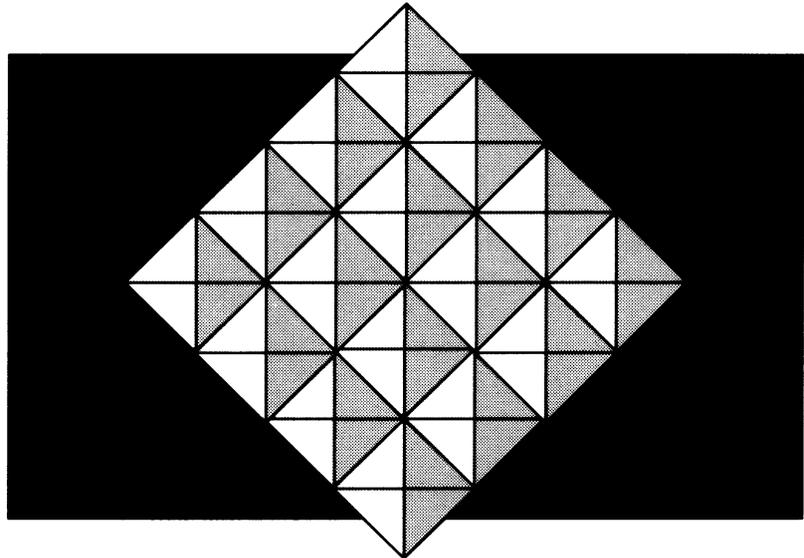




CURRENT POPULATION REPORTS
Household Economic Studies
Series P-70, No. 25

by
Kathleen Short
Charles Nelson

Pensions: Worker Coverage and Retirement Benefits, 1987



**Data from the
Survey of Income and
Program Participation**

U.S. Department of Commerce
Economics and Statistics Administration
BUREAU OF THE CENSUS

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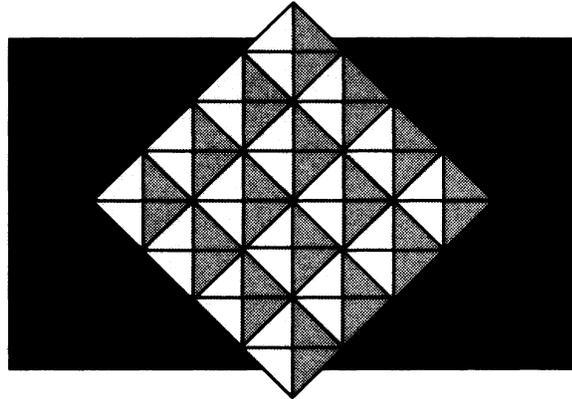
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Pensions: Worker Coverage and Retirement Benefits, 1987

(Data from the Survey of Income and Program Participation)

INTRODUCTION

The topical modules of the seventh wave of the 1985 panel and the fourth wave of the 1986 panel of the Survey of Income and Program Participation (SIPP), both conducted January through April of 1987, contained supplemental questions on pension eligibility of the working population and characteristics of persons receiving retirement income. This report presents findings based on these supplemental questions. The prevalence of pension coverage among different segments of the population, the growth of employee-directed retirement plans (such as IRA's and 401(k) plans), and differences in the level of economic well-being of today's retirees are some of the topics discussed in this report.

This is the second Census Bureau study to specifically highlight pension coverage and the economic status of retirees. The first report, released in 1987 (Current Population Reports, Series P-70, No. 12), contained comparable information from the fourth wave of the 1984 panel of SIPP. This report essentially updates that study; several estimates from the first report are repeated here in order to make comparisons over time.

There have been other surveys conducted by the Census Bureau containing questions on pension eligibility. Since 1980, the annual income supplement to the March Current Population Survey (CPS) has included a limited number of questions on pension eligibility for each person identified as a worker during the calendar year prior to interview. In addition, there have been three pension supplements to the CPS in May of 1979, 1983, and 1988. An analysis of data from the May 1979 and 1983 pension supplements is contained in a study by Emily Andrews of the Employee Benefits Research Institute, entitled "The Changing Profile of Pensions in America." Although the CPS and SIPP data sets are somewhat different, the data in this report are based on the definitions of pension eligibility used in the EBRI study.¹

Pension eligibility, as defined in this study, was restricted to employer-provided pensions. Eligibility for Social Security retirement benefits was not included. According to the Social Security Administration, 92 percent of all civilian wage and salary workers participate in the Social Security System and are potentially eligible for retirement or disability benefits.

The March CPS income supplement has provided information on the economic situation of the population by age group, including the elderly; however, the CPS does not directly identify the "ever-retired" population nor does it link the level of retirement income with important retirement related variables (years since retirement, former industry, etc.). Thus, this SIPP report series can provide a more comprehensive picture of the economic status of retirees than any other information previously available from the Census Bureau.

HIGHLIGHTS

(Note: The figures in parentheses signify the 90-percent confidence intervals of the estimates.)

