

Insurance Times: As population ages, retirement income remains policy worry
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WASHINGTON, D.C. — With the elderly population expected to surge in the next decade, the adequacy of retirees' income—and especially the component that comes from employment-based pensions or retirement plans—remains a public policy concern, according to the latest report by the nonpartisan Employee Benefit Research Institute (EBRI).

Some of the report's highlights:

* The sponsorship rate for all workers for pay age 16 and over (defined as the fraction of workers whose employer or union sponsors a pension or retirement plan for any of the employees at the workers' place of employment) was 60 percent in 1998, according to SIPP. The percentage of all workers participating in a plan regardless of whether the plan was sponsored at the workers' place of employment was 44 percent in 1998. The vesting rate, the percentage of workers who say they were entitled to some benefit or lump-sum distribution if they left their job at the time of, or very near to the time of, their interview, was 41 percent in 1998.

* Participation rates in a retirement plan increased with age through age 50, and then decreased. In 1998, 7 percent of 16-20-year-old workers participated in a pension plan, while 60 percent of 41-50-year-olds did so. The participation rate then decreased, reaching 23 percent for those age 65 or older. As a worker's income increased, the likelihood that he or she participated in a retirement plan also increased. For those making less than \$5,000 annually in constant 1993 dollars in 1998, 13 percent participated in a pension plan, compared with 75 percent of those making \$50,000 or more in 1993 dollars.

* The vesting rate increased from 24 percent in 1979 to 41 percent in 1993, and (according to SIPP) remained at 41 percent in 1998. Some of this increase appears to result from follow-up questions added in the 1988 employment-benefit supplement, which more clearly measured this issue, but it also appears that other factors, such as the increased number of workers participating in defined contribution retirement plans (such as 401(k) plans) and faster vesting requirements that have been imposed since 1979, were important.

* In 1998, 62.7 percent of participants were determined to have a defined contribution plan as their primary plan, significantly higher than the 49.8 percent found in 1993. Correspondingly, a smaller percentage of workers had a defined benefit plan as their primary plan: 35.1 percent said a defined benefit plan was their primary retirement plan in 1998, compared with 38.2 percent in 1993. This is substantially lower than the 1988 level of 56.7 percent of participants who reported their primary plan was a defined benefit plan.

The report is based primarily on the results from the Survey of Income and Program Participation (SIPP), which was fielded in 1998 and released by the U.S. Census Bureau in February 2002, and employment benefit supplements to the 1998 and 1993 Current Population Surveys (CPSs).

"Since the SIPP data set is not identical to the CPS, care must be taken in drawing conclusions about trends across the years. However, it appears that overall participation in any type of retirement and pension plan has been relatively constant," said EBRI President and CEO Dallas Salisbury. "A larger percentage of retirement plan participants have a defined contribution plan as their primary type, mostly salary reduction or 401(k)-type plans, and vesting has substantially increased since the 1980s."