

Current Population Survey: Checking in on the Retirement Plan Participation and Retiree Income Estimates

By Craig Copeland, Ph.D., Employee Benefit Research Institute

AT A GLANCE

The Annual Social and Economic Supplement to the Current Population Survey (CPS), conducted by the U.S. Census Bureau, has traditionally been one of the most often used data for the sources of income for those who are near or at retirement age. As described in previous Employee Benefit Research Institute (EBRI) publications, the U.S. Census Bureau redesigned the CPS questionnaire in 2014 with several changes to its income questions. This was done in an attempt to capture more income that it has been missing. The survey redesign resulted in lower retirement plan participation estimates — which some policy advocates have misinterpreted as actual changes in the employment-based retirement plan system.

This *EBRI Issue Brief* compares the 2017 results with the previous findings. Furthermore, it looks at the relative percentages of retirement plan participation among key demographic characteristics to see if they have held since the questionnaire redesign. In addition to the retirement plan participation estimates, changes in the sources of income for those ages 65 or older are examined. A comparison between the aggregate pension income found in the CPS and the aggregate pension income found in Internal Revenue Service (IRS) data is also discussed.

This study finds:

- **The overall percentage of workers participating in a retirement plan leveled off:** For the first time since the questionnaire was redesigned, a significant decline was *not* found for the retirement plan participation estimates from the year before. Full-time, full-year wage and salary workers ages 21–64 participating in an employment-based retirement plan held steady in 2017 at 41.4 percent compared with 41.0 percent in 2016. This was after a drop from 54.5 percent in 2013 before the questionnaire redesign.
- **The survey estimates do not conform to trends in another government survey:** Under the Bureau of Labor Statistics' National Compensation Survey (NCS), the percentage of private-sector wage and salary workers at establishments with 500 or more employees participating in an employment-based retirement plan remained relatively flat between 2013 and 2017 at around 76 percent. In contrast, similar numbers from the CPS found that the percentage participating *decreased* from 64 percent in 2013 before the redesign to 47 percent in 2017. The flattening out in 2017 did nothing to lessen this discrepancy.
- **The ratio of participation within demographic groups remained the same after the redesign:** When comparing the participation levels within various demographic groups, the ratio of participation for various cohorts relative to the highest participation cohort remained nearly identical before and after the survey redesign. For example, the ratio of the participation level of workers ages 45–54 to that of workers ages 55–64 was 0.97 in 2011 and 0.98 in 2017.
- **The survey redesign did not fully capture retiree income:** Even after the redesign, the CPS total retirement income amounts for 2015 and 2016 were only 63.1 percent of the IRS's 2015 reported amount and 65.4 percent of the 2016 level. However, this is up from 32.3 percent before the questionnaire redesign.

The estimates of employment-based retirement plan participation that resulted from the CPS questionnaire redesign persisted in the 2018 CPS, even though the downward trend in participation did level off. Given the issues with the data and the amount of income that is NOT being captured by CPS, improved data are called for to allow for a better understanding of what income retirees have and how they spend their income throughout their retirement. These two topics determine the income adequacy of retirees throughout retirement, which has become a critical policy issue.

Craig Copeland is senior research associate at the Employee Benefit Research Institute (EBRI). This *Issue Brief* was written with assistance from the Institute’s research and editorial staffs. Any views expressed in this report are those of the author and should not be ascribed to the officers, trustees, or other sponsors of EBRI, Employee Benefit Research Institute-Education and Research Fund (EBRI-ERF), or their staffs. Neither EBRI nor EBRI-ERF lobbies or takes positions on specific policy proposals. EBRI invites comment on this research.

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Introduction

The Annual Social and Economic Supplement (fielded in March of each year) to the Current Population Survey (CPS), conducted by the U.S. Census Bureau, has traditionally been one of the most often used data for the sources of income for those who are near or at retirement ages (typically ages 55 or 65 or older).¹ As described in previous Employee Benefit Research Institute (EBRI) publications,² the U.S. Census Bureau redesigned the CPS questionnaire in 2014 with several changes to the income questions.^{3,4} For example, it was changed to capture missing retirement income, in particular irregular withdrawals from defined contribution (DC) plans and individual retirement accounts (IRAs). As has been shown in the prior EBRI publications, there was a significant impact on the retirement plan participation estimates after this change as well as effects on the sources of income for those ages 65 or older, particularly the capturing of additional retirement income from IRA and DC plan withdrawals.