Pension Coverage

- Between 1984 and 1987, the number of wage and salary workers covered by pension plans increased from 52.7 (± 1.0) million to 55.7 (± 1.0) million. The percentage of workers covered by a pension plan in 1987, 66.4 (± 0.8) percent, was not significantly different from the estimate of 67.1 (± 0.9) percent for 1984.
- The pension coverage rate of workers with monthly earnings of less than \$500 was 37.4 (± 2.4) percent. In contrast, the pension coverage rate of workers with monthly earnings of \$2,000 or more was 83.1 (± 1.1) percent.
- The pension coverage rate of Black workers was slightly higher than that of Whites, while persons of Hispanic origin were less likely to work in jobs with pension plans than either Whites or Blacks.
- Employees of larger firms were far more likely to be covered by an employer-sponsored pension plan than employees of smaller firms.
- In 1987, 20.0 (± 0.6) million wage and salary workers participated in Individual Retirement Accounts (IRAs), up from 16.3 (± 0.6) million in 1984. The pension coverage rate of these workers in 1987 was 76.6 (± 1.4) percent.
- The percentage of wage and salary workers participating in employer-sponsored thrift plans, known as 401(k) plans, grew from 6.1 (± 0.4) percent in 1984 to 9.8

¹A technical note to this text contains comparisons of SIPP and CPS pension participation estimates.

(± 0.5) percent in 1987. Of employees in firms that offer 401(k) plans, the participation rate was 60.3 (± 2.0) percent in 1987, up from 55.5 (± 2.8) percent in 1984.

- The percentage of workers covered by either an employer sponsored pension, IRA, or 401(k) plan was 72.0 (± 0.7) percent in 1987, not significantly different from the 1984 coverage rate of 72.1 (± 0.8) percent.

Retirement Benefits

- There were 12.4 (± 0.7) million retirees receiving pension benefits in December 1986. Their mean monthly pension income was \$639 ($\pm \25), not significantly different from the August 1984 monthly average of \$600 ($\pm \25) (in December 1986 dollars).
- Two-thirds of all retirees receiving pension benefits were men. The mean monthly pension income of male retirees was \$744 ($\pm \32), 78 (± 20) percent higher than the women's mean of \$417 ($\pm \31).
- The overall mean pension incomes of White, Black, and Hispanic-origin retirees were not significantly different from one another.
- Retirees under the age of 65 received significantly more pension income, on average, than retirees 65 years old and over. Older retirees were much more likely to be receiving Social Security benefits in addition to their pensions than younger retirees.
- Of the 12.4 (± 0.7) million retirement pension recipients, 18.7 (± 2.3) percent completed 4 or more years of college. The mean pension income of these retirees was \$1,069 ($\pm \77), 85 (± 2.4) percent higher than the mean pension income of retirees with 4 years of high school only.
- Slightly more than one-half of all retirement income recipients had pensions with Cost of Living Adjustment (COLA) provisions. The mean pension of these retirees, \$780 ($\pm \35), was 70 (± 18) percent higher than the mean pension income of retirees with no COLA provision.

PENSION COVERAGE

Defining Pension Eligibility

On the SIPP Retirement Expectations and Pension Plan Coverage topical module, all persons 15 years old and over² with a wage or salary job at any time during the 4 months prior to the interview were asked a battery of

²In the 1984 panel of SIPP, the Retirement Expectations and Pension Plan Coverage topical module was only asked of persons 25 years of age and over. For purposes of comparison, the 1987 estimates presented here were also restricted to persons aged 25 or more years.

pension questions. The exact sequence of questions is shown in appendix D. As classified by the responses to these questions, workers may be classified into four separate levels of pension eligibility. These levels are hierarchical, in that each is a subset of the previous one.

1. A **covered worker** was one whose employer had a retirement plan for any of its employees. Included in this group are workers who choose not to participate in a pension plan offered by their employer.
2. A **participant** was a worker included in such a plan.
3. A **vested employee** was one eligible to receive payments from this plan either upon reaching retirement age or in a lump sum distribution. Thus, a vested employee is one with pension rights that cannot be forfeited.
4. A **worker with future benefit entitlement** was one eligible to receive benefits upon retirement age. This group excludes those who are only eligible for a lump-sum distribution.

The data in table A summarize these four levels of pension eligibility for 1984 and 1987. There were 55.7 million wage and salary workers covered by an employer-sponsored pension plan in 1987, up from 52.7 million in 1984. In 1987 this number represented two-thirds of all wage and salary workers, about the same as in 1984. The proportion of wage and salary workers participating in an employer-sponsored pension plan was 53 percent in 1987, down slightly from the 1984 percentage of 55 percent. Two-thirds of all covered workers, 37.6 million, were vested in a plan. Of these vested workers, about 31.3 million, or 83 percent, were eligible for future benefits, while the other 6.3 million were eligible for lump-sum distributions.

Pension coverage and vesting rates are considered by many to be the key indicators of pension eligibility. Pension coverage rates provide information on the proportion of workers who are potentially eligible for employer-provided pensions, while the vesting rate measures the proportion of workers currently eligible for nonforfeitable pension benefits. The following section focuses on coverage and vesting rates of workers by selected characteristics.

