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**NEWS RELEASE**

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# Newly Available Tax Data Confirm That Census Bureau Survey Understates Retirement Plan Participation

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## Nearly Two-Thirds of Workers Participate in an Employer Plan

**Washington, DC, April 5, 2018—**Most American workers participate in employer-sponsored retirement plans, according to a new analysis of tax data published today by the Investment Company Institute (ICI). The study, "Who Participates in Retirement Plans, 2014," shows that 63 percent of workers aged 26 to 64 in 2014 participated in an employer plan or had a spouse who participated.

The study also confirmed that the underreporting of retirement plan participation in the US Census Bureau's Current Population Survey (CPS) increased substantially following a recent revision to the household survey's questionnaire. The CPS participation rate dropped sharply beginning in 2014, the first data collected using the new questionnaire. In contrast, the tax data show that the retirement plan participation rate has held steady since 2008.

In addition, the study looked beyond the overall participation rate to show that participation increases with both age and income. In 2014, 56 percent of workers aged 26 to 64 participated in an employer-sponsored retirement plan, and another 7 percent did not participate but had a spouse who did. For workers aged 45 to 64 with income of $30,000 or more, however, 77 percent participated or had a spouse who participated.

"More American workers are benefiting from employer plans than the conventional wisdom would suggest," says ICI Senior Economist Peter J. Brady, who coauthored the paper with ICI Associate Economist Steven Bass. "This is for two reasons. First, the most widely cited statistics undercount retirement plan participation. Second, many only look at the headline statistic, which provides a snapshot of participation at a single point in time. But preparing for retirement is more like a movie than a snapshot, and what matters are the resources that accumulate throughout a career. Many of the younger and lower-income workers who are not participating today will do so later in their careers, and as a result, will reach retirement having accumulated employer plan resources."

The report updates previous ICI research on retirement plan participation using tabulations of 2014 tax data recently published by the IRS Statistics of Income (SOI) Division. The tabulations report the share of workers, inclusive of both private-sector workers and government employees, who were active participants in an employer-sponsored plan. To be an active participant, a worker must have contributed to, or had an employer contribute to, a defined contribution plan, or be covered by a defined benefit plan.

**Key Findings:**

**CPS Undercounting of Retirement Plan Participation Has Gotten Worse.** Between 2008 and 2013, the most widely cited participation rate was 5 percentage points lower, on average, than the SOI participation rate. In 2014, the first data collected using a revised CPS questionnaire, the gap between the two measures grew to 12 percentage points.

**CPS Participation Rate Lower Even Before Recent Drop**
**Percentage of workers aged 26 to 64 who participated in a retirement plan, 2008–2016**

Sources: IRS Statistics of Income Division and Investment Company Institute tabulations of Current Population Surveys

**Retirement plan participation increases with age.** Among working taxpayers aged 26 to 34 in 2014, 52 percent were active participants in a retirement plan or had a spouse who was an active participant. Among those aged 55 to 64, 68 percent participated or had a spouse who participated. These data are consistent with generational savings patterns observed in previous studies. Specifically, younger households are more likely to report that they save primarily for reasons other than retirement—for example, for a home purchase, for the family, or for education-related expenses.

**Retirement plan participation increases with income.** The share who participated in a retirement plan in 2014, either directly or through a spouse, ranged from 24 percent of workers who had adjusted gross income (AGI) per person of less than $20,000, to 85 percent of workers who had AGI per person of $100,000 or more.

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