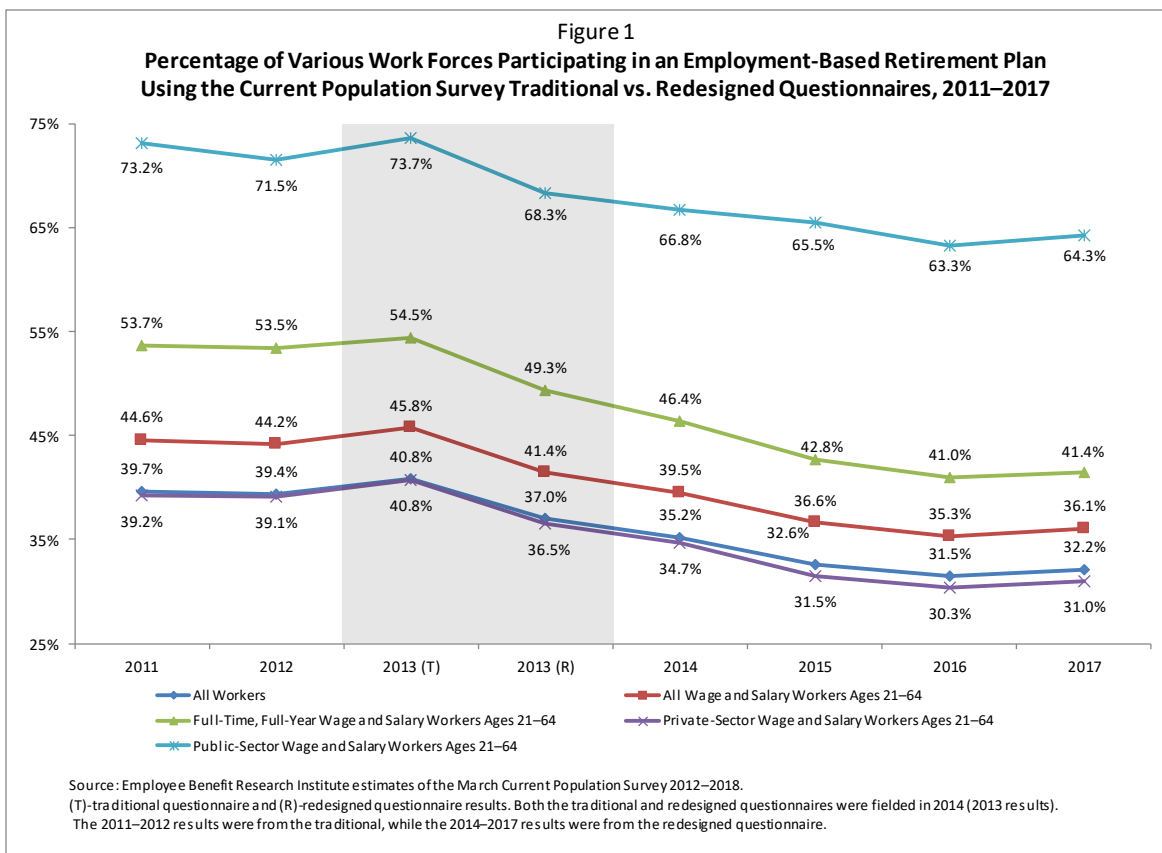
Despite the warnings from these prior publications of the survey redesign causing changes in the retirement plan participation estimates, some policy advocates still cite the numbers as a reason for changing the employment-based retirement plan system. Therefore, it is important to examine the new year's data to understand any changes in the estimates from prior years. Furthermore, the CPS is still the only annual data source that provides estimates by a comprehensive set of worker demographic characteristics, as the other sources are employer surveys or are conducted in intervals greater than one year. Thus, it is important to find ways to use the data in a manner that can productively contribute to the conversation on retirement plan coverage of American workers. This is also true for the survey's estimates on sources of income, where the underreporting of retirement income has persisted, leading to a need to better understand the distribution of income among older Americans.

This *EBRI Issue Brief* examines:

- The relative percentages of retirement plan participation among key demographic characteristics.
- The latest estimates of the defined benefit (DB)/DC plan trend in the private sector, or the shift of participants in DB plans to DC plans.
- Changes in the sources of income for those ages 65 or older.
- A comparison between the aggregate pension income found in the CPS and the aggregate pension income found in Internal Revenue Service (IRS) data.

Trends in Retirement Plan Participation

As noted previously, the estimates of the percentage of workers participating in an employment-based retirement plan under the redesigned questionnaire from the 2014 CPS (showing 2013 outcomes) were lower than traditional (before the redesign) 2014 questionnaire estimates for each work force definition studied.⁵ Further, the percentages participating for each of these work force definitions continued downward for each subsequent year through 2016. Notably, however, the 2018 CPS (which asked about 2017 outcomes) showed no significant decline in year-over-year retirement plan participation estimates for the first time since the questionnaire was redesigned (Figure 1).⁶ For example, for full-time, full-year wage and salary workers ages 21–64, the percentage participating in 2013 under the traditional questionnaire was 54.5 percent vs. 49.3 percent under the redesigned questionnaire. This number fell to 46.4 percent in 2014, to 42.8 percent in 2015, and to 41.0 percent in 2016. However, in 2017, it was 41.4 percent.



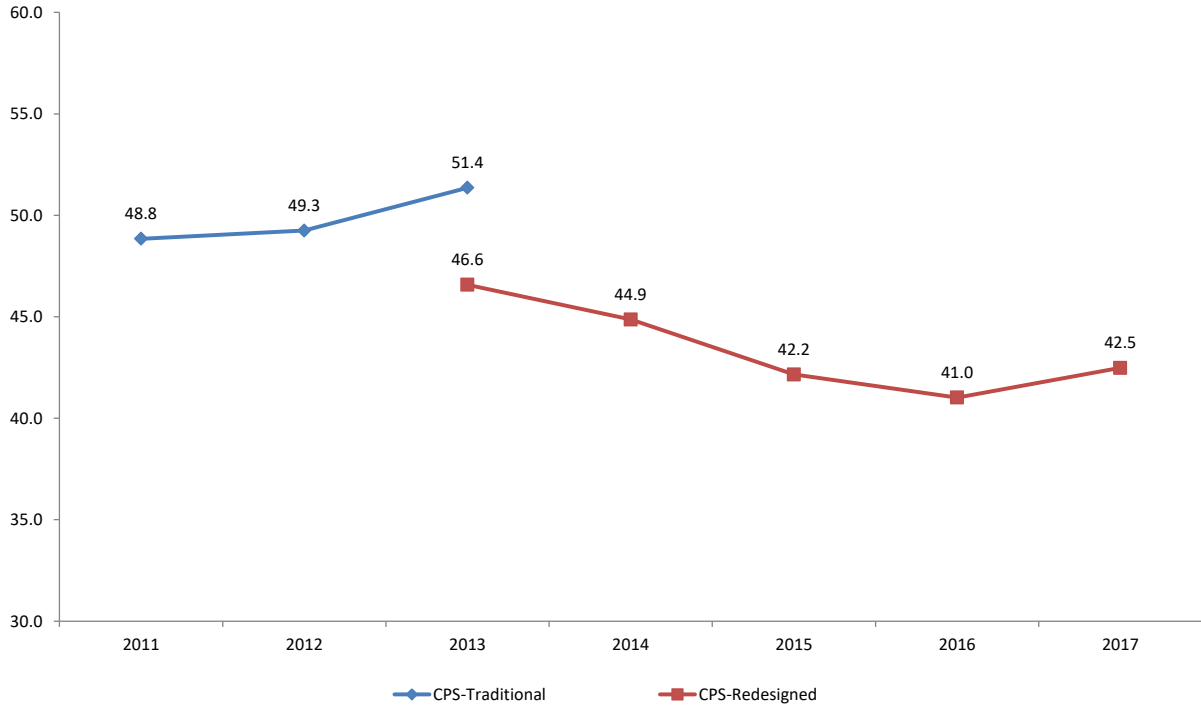
Number of Workers Participating — In addition to the lower *percentage* of workers participating in employment-based retirement plans, the redesign resulted in a lower *number* of workers participating. For example, the number of full-time, full-year wage and salary workers ages 21–64 estimated to be participating in an employment-based retirement plan was 51.4 million in 2013 under the traditional survey compared with 41.0 million in 2016. In 2017, the number was higher at 42.5 million, but it was still below the amount before the redesign (Figure 2). For comparison, according to tabulations of Form 5500 filings by the Employee Benefits Security Administration with the U.S. Department of Labor, the number of active participants increased from 89.9 million in 2014, to 92.5 million in 2015, and to 93.9 million in 2016 (last year available).⁷