Pension Coverage and Vesting Rates by Worker Characteristics

Age. Pension eligibility is usually linked to the number of years of service on the job. Therefore, since younger workers are less likely to have the required work experience, age is an important determinant of pension eligibility. Only 29 percent of workers under 30 years of age were vested in a pension plan. (See table 1.) The vesting rate

Table A. Pension Eligibility—Wage and Salary Workers 25 Years and Over, by Sex: 1984 and 1987

(Numbers in thousands)

Eligibility	1984			1987		
	Both sexes	Men	Women	Both sexes	Men	Women
All wage and salary workers.....	78,619	43,467	35,152	83,962	45,047	38,916
Covered by a pension plan.....	52,727	30,351	22,376	55,738	31,006	24,731
Percent of total workers.....	67.1	69.8	63.7	66.4	68.8	63.5
Participating in a pension plan.....	43,290	26,496	16,793	44,279	26,040	18,239
Percent of total workers.....	55.1	61.0	47.8	52.7	57.8	46.9
Vested in a plan.....	35,479	21,865	13,614	37,604	22,045	15,559
Percent of total workers.....	45.1	50.3	38.7	44.8	48.9	40.0
Entitled to future benefits.....	29,764	18,553	11,211	31,322	18,593	12,729
Percent of total workers.....	37.9	42.7	31.9	37.3	41.3	32.7
Entitled to lump-sum payments.....	5,715	3,312	2,403	6,282	3,452	2,830
Percent of total workers.....	7.3	7.6	6.8	7.5	7.7	7.3

was 48 percent for workers between the ages of 35 and 39, 53 percent for those between the ages of 40 and 49, and 58 percent for those between the ages of 50 and 59. As would be expected, age plays a larger role in pension vesting than in pension coverage. This is demonstrated by the fact that workers 50 to 59 years old were more likely to be vested in a pension plan than workers 40 to 49 years old, while the pension coverage rates of workers in those two age groups were not significantly different.

Level of Earnings. The median monthly earnings of workers covered by an employer-sponsored pension plan, \$1,726, was considerably higher than the median of \$1,021 for uncovered workers. (See table B.) Sixty-three percent of workers with monthly earnings under \$500 were not covered by a pension plan. (See table 1.) In contrast, workers with monthly earnings of \$2,000 or more have a

pension coverage rate of 83 percent. Workers with monthly earnings under \$500 accounted for 11 percent of the working population and 21 percent of the total workers not covered by a pension plan.

Sex. The pension coverage rate of men (69 percent) was significantly higher than the coverage rate of women (64 percent), as was the vesting rate (49 percent for men and 40 percent for women). Part of these differences is attributable to the disparity of earnings between men and women, as shown by the fact that for each monthly earnings interval, the pension coverage and vesting rates of women were higher or equal to those of men. Of workers with monthly earnings of \$2,000 or more (with an overall pension rate of 83 percent), 78 percent were men. (See table 1.)

The differences between the pension coverage and vesting rates of men and women also appear to be associated with age. While the pension coverage and vesting rates of workers under 30 years of age were identical for men and women, for workers between the ages of 35 and 64 the coverage and vesting rates for men were consistently higher than those of women.

Table B. Monthly Earnings of Wage and Salary Workers 25 Years and Over, by Pension Status and Sex: 1987

(Numbers in thousands)

Characteristic	All workers	Covered by a pension plan	Vested in a pension plan	Not covered by a pension plan
Total (thous.).....	83,962	55,738	37,604	28,225
Median dollars.....	\$1,463	\$1,726	\$1,912	\$1,021
Standard error.....	12	17	19	19
Mean dollars.....	1,738	1,974	2,168	1,270
Standard error.....	15	20	24	22
Men (thous.).....	45,047	31,006	22,045	14,040
Median dollars.....	\$1,885	\$2,144	\$2,301	\$1,335
Standard error.....	19	23	26	25
Mean dollars.....	2,170	2,414	2,576	1,632
Standard error.....	25	31	36	38
Women (thous.).....	38,916	24,731	15,559	14,184
Median dollars.....	\$1,108	\$1,308	\$1,459	\$785
Standard error.....	15	17	21	18
Mean dollars.....	1,237	1,424	1,589	913
Standard error.....	13	17	21	18

Industry. Pension coverage and vesting rates varied widely by industry. (See table 1.) Workers in the agricultural and personal service industries had the lowest pension coverage rates. Only 29 percent of the workers in these industries were covered by an employer-sponsored pension plan. Workers in these industries also had very low vesting rates of 20 and 13 percent, respectively. Other industries with relatively low (50 percent or less) pension coverage rates included: construction, business and repair services, retail trade, and entertainment and recreation services. Nearly all (95 percent) of public administration workers were covered by employer-sponsored pensions. Among public sector employees, Federal workers appear to have somewhat higher pension coverage rates than workers employed by State or local governments. Industries with relatively high (70 percent or more) pension

coverage rates include public utilities, professional and related services, manufacturing, mining, and finance, insurance, and real estate.

Coverage rates in particular industries changed over the period from 1984 to 1987. Twenty percent of workers in agriculture, forestry, and fisheries were covered in 1984, compared with 32 percent in 1987. (See table 2.) Workers in business and repair services also experienced an increase in their pension coverage rate from 38 percent in 1984 to 45 percent in 1987.

Race. The pension coverage rate of Black workers was slightly higher than that of Whites, while persons of Hispanic origin were less likely to work in jobs with pension plans than either Whites or Blacks. (See table 1.) Sixty-nine percent of Blacks and 66 percent of Whites were covered by pensions, compared with one-half of Hispanic-origin workers.

The lower pension coverage rate of Hispanic-origin workers is explained in part by differences in the distributions by industry between all workers and those of Hispanic origin. Workers in the agriculture, forestry and fisheries industry have a relatively low overall pension coverage rate of 32 percent. Hispanic-origin workers were much more likely than workers in general to be employed in this industry. (See table C.) In contrast, Hispanic-origin workers were less likely to be employed in certain industries with relatively high pension coverage rates (such as public administration and professional and related services).

