

VIDEO

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Focus on Funds: New Data Offer Good News on American Private Pension Income

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New analysis of US government statistics on private pensions offers encouraging news about the retirement income that Americans receive and the number of Americans covered. ICI Senior Economist Peter Brady offers a summary in the January 6, 2017, edition of *Focus on Funds*.

Transcript

Stephanie Ortballs-Tibbs, ICI Director, Media Relations: For many American retirees, private retirement savings is an important source of income after they've left the workforce. So what is the big picture look like for these retirees, and what can we learn that might challenge conventional wisdom? I got some new insight and key takeaways from Pete Brady. He's an ICI senior economist and author of a fresh report taking a look at this very issue.

Peter Brady, ICI Senior Economist: Well, what the study shows is that the importance of income from private-sector defined benefit [DB] plans is often exaggerated. So the period before 1981, when 401(k) plans were introduced, is often portrayed as an idyllic period—"the golden age of the golden watch." The time where most private-sector workers left their employer and received a nice, substantial monthly paycheck in the form of pension.

The data show a much different story. What the data show is actually that pension income has become more prevalent over time, not less prevalent. So, since 1975, the share of retirees receiving income from a private-sector pension or retirement plan has actually nearly doubled—and despite more people getting more income, the median amount they get is up nearly 50 percent.

Ortbals-Tibbs: Pete, this information really turns conventional wisdom on its head. It shows that more people are getting more income. So what's behind the common

misperception about US retirement savings and the notion that perhaps the people aren't getting this?

Brady: Well, what I think what's happening is, some people are taking a look at pension coverage, and what has happened to pension coverage, and then making extrapolations about what that will mean for pension income.

Ortbals-Tibbs: Pete, as we look at defined contribution and defined benefit plans, what is this study also able to tell us about the kind of income people get from each of those streams?

Brady: So the data don't allow us to carefully differentiate between defined benefit plans and defined contribution plans. Certainly, the growth of defined contribution plans has been important, and millions of people receive a substantial amount of money from that. But what the data do suggest is that income from DB plans has likely gone up over time.

Ortbals-Tibbs: What else is new in this report, Pete?

Brady: Well, there's been a change to the survey. So, this data is based on a household survey, run by the government. This year they changed the questionnaire and as a result, the good news is that it's showing more pension income.

Now, the reason that they changed the survey is that, for years, comparisons with survey data for households where they asked households how much pension income they got showed a much different amount of pension income than looking at tax data, where people actually have to report how much pension income they got. Tax data showed substantially more income than was shown in the household survey. So what this change has done is help [reduce] that difference. Pension income has gone up by about 30 percent in this particular survey.

Unfortunately, it still undercounts relative to the tax data quite a bit so the survey data are not showing the true picture of pension income.

Ortbals-Tibbs: Well, it's understandable that self-reported data would look different than official data on a tax return form. It's heartening to see that the data are improving, and hopefully you'll be able to study and offer new analysis.

Brady: Yes, and a little preview is that I will have some research coming out. One area is, people are using the administrative tax data to do some estimates, and there's all sorts of research going on in that area. I have a paper coming out shortly that will deal with tax data.

Additional Resources

- [Release: Private Retirement Income Has Become More Prevalent, Not Less](#)
- [ICI Retirement Research](#)
- [Retirement Resource Center](#)

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