Comparison With Bureau of Labor Statistics Data — The participation declines are also not consistent with the findings from the Bureau of Labor Statistics’ National Compensation Survey (NCS).⁸ This survey found that the percentage of private-sector wage and salary workers at establishments with 500 or more employees participating in an employment-based retirement plan *increased* from 76 percent in 2013 to 77 percent in 2014, where it has remained through 2017 (Figure 3). In contrast, using the most comparable data in the CPS,⁹ the percentage of full-time, full-year wage and salary workers who worked for a private-sector employer with 500 or more employees that participated was found to *decrease* in 2013 from 64 percent under the traditional questionnaire and 58 percent under the redesigned questionnaire to 55 percent in 2014, to 50 percent in 2015, and to 47 percent in 2016. This percentage remained unchanged in 2017.¹⁰

Demographic Trends — Despite the slight increases overall across the work forces, those most likely to participate, in most cases, still experienced declines in 2017, albeit smaller declines than in prior years (Figure 4). Specifically, participation declined among:

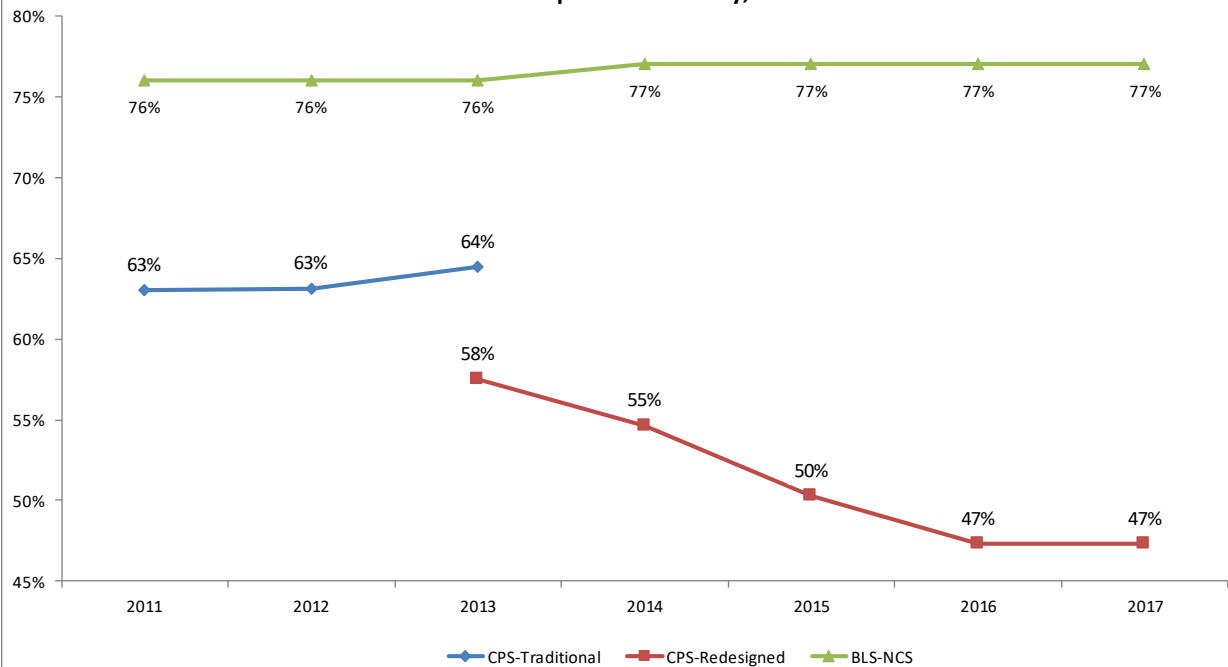
- Full-time, full-year wage and salary workers ages 55–64: from 48.1 percent in 2016 to 47.4 percent in 2017.
- Employees working for employers with 1,000 or more employees: from 48.4 percent in 2016 to 48.3 percent in 2017.
- Workers with earnings of \$75,000 or more: from 53.2 percent in 2016 to 52.9 percent in 2017.

Figure 2
Number of Full-Time, Full-Year Wage and Salary Workers Ages 21–64 Participating in an Employment-Based Retirement Plan Using the Current Population Survey Traditional vs. Redesigned Questionnaires, 2011–2017
 (in millions)