Black women who work were more likely to have a job with pension coverage than White women. Seventy percent of Black women were covered by a pension plan,

Table C. Percent Distribution of Workers, by Industry, Race, and Hispanic Origin: 1987

(Numbers in thousands)

Industry	Total	White	Black	Hispanic origin ¹
All workers	83,962	72,555	9,055	5,694
Agriculture, Forestry, and Fisheries	1.8	1.9	1.1	5.2
Mining	0.8	0.9	0.4	0.4
Construction	5.4	5.5	5.0	4.8
Manufacturing, Total	21.7	21.7	21.7	22.9
Durable Goods	13.3	13.7	10.3	11.9
Nondurable Goods	8.4	8.0	11.3	11.0
Transportation, Communication, & Other Public Utilities	7.8	7.6	9.7	8.2
Wholesale Trade	4.4	4.7	2.3	4.4
Retail Trade	12.9	13.2	9.9	14.3
Finance, Insurance, & Real Estate	6.5	6.7	4.5	5.1
Business and Repair Services	4.7	4.7	5.2	5.1
Personal Services	3.0	2.8	4.4	5.7
Entertainment & Recreation Services	0.9	0.9	0.6	1.3
Professional & Related Services	23.8	23.2	27.8	17.7
Public Administration, Total	5.6	5.6	6.2	4.2
Federal Government	1.7	1.6	2.4	1.1
State Government	1.8	1.8	1.6	1.6
Local Government	2.1	2.1	2.2	1.6
Armed Forces	0.8	0.7	1.5	0.6

¹Persons of Hispanic origin may be of any race.

compared with 63 percent of White women. Among male workers there was no significant difference in the pension coverage rates of Blacks and Whites.

Union Status. Union members, or persons working in jobs covered by a union contract, were much more likely to have pension plans than others. Ninety percent of union workers were covered by a pension plan; the coverage rate among non-union workers was 60 percent. There was no significant difference between the pension coverage rates of male and female union members (both had coverage rates of 90 percent), while the pension coverage rate of non-union women (58 percent) was significantly lower than the male non-union coverage rate (62 percent).

Size of Firm. There is a direct relationship between firm size and the rate of employee coverage by an employer-sponsored pension plan. Employees of larger firms were far more likely to be covered or vested in a pension plan than employees of smaller firms. Pension coverage rates ranged from 23 percent in firms with less than 25 employees to 89 percent in firms with 1,000 or more employees. While workers in firms with less than 25 employees accounted for only 22 percent of the working population in 1987, these firms employed one-half of the 28.2 million workers not covered by employer-sponsored pension plans. Vesting rates in 1987 ranged from 15 percent in firms with less than 25 employees to 61 percent in firms employing 1,000 or more, both unchanged from 1984.

IRA and 401(k) Plan Participation. Individual Retirement Accounts (IRA's) were first established in 1974 as a means of establishing retirement savings for those not covered by a pension plan at work. Beginning in 1982, eligibility for IRA's was expanded to include all workers. The Tax Reform Act of 1986 placed substantial limitations on tax-deductible IRA contributions. Beginning in 1987, for example, a single taxpayer earning \$35,000 or more who was covered by a private pension plan was no longer able to make tax-deductible IRA contributions. Of the 84 million workers 25 years old or over, 20 million (24 percent) had an IRA in 1987. This percentage is up slightly from 21 percent in 1984. (See tables D and 3.)³

A large majority, 77 percent, of workers with IRA's were also covered by a pension plan at work. The IRA participation rate of those covered by employer-sponsored pension plans, 28 percent, was considerably higher than the 17 percent participation rate of those not covered by pension plans at work. It would appear that, with the liberalization of IRA eligibility requirements during the 1982-1986 period, many wage and salary workers began using IRA's as a pension supplement rather than a primary source of future retirement income.

³The 1987 changes in IRA regulations would be expected to have a negligible effect on overall IRA participation rates, since those who had made tax-deductible contributions prior to 1987 would still be included as participants as long as their accounts had not been liquidated.

Table D. IRA and 401(k) Plan Participation—Wage and Salary Workers 25 Years and Over, by Pension Status and Sex: 1987

(Numbers in thousands)

Pension status and sex	All workers	With an IRA		With a 401(k) plan			With both plans		With neither plan	
		Number	Percent	Number	Percent of—		Number	Percent	Number	Percent
					Total workers	Eligible workers				
Total	83,962	20,033	23.9	8,264	9.8	60.3	3,390	4.0	59,056	70.3
Men	45,047	11,074	24.6	5,145	11.4	62.4	2,185	4.9	31,012	68.8
Women	38,916	8,959	23.0	3,118	8.0	57.1	1,206	3.1	28,044	72.1
Covered by a pension plan	55,738	15,348	27.5	8,264	14.8	60.3	3,390	6.1	35,516	63.7
Men	31,006	8,814	28.4	5,145	16.6	62.4	2,185	7.0	19,232	62.0
Women	24,731	6,534	26.4	3,118	12.6	57.1	1,206	4.9	16,285	65.8
Vested in a pension plan	37,604	11,697	31.1	7,385	19.6	61.3	3,097	8.2	21,618	57.5
Men	22,045	6,983	31.7	4,607	20.9	63.5	1,994	9.0	12,449	56.5
Women	15,559	4,715	30.3	2,778	17.9	57.9	1,103	7.1	9,168	58.9

In 1987, 8.3 million workers, or 10 percent, participated in employer-sponsored thrift savings plans, known as 401(k) plans. Though the 401(k) plan participation rate increased by 50 percent between 1984 and 1987, it is still relatively low because most employers do not offer such plans. The participation rate among employees in firms that offer 401(k) plans was 60 percent in 1987, higher than the 1984 participation rate of 56 percent. The number of workers participating in both IRA and 401(k) plans in 1987 was 3.4 million, or 4 percent of all workers, double the 1.8 million participating in both in 1984.

