment returns.** Some 87 percent of Americans say pensions are a good way to recruit and retain qualified teachers, police officers and firefighter. But, only one-fourth of Americans understood that public employers pay for 25 percent or less of public pension costs. More than eight out of ten—a vast majority of Americans—say that all employees, not just the public sector, should have a pension.

7. **Protecting Social Security benefits is increasingly important. Some 73 percent of Americans** say it's a mistake to cut government spending in such a way as to reduce Social Security benefits for current retirees, up from 67 percent in 2013. When it comes to benefits for future generations, 69 percent oppose cutting government spending that reduces Social Security benefits. Americans

are divided when it comes to increasing the amount of Social Security benefits by delaying the withdrawal of benefits at an older age: 42 percent agree with a delay while 52 percent disagree.

Clearly, Americans are highly cognizant of the retirement crisis, and they want solutions. While Americans are feeling slightly less anxious about their financial security in retirement, they remain highly supportive of solutions that will provide guaranteed income that will last. They also express growing strong support for pensions—for both public and private sector employees—as these retirement plans are highly cost efficient and provide income that will not run out.

Americans continue to feel that policymakers need to do more, and are quite supportive of state initiatives to shore up retirement savings. As the policy debate continues, we hope that these research findings help inform deliberations and serve as a valuable tool for government officials, experts and the general public.

METHODOLOGY

The survey was conducted as a nationwide telephone interview of 801 Americans age 25 or older to assess their sentiment regarding retirement and actions policymakers could take. Greenwald & Associates balanced the data to reflect the demographics of the United States for age, gender, and income. The margin of error is plus or minus 3.5%. Sums of two or more figures may not equal an expected total due to rounding.

In this report, the following age groups were used for the generational definitions:

- Silent Generation: Born before 1946
- Baby Boomers: Born between 1946 and 1964
- Generation X: Born between 1965 and 1976
- Millennial: Born after 1977

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1612 K STREET, N.W. SUITE 500 • WASHINGTON, DC 20006
Tel: 202.457.8190 • Fax: 202.457.8191 • www.nirsonline.org