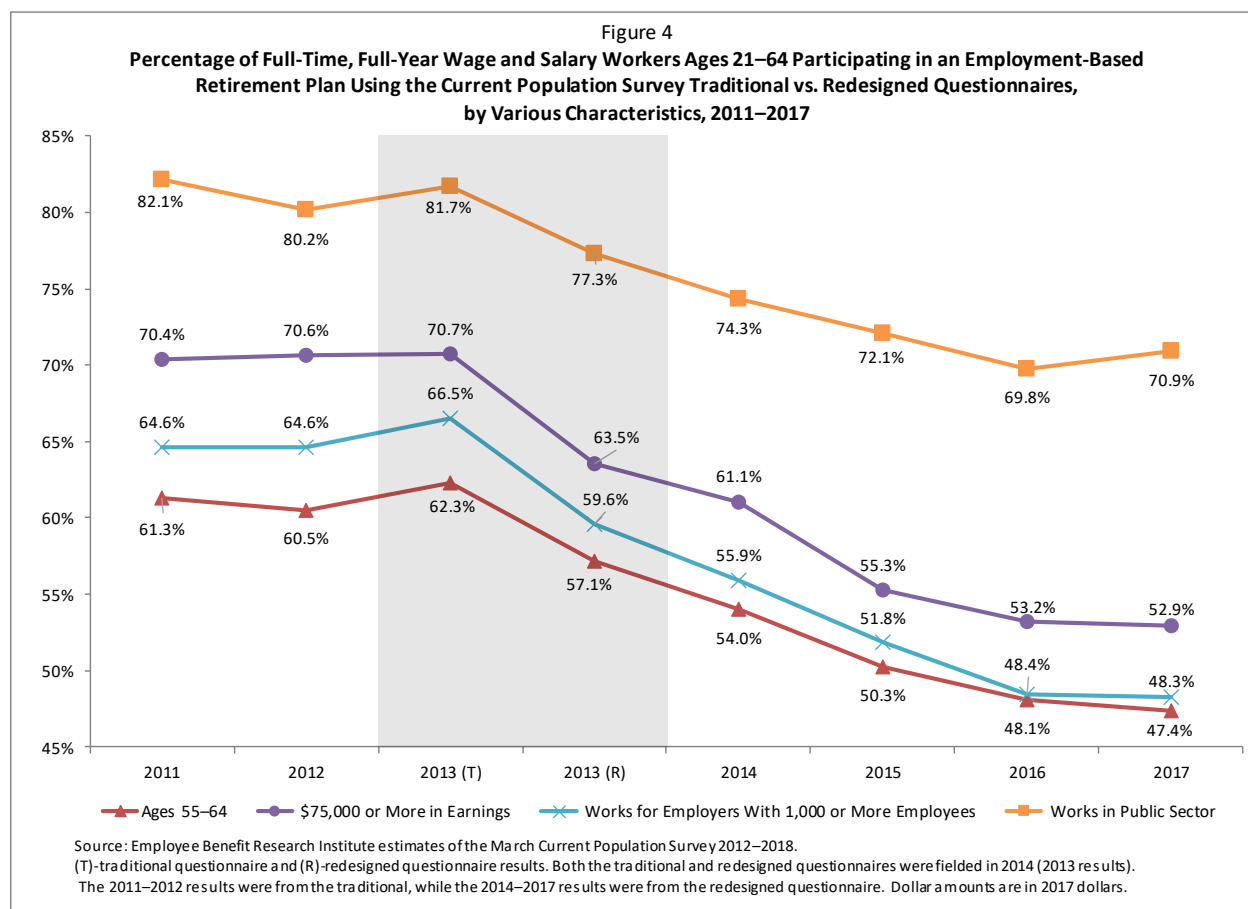


Source: Employee Benefit Research Institute estimates of the March Current Population Survey 2012–2018.

Figure 3
Percentage of Wage and Salary Workers Working for Private-Sector Employers With 500 or More Employees Participating in an Employment-Based Retirement Plan, Current Population Survey vs. Bureau of Labor Statistics National Compensation Survey, 2011–2017



Source: Employee Benefit Research Institute estimates of the March Current Population Survey 2012–2018. The 2011–2012 results were from the traditional, while the 2014–2017 results were from the redesigned questionnaire. CPS-Current Population Survey/ BLS-NCS-Bureau of Labor Statistics National Compensation Survey. (See http://www.bls.gov/ncs/ebs/benefits/2016/ownership_private.htm.) The CPS population is restricted to private-sector wage and salary workers who worked full-time, full-year and were not in the agricultural or private household industries.



Only full-time, full-year public-sector workers experienced an increase in participation over the period: from 69.8 percent in 2016 to 70.9 percent in 2017.

With those most likely to participate still experiencing declines in most cases, whereas the overall participation ticked up, an important question arose: did the relative percentages of those participating within demographic groupings also change after the questionnaire redesign?

In order to answer this question, the participation of various demographic cohorts is compared over time with those within the group that had the highest participation. For example, by age, various age cohorts were compared with the age cohort with the highest plan participation: ages 55–64. Overall, the ratios were remarkably stable across years and demographic cohorts (Figure 5). For the age cohorts, the ratio of the percentage of full-time, full-year wage and salary workers ages 25–34 to those ages 55–64 was between 0.71 and 0.76 each year studied from 2011–2017 (before and after the questionnaire redesign). The ratio for those ages 45–54 ranged from 0.95 to 0.98.

One trait that has been associated with persistently low participation relative to their comparison groups is Hispanic ethnicity. The ratio of the Hispanic worker retirement plan participation level to the white worker retirement plan participation level ranged from 0.57 (2011) to 0.65 (2017), showing a small relative increase. However, the remaining race/ethnicity categories had participation levels ranging from 0.83 to 0.90 relative to the white worker participation levels.