Seventy-two percent of all workers were covered by an employer-sponsored pension plan, IRA, or 401(k) plan in 1987. This figure is only slightly higher than the pension coverage rate of 66 percent, indicating that most IRA and 401(k) plan participants were also covered by pension plans at work. Of the 28.2 million workers without pension

coverage, only 4.7 million (17 percent) participated in IRA or 401(k) plan, leaving 23.5 million workers without any kind of coverage.

As IRA's represent a way in which to defer current earnings in anticipation of future benefits, one of the important determinants of IRA participation is level of earnings. The median monthly earnings in 1987 of IRA participants, \$2,077, and 401(k) plan participants, \$2,332, were considerably higher than the \$1,285 median of workers who did not participate in either of the two plans. (See table E.) The median monthly earnings of workers who participated in both IRA's and 401(k) plans was \$2,872. IRA participation rates in 1987 ranged from 13 percent for workers with monthly earnings under \$1,000 to 62 percent for workers earning \$4,000 or more.

There is a strong relationship between size of firm and 401(k) plan participation and eligibility. Employees of firms

Table E. IRA and 401(k) Plan Participation Rates—Wage and Salary Workers 25 Years and Over, by Level of Monthly Earnings: 1987

(Numbers in thousands)

Level of earnings	All workers	With an IRA		With a 401(k) plan			With both plans		With neither plan	
		Number	Percent	Number	Percent of—		Number	Percent	Number	Percent
					Total workers	Eligible workers				
Total	83,962	20,033	23.9	8,264	9.8	60.3	3,390	4.0	59,056	70.3
Under \$1,000	25,157	3,178	12.6	672	2.7	51.1	123	0.5	21,431	85.2
\$1,000 to \$1,499	18,176	3,075	16.9	1,255	6.9	53.9	337	1.9	14,184	78.0
\$1,500 to \$1,999	14,029	3,320	23.7	1,312	9.4	52.8	408	2.9	9,804	69.9
\$2,000 to \$2,499	9,957	2,872	28.8	1,345	13.5	60.6	515	5.2	6,256	62.8
\$2,500 to \$2,999	6,389	2,240	35.1	1,120	17.5	60.9	420	6.6	3,448	54.0
\$3,000 to \$3,499	4,026	1,826	45.4	936	23.2	69.1	505	12.5	1,769	43.9
\$3,500 to \$3,999	2,057	933	45.4	551	26.8	74.5	302	14.7	875	42.5
\$4,000 and over	4,170	2,590	62.1	1,072	25.7	75.0	781	18.7	1,289	30.9
Median	\$1,463	\$2,077	(X)	\$2,332	(X)	(X)	\$2,872	(X)	\$1,285	(X)
Mean	1,738	2,448	(X)	2,619	(X)	(X)	3,220	(X)	1,459	(X)

X Not applicable

Table F. Participation and Eligibility Rates of 401(k) Plans, by Size of Firm: 1984 and 1987

(Numbers in thousands)

Size of firm	Total		Percent					
			Eligible for a 401(k) plan		Participating in a 401(k) plan			
					Total workers		Eligible workers	
	1984	1987	1984	1987	1984	1987	1984	1987
Total.....	78,619	83,962	11.1	16.3	6.1	9.8	55.5	60.3
Under 25 employees	17,348	18,389	2.7	2.0	1.6	1.4	58.0	69.0
25 to 99 employees	10,075	11,239	4.6	8.2	2.9	5.3	62.8	64.9
100 to 499 employees	10,368	11,847	7.9	14.5	4.7	8.7	59.2	59.7
500 to 999 employees	5,045	5,080	12.2	19.0	5.6	11.0	45.5	57.9
1,000 employees or more	35,782	37,407	17.7	26.0	9.8	15.6	55.3	59.9

with 1,000 or more employees were much more likely than employees of firms with less than 1,000 employees to be eligible for 401(k) plans. In 1987, eligibility rates ranged from 2 percent in firms with less than 25 employees to 26 percent in firms employing 1,000 employees or more. (See table F.) These larger firms employed 45 percent of all workers and 70 percent of the 8.3 million 401(k) plan participants.

RETIREMENT BENEFITS

Defining the Retirement Universe

The universe for the retirement-related questions on the SIPP topical module consisted of all persons 25 years old and over who had retired from a job and received income during the reference period from either: 1) a company or union pension, 2) a Federal government employee pension, 3) a U.S. military pension, 4) a National Guard or Reserve pension, 5) a State government employee pension, or 6) a local government employee pension. For the purpose of this study, the analysis was restricted to those retired individuals receiving pension income during December 1986.⁴ Thus, the mean amounts shown in tables G through I refer to amounts received during this reference month. Although the universe for this study was restricted to pension recipients who had retired from a job, the amounts of pension income refer to pensions received both directly as a retiree and those that may be received as a survivor or dependent, since it was not possible to identify sources of pension income separately. There were an estimated 12.4 million retirees receiving pension income in December 1986. (See table G.) The mean monthly income received by this group from retirement pensions was \$639, not significantly different from August 1984 in real terms. (See table 4.) Three-fourths of all retirement pension recipients, about 9.5 million retirees, also received

Social Security payments, averaging \$529. The combined mean Social Security and pension income of retirees, including those not receiving Social Security benefits, was \$1,045, about 6 percent higher in real terms than the comparable August 1984 figure.