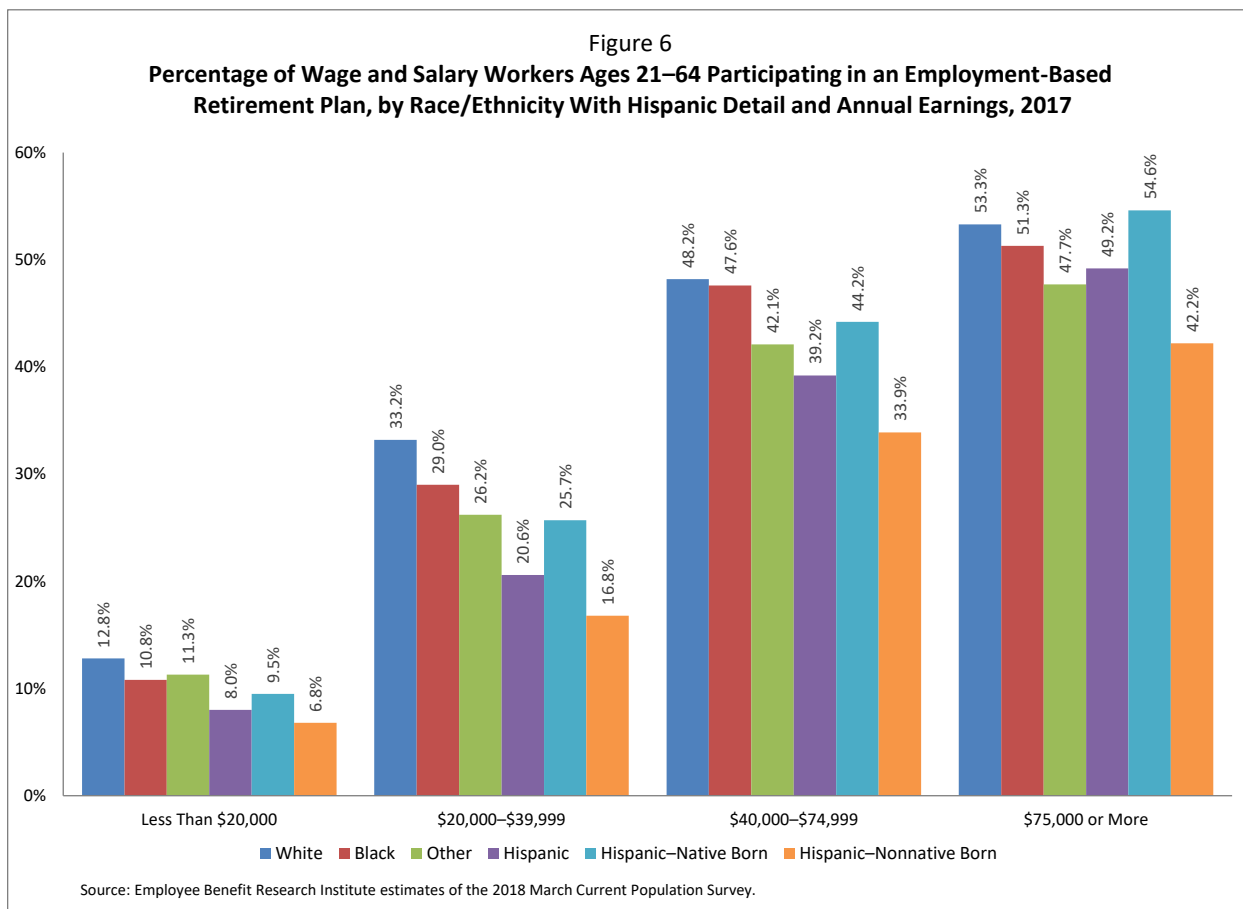
In Figure 6, the race/ethnicity cohorts are further examined by earnings levels, and the lower participation levels among Hispanic workers persist across each of the income categories. However, this appears to be driven by the nonnative-born Hispanic cohort. The difference in the participation levels among the other race/ethnicity cohorts and the native-born (born in the United States) Hispanic cohort narrows as the earnings of the workers increase. In contrast, this does not happen among the nonnative-born Hispanic workers, keeping the overall Hispanic worker participation levels low.

Figure 5
Relative Percentages of Retirement Plan Participation Across Various
Characteristics of Full-Time, Full-Year Wage and Salary
Workers Ages 21–64, 2011–2017

(Ratio Within Each Characteristic Grouping to the Highest Percentage Participating)

	2011	2013 (T)	2013 (R)	2015	2017
Age (Ratio to 55–64)					
21–24	0.43	0.51	0.48	0.45	0.48
25–34	0.75	0.74	0.76	0.71	0.76
35–44	0.90	0.89	0.85	0.86	0.89
45–54	0.97	0.97	0.95	0.95	0.98
55–64	1.00	1.00	1.00	1.00	1.00
Gender (Ratio to Female)					
Male	0.95	0.94	0.95	0.96	0.94
Female	1.00	1.00	1.00	1.00	1.00
Race/Ethnicity (Ratio to White)					
White	1.00	1.00	1.00	1.00	1.00
Black	0.90	0.87	0.90	0.88	0.86
Hispanic	0.57	0.61	0.60	0.64	0.65
Other	0.87	0.85	0.83	0.86	0.86
Education (Ratio to Graduate/Profnl. Degree)					
No high school diploma	0.31	0.36	0.36	0.37	0.34
High school diploma	0.62	0.65	0.69	0.63	0.65
Some college	0.74	0.76	0.79	0.73	0.75
Bachelor's degree	0.85	0.88	0.90	0.85	0.87
Graduate/profnl. degree	1.00	1.00	1.00	1.00	1.00
Annual Earnings (Ratio to \$75,000 or More)					
Less than \$10,000	0.24	0.23	0.20	0.28	0.24
\$10,000–\$19,999	0.25	0.29	0.28	0.27	0.30
\$20,000–\$29,999	0.50	0.48	0.49	0.46	0.48
\$30,000–\$39,999	0.71	0.71	0.69	0.66	0.65
\$40,000–\$49,999	0.84	0.83	0.84	0.83	0.80
\$50,000–\$74,999	0.94	0.93	0.94	0.94	0.94
\$75,000 or more	1.00	1.00	1.00	1.00	1.00
Employer Size (Ratio to 1,000 or More Employees)					
Fewer than 10 employees	0.29	0.25	0.27	0.25	0.25
10–49 employees	0.48	0.48	0.49	0.44	0.47
50–99 employees	0.65	0.67	0.71	0.65	0.68
100–499 employees	0.81	0.82	0.84	0.76	0.79
500–999 employees	0.90	0.85	0.85	0.86	0.91
1,000 or more employees	1.00	1.00	1.00	1.00	1.00

Source: Employee Benefit Research Institute estimates of the March Current Population Survey 2012–2018. (T)-traditional questionnaire and (R)-redesigned questionnaire results. Both the traditional and redesigned questionnaires were fielded in 2014 (2013 results). The 2011 results were from the traditional, while the 2015 and 2017 results were from the redesigned questionnaire.



Retirement Plan Types

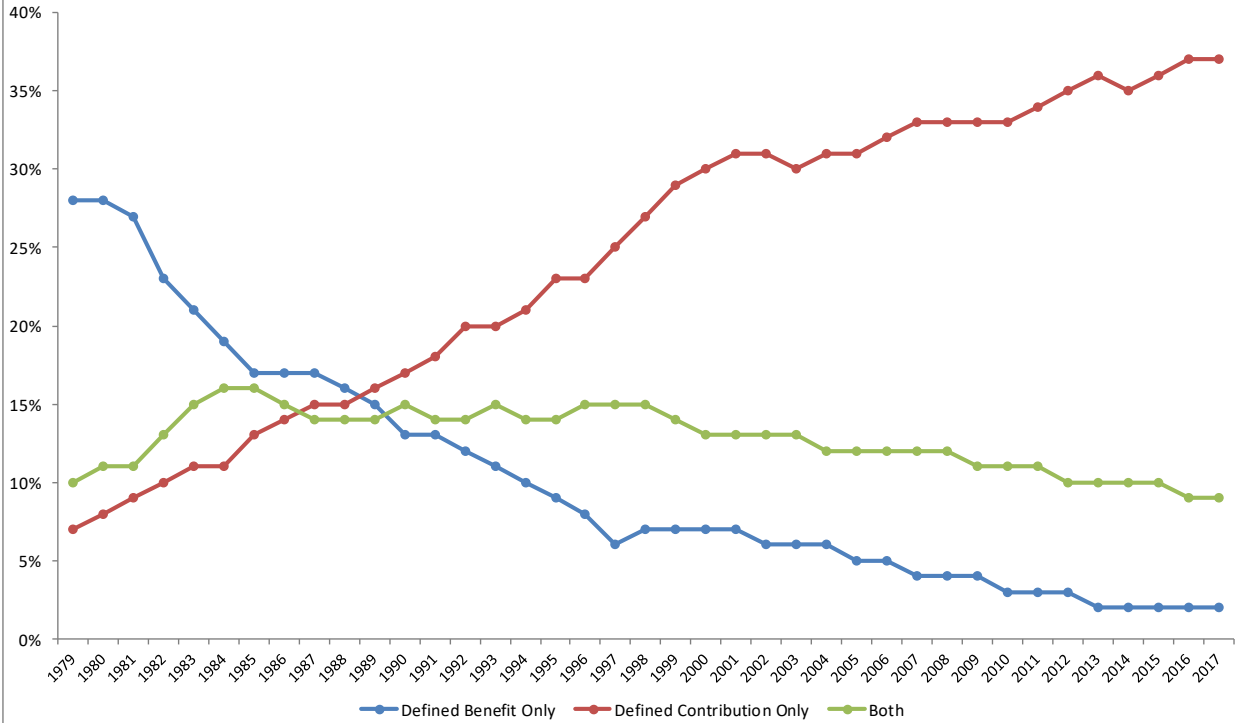
While the CPS provides significant detail on worker demographic information, it does not provide any information on the type of retirement plans in which workers participate. Other sources have had to fill in this missing information. Up through 1999, the Department of Labor’s (DOL) Pension Plan Bulletin¹¹ estimated the percentages of private-sector wage and salary workers who were in each type of retirement plan (DC plan only, DB plan only, or both plans). The Employee Benefit Research Institute has continued estimating these numbers to show the movement of private-sector retirement plan participants from DB plans to DC plans. Trying to match the DOL trend as closely as possible despite considerable changes in the data sources, the latest numbers are presented in Figure 7. The resulting estimates show that the percentage of private-sector wage and salary workers participating in a DB plan only decreased from 28 percent in 1979 to 2 percent in 2017. Correspondingly, the percentage participating in DC plans only went from 7 percent to 37 percent. The percentage with both plans went from 10 percent to 9 percent after peaking at 16 percent in 1985.¹²

What the CPS Redesign Shows for Income

While the redesigned CPS questionnaire had a negative impact on the estimated levels of workers participating in employment-based retirement plans, it had the intended impact of improved estimates of the sources and amounts of income for those ages 65 and older. In particular, the estimated percentage of Americans ages 65 or older¹³ who received pension/annuity income¹⁴ increased from 30.6 percent in 2013 (traditional) to 35.4 percent in 2014 and has remained close to that level through 2017 (35.1 percent) (Figure 8).

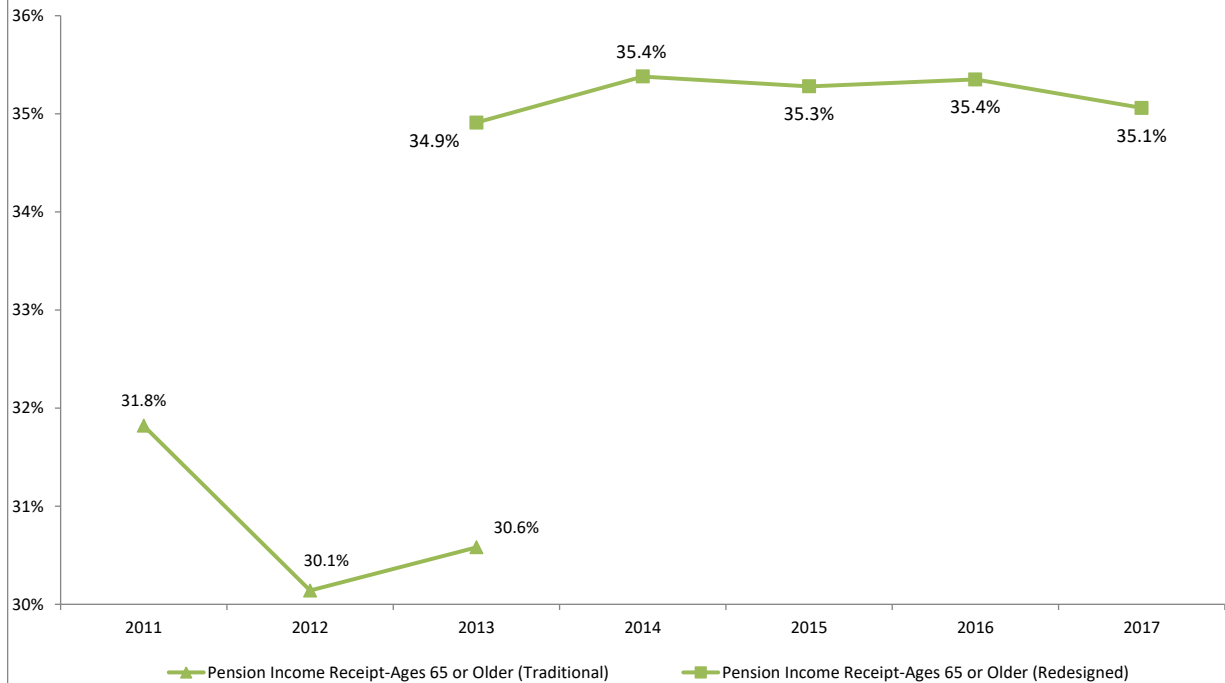
The incidence of the various sources of pension/annuity income also changed after the questionnaire redesign. The percentage of those ages 65 or older with private-sector employer defined benefit plan income went from 18.4 percent in 2013 under the traditional questionnaire to 20.4 percent under the redesigned questionnaire. Subsequently, the percentage reached 18.7 percent in 2017 (Figure 9). The percentage with public-sector defined benefit plan income had only a small change in 2013 after the redesign but had a larger change under the redesigned questionnaire from 2013–2017.