The mean monthly total household income of the 12.4 million retirement pension recipients was \$2,550. Thus, the combined amount received from Social Security and pension benefits, \$1,045, accounts for 41 percent of the total household income of retirement pension recipients. The remainder of total household income comes from a variety of sources, including: income received by household members other than retirees, and income received by retirees from sources other than pensions or Social Security benefits. Property income (interest, dividends, and rental income) is particularly important as a source of income for those who have retired.

Characteristics of Retirees

Age. About two-thirds of all retirement pension recipients were 65 years old or over and 43 percent were age 70 or older. About 19 percent were under age 62. The mean pension income of retirees in each of the age groups under age 65 was significantly higher than the mean for retirees 65 years old and over. Very few of the younger retirees received Social Security in addition to their pensions. This is not surprising since Social Security retirement benefits cannot be received before the age of 62.⁵

The mean pension income of retirees 70 years old and over was \$479, about 25 percent lower than the average pension received by all retirees. The lower mean pension incomes of older retirees is a reflection of their lower levels of income prior to retirement.

Age appears to play an extremely important role in determining levels of pension income received by retirees. In fact, many of the differences in average pension income

⁴December 1986 is the only month common to all rotation groups in the SIPP 1985 Panel (Wave 7) and 1986 Panel (Wave 4.) See appendix A for a more detailed description of the sample design.

⁵Those under the age of 62, however, may receive Social Security survivor or disability benefits.

Table G. Age and Sex of Retirement Pension Recipients—Mean Monthly Pension Income, Total Household Income, and Social Security Income: December 1986

Sex and age	Number (thous.)	Pension income		Total household income		Social Security income			Pension and Social Security income	
		Mean	Standard error	Mean	Standard error	Number (thous.)	Mean	Standard error	Mean ¹	Standard error
BOTH SEXES										
Total	12,378	\$639	\$25	\$2,550	\$78	9,495	\$529	\$8	\$1,045	\$24
25 to 61 years	2,340	974	65	3,405	202	214	541	37	1,024	64
62 to 64 years	1,599	710	62	2,625	189	1,221	479	19	1,075	66
65 years and over	8,439	533	28	2,298	90	8,059	536	9	1,045	28
65 to 69 years	3,162	623	48	2,556	165	2,973	519	13	1,111	49
70 years and over	5,277	479	33	2,144	104	5,086	546	12	1,005	33
MEN										
Total	8,422	744	32	2,709	100	6,203	565	10	1,160	31
25 to 61 years	1,832	1,059	71	3,474	233	132	(B)	(B)	1,102	70
62 to 64 years	1,162	776	77	2,634	222	891	512	21	1,169	81
65 years and over	5,428	631	39	2,466	122	5,180	574	11	1,178	38
65 to 69 years	2,081	732	66	2,749	229	1,962	565	16	1,264	65
70 years and over	3,347	568	47	2,291	135	3,217	579	16	1,124	47
WOMEN										
Total	3,956	417	31	2,211	116	3,292	460	12	800	31
25 to 61 years	506	667	141	2,778	394	82	(B)	(B)	745	142
62 to 64 years	438	533	89	2,601	359	330	389	32	826	87
65 years and over	3,012	358	29	1,995	121	2,880	468	13	805	30
65 to 69 years	1,082	415	53	2,185	188	1,011	431	21	818	55
70 years and over	1,930	326	33	1,889	156	1,869	488	17	798	35

B Base less than 200,000.

¹Based on all retirement pension recipients, including those not receiving Social Security income.

that will be noted later in this report (current work status, for example) are at least partially attributable to differences in age distributions between retirees.

Sex. Two-thirds of those receiving retirement pensions were men. The mean pension income received by male retirees was \$744, significantly higher than the women's mean of \$417. (See table 4.) The proportion of retirees receiving Social Security benefits was higher for women than for men, a reflection of the fact that a larger proportion of women retirees were 65 years old or older. The combined mean Social Security and pension income received by male retirees was \$1,160, 45 percent higher than the women's mean of \$800. This gap was not significantly different from that in 1984.

At least part of the large difference between the mean pension incomes received by men and women is attributable to the difference in the age distribution of retirees by sex. Female retirees are much more likely to be 65 years old and over than male retirees, and as noted earlier, older retirees receive less pension income, on average, than younger retirees. Differences in pension incomes by sex are not solely attributable to age distribution differences, however, as shown by the fact that for each age interval, the mean pension income of men was higher than that of women. (See table G.)

Race and Hispanic Origin. The overall mean pension incomes of White, Black, and Hispanic-origin retirees were

not significantly different from one another. Among male retirees, the mean pension income of Whites (\$753), though not significantly different from the comparable Hispanic-origin mean, was 33 percent higher than the mean pension income of Black male retirees. (See table H.) In contrast, the mean pension incomes of White and Black female retirees were not significantly different from one another.