Figure 7
Percentage of Private-Sector Wage and Salary Workers Participating in an Employment-Based Retirement Plan, by Plan Type, 1979–2017

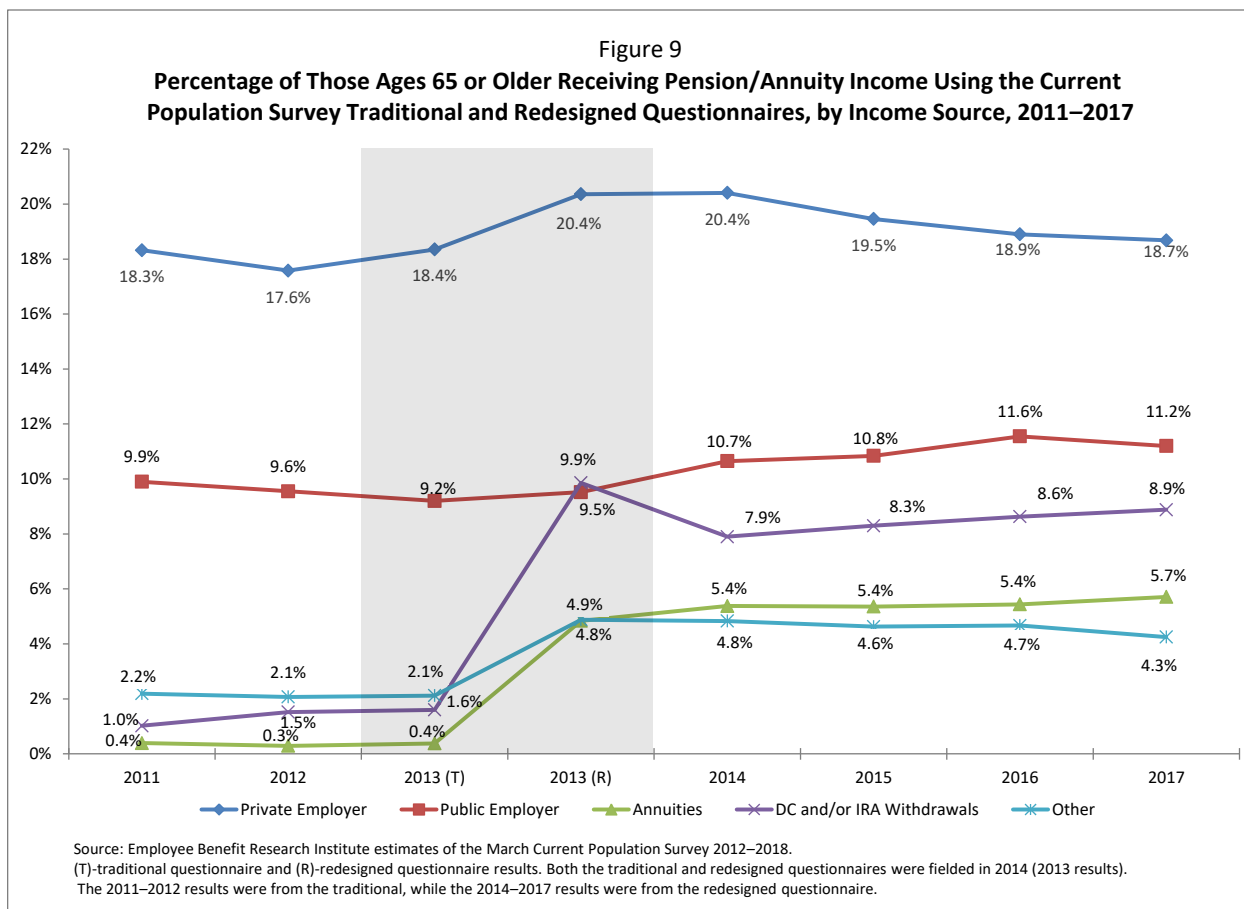


Source: U. S. Department of Labor, "Private Pension Plan Bulletin: Abstract of Form 5500 Annual Reports" through 1999. Employee Benefit Research Institute estimates 2000–2017 using Bureau of Labor Statistics, Current Population Survey, U.S. Department of Labor, and Pension Benefit Guaranty Corporation data.

Figure 8
Comparison of the Percentage of All Workers Participating in an Employment-Based Pension Plan vs. Percentage of Those Ages 65 or Older Receiving Pension Income Using the Current Population Survey Traditional and Redesigned Questionnaires, 2011–2017



Source: Employee Benefit Research Institute estimates of the March Current Population Survey 2012–2018.