Though there was no significant difference between the overall mean pension incomes of Whites and Blacks, the combined mean pension and Social Security income of Black retirees (\$914) was 13 percent lower than the comparable White figure. Black retirees were less likely to receive Social Security income than Whites, and the mean Social Security income of Black retirees was significantly lower than that of Whites.

Years Since Retirement. Twenty-nine percent of those receiving retirement pensions retired less than 5 years prior to the survey. The mean monthly pension income of these retirees was \$772, 32 percent higher than the mean of those who retired 5 years or more prior to the survey. (See table 5.) The higher pension incomes of recent retirees is a reflection of their higher levels of earnings before retirement. Recent retirees also received more Social Security income, on average, than other retirees. The mean Social Security income for those who retired

Table H. Pension Recipients—Persons 25 Years and Over, by Race, Hispanic Origin, and Sex: December 1986

Characteristic	Number (thous.)	Pension income		Total household income		Social Security income			Pension and Social Security income	
		Mean	Standard error	Mean	Standard error	Number (thous.)	Mean	Standard error	Mean ¹	Standard error
TOTAL										
Both sexes	12,378	\$639	\$25	\$2,550	\$78	9,495	\$529	\$8	\$1,045	\$24
Men	8,422	744	32	2,709	100	6,203	565	10	1,160	31
Women	3,956	417	31	2,211	116	3,292	460	12	800	31
WHITE										
Both sexes	11,482	641	26	2,558	81	8,888	533	8	1,053	25
Men	7,811	753	34	2,720	104	5,794	569	11	1,175	33
Women	3,671	404	32	2,213	122	3,095	464	13	795	32
BLACK										
Both sexes	755	578	81	2,196	262	529	480	29	914	78
Men	515	568	101	2,269	340	372	503	32	931	96
Women	240	599	132	2,038	379	157	(B)	(B)	878	132
HISPANIC ORIGIN²										
Both sexes	283	741	149	2,636	420	173	(B)	(B)	1,064	141
Men	235	765	174	2,720	483	145	(B)	(B)	1,099	160
Women	48	(B)	(B)	(B)	(B)	28	(B)	(B)	(B)	(B)

B Base less than 200,000.

¹Based on all retirement pension recipients, including those not receiving Social Security income.

²Persons of Hispanic origin may be of any race.

less than 5 years prior to the survey, \$549, was 12 percent higher than the mean for those who retired 15 years or more prior to the survey.

Former Industry. An examination of retirement income averages by former industry reveal that those who retired from the Armed Forces and public administration had the highest mean pension incomes of any industry group. While the mean pension incomes of former Armed Forces members and public administration employees were substantially higher than the overall mean pension income of retirees from other industries, a smaller proportion of Armed Forces and public administration retirees received Social Security benefits than retirees of other industries. As a result, while the mean pension income of former Armed Forces members was 72 percent higher than the overall mean, the mean combined Social Security and pension income, \$1,261, was 21 percent higher than the combined mean for all pension recipients. The same pattern is true for former public administration employees. Their mean combined pension income and Social Security income is much closer to the overall mean than their mean pension income.

The industry from which the largest number of pension recipients retired was manufacturing. Former employees of this industry accounted for 31 percent of all retirees. The mean pension income of these retirees was \$465, 27 percent lower than the overall mean of \$639. However, the proportion of manufacturing retirees that qualified for Social Security benefits was 84 percent—higher than the overall

proportion of 77 percent. Their mean Social Security income was \$561, 6 percent higher than the overall mean. Thus, the combined mean Social Security and pension income of manufacturing retirees was \$938, only 10 percent lower than the overall mean.

Marital Status. Seventy percent of all retirement pension recipients were married. The mean pension income of married retirees was \$697, not significantly different from the overall mean. (See table I.) Seventeen percent of all retirement pension recipients were widowed; their mean retirement income (\$435) was 32 percent lower than the overall mean for all retirees.

Two-thirds of all widowed retirees were women. Widowed retirees were more likely to receive Social Security payments in addition to their pensions than other retirees. Ninety-two percent of these widowed retirees received Social Security payments, compared with 77 percent of all retirees. This higher rate of Social Security reciprocity may reflect the survivor benefits received by this group.

Current Work Status. Of the 12.4 million retirees receiving pension income, only 14 percent worked at a wage or salary job during the reference month. (See table 5.) The mean pension income of working retirees, \$787, was 28 percent higher than the mean pension income of the 10.7 million nonworking retirees. Sixty percent of the 1.7 million working retirees worked full time during the reference month.

Table I. Marital Status and Sex of Retirement Pension Recipients—Mean Monthly Pension Income, Total Household Income, and Social Security Income: December 1986

Marital status and sex	Number (thous.)	Pension income		Total household income		Social Security income			Pension and Social Security income	
		Mean	Standard error	Mean	Standard error	Number (thous.)	Mean	Standard error	Mean ¹	Standard error
BOTH SEXES										
Total.....	12,378	\$639	\$25	\$2,550	\$78	9,495	\$529	\$8	\$1,045	\$24
Married.....	8,626	697	31	2,816	95	6,352	538	10	1,093	31
Divorced or separated.....	859	575	88	2,119	344	648	512	30	961	86
Widowed.....	2,099	435	45	1,780	156	1,936	514	16	909	45
Never married.....	795	628	88	2,160	210	559	494	31	976	85
MEN										
Total.....	8,422	744	32	2,709	100	6,203	565	10	1,160	31
Married.....	6,980	764	36	2,811	110	5,063	572	11	1,179	34
Divorced or separated.....	459	673	137	2,515	591	317	549	43	1,053	134
Widowed.....	675	607	110	2,057	270	628	538	30	1,107	105
Never married.....	308	697	148	2,113	347	195	(B)	(B)	1,009	155
WOMEN										
Total.....	3,956	417	31	2,211	116	3,292	460	12	800	31
Married.....	1,646	412	53	2,837	182	1,289	403	17	727	52
Divorced or separated.....	400	462	101	1,664	262	331	476	41	855	98
Widowed.....	1,424	353	38	1,648	190	1,308	503	19	815	41
Never married.....	487	585	108	2,190	264	364	494	39	955	97

B Base less than 200,000.

¹Based on all retirement pension recipients, including those not receiving Social Security income.

Education. The mean pension income of retirees who were high school graduates, \$577, was not significantly different from the overall mean, while the mean for retirees with less than a high school education, \$379, was 41 percent lower than the overall mean. (See table 5.) The mean pension income of those with 4 years or more of college, \$1,069, was 67 percent higher than the mean pension income of all retirees.

Though the mean Social Security income of retirees with less than a high school education (\$516) was not significantly different from the overall mean, a higher percentage of retirees with less than a high school education received Social Security benefits, 88 percent, than retirees in any of the other education groups. As a result, while the mean pension income of these retirees was 41 percent lower than the overall mean, the sum of pension and Social Security income of retirees with less than a high school education was \$831, only 20 percent lower than the overall mean of \$1,045.

Presence of a Cost of Living Adjustment (COLA) Provision. Of the 12.4 million retirement pension recipients, 7.0 million, or 56 percent, had pensions with COLA provisions. The mean pension income of these retirees was \$780, 70 percent higher than the mean pension income of the 5.4 million retirees with no COLA provisions. (See table 5.) The mean combined pension and Social Security amount for retirees with COLA provisions was \$1,138, 23 percent higher than the mean for retirees

without COLA provisions. Those without COLA's were much more likely to receive Social Security benefits, and mean Social Security income was higher for retirees without COLA provisions than for those with COLA's.

TECHNICAL NOTE: COMPARISONS OF CPS AND SIPP ESTIMATES OF PENSION PARTICIPATION

Tabulations from the March 1988 Current Population Survey (CPS) revealed that, of 92.8 million wage or salaried workers in 1987, 45.2 million, or 49 percent, participated in a pension plan. This is somewhat lower than the SIPP participation rate of 53 percent. (See table J.) Both men and women exhibited higher pension participation rates on SIPP than on CPS.

It should be noted that the CPS and SIPP pension eligibility questions are based on different reference periods, and that difference in reference periods accounts for at least some of the disparity between the two sets of estimates. On the March 1988 CPS, those who worked at all during the previous calendar year were asked about their pension eligibility. On SIPP, the questions were asked of those who worked during the 4-month reference period. The use of an annual reference period on the CPS yields 8.9 million more wage or salary workers than the 4-month SIPP reference period. Obviously, an annual reference

Table J. Comparison of CPS and SIPP Estimates, by Age and Sex of Pension Recipients: 1987

(Numbers in thousands)

Sex and age	CPS			SIPP		
	Wage and salary workers	Pension participants	Pension participation rate	Wage and salary workers	Pension participants	Pension participation rate
BOTH SEXES						
Total.....	92,837	45,174	48.7	83,962	44,279	52.7
25 to 34 years.....	34,012	13,923	40.9	31,787	13,933	43.8
35 to 44 years.....	26,864	14,310	53.3	24,842	14,421	58.1
45 to 54 years.....	17,258	9,844	57.0	15,073	9,328	61.9
55 to 64 years.....	11,250	6,162	54.8	10,001	5,921	59.2
65 years and over.....	3,453	936	27.1	2,261	678	30.0
MEN						
Total.....	49,644	26,591	53.6	45,047	26,040	57.8
25 to 34 years.....	18,170	7,777	42.8	17,279	8,069	46.7
35 to 44 years.....	14,140	8,358	59.1	13,207	8,549	64.7
45 to 54 years.....	9,178	6,021	65.6	7,984	5,587	70.0
55 to 64 years.....	6,254	3,877	62.0	5,393	3,449	64.0
65 years and over.....	1,903	557	29.3	1,184	386	32.6
WOMEN						
Total.....	43,193	18,584	43.0	38,916	18,239	46.9
25 to 34 years.....	15,843	6,146	38.8	14,507	5,864	40.4
35 to 44 years.....	12,724	5,952	46.8	11,634	5,871	50.5
45 to 54 years.....	8,080	3,823	47.3	7,089	3,741	52.8
55 to 64 years.....	4,996	2,285	45.7	4,608	2,472	53.6
65 years and over.....	1,550	378	24.4	1,077	291	27.0

period will result in a greater number of workers with very short work experience spells (who would also be expected to have extremely low pension participation rates). Thus, the use of an annual reference period would be expected to yield a somewhat lower pension participation rate than one based on a 4-month reference period. Other factors that may also be associated with the CPS-SIPP pension participation differences include: 1) a lower level of recall bias on SIPP and 2) fewer proxy interviews on SIPP.

USER COMMENTS

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