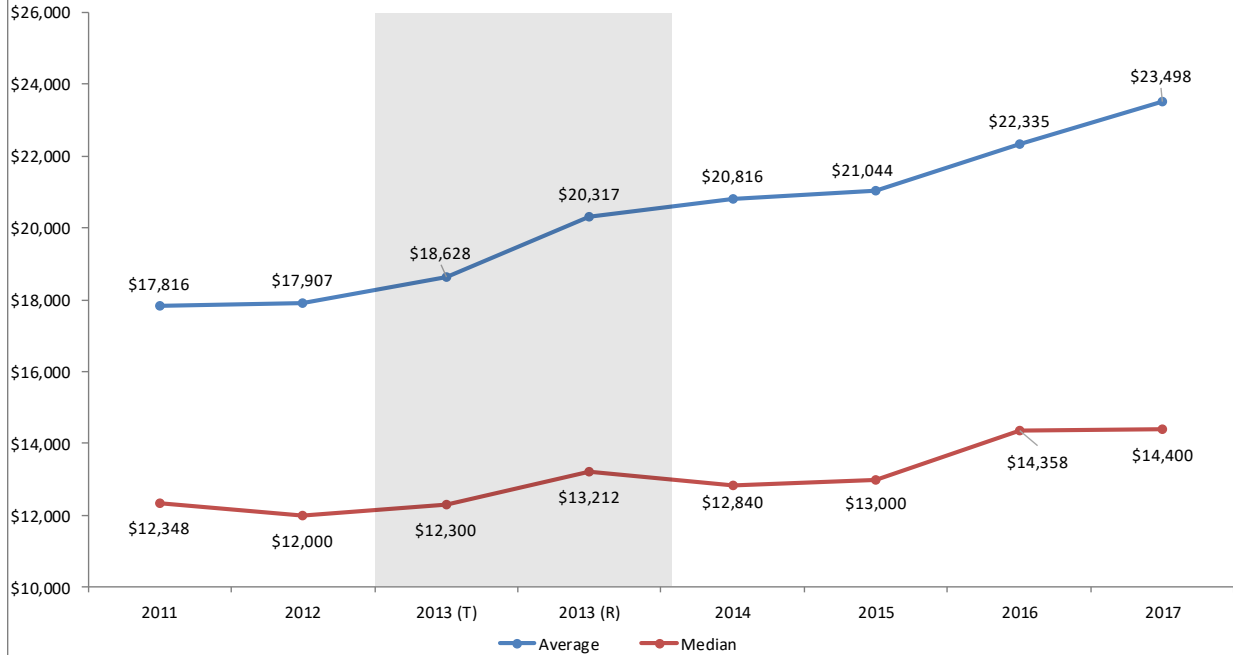
The income source with the largest change after the redesign was the percentage with DC and/or IRA withdrawals, which went from 1.6 percent in 2013 under the traditional questionnaire to 9.9 percent in 2013 under the redesigned questionnaire. However, this percentage did not hold steady, reaching 8.9 percent in 2017. The percentage of those ages 65 or older with either individual annuity income or other pension/retirement income sources also was higher after the questionnaire redesign.

In addition to the higher percentage of individuals ages 65 or older with pension/annuity income, the average and median incomes received by these individuals were also higher after the questionnaire redesign. The average pension/annuity income for those ages 65 or older went from \$18,628 in 2013 before the redesign to \$20,317 in 2013 after the redesign, reaching \$23,498 in 2017. The median was also higher — \$12,300 compared with \$13,212 (Figure 10). The level was \$14,400 in 2017.¹⁵

While the average and median total pension/annuity incomes were higher after the redesign, the average and median levels of two of the other major components of pension/annuity income were lower after the redesign.

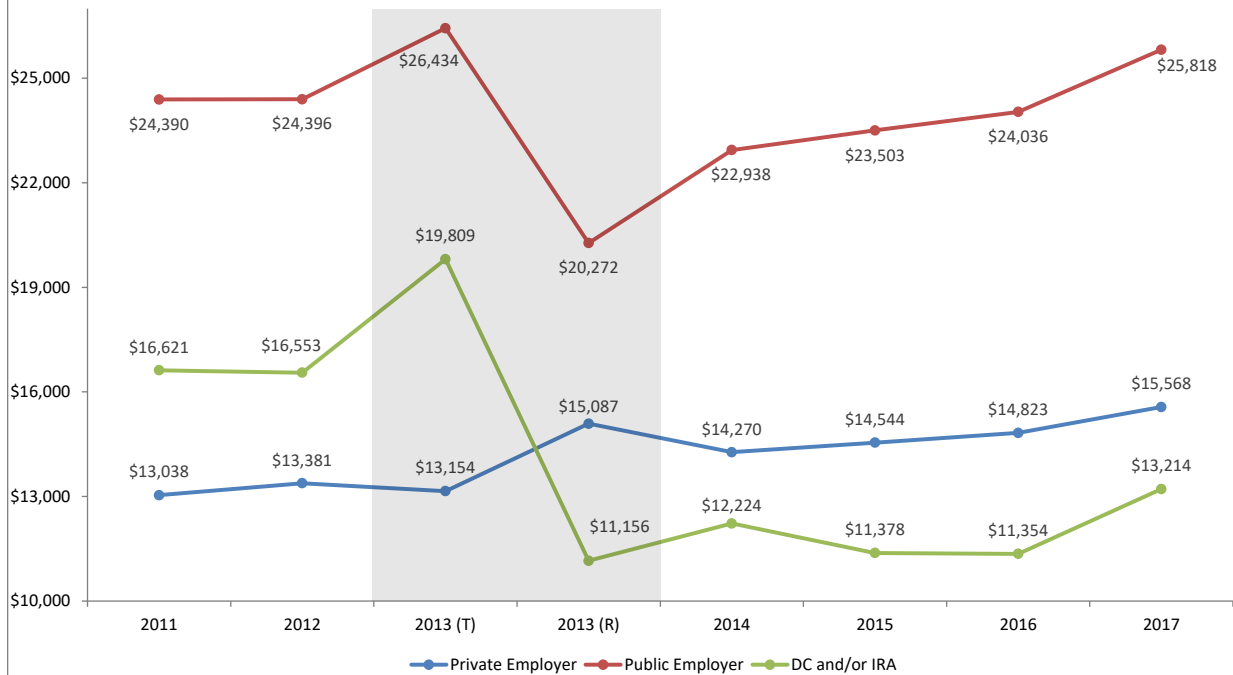
- The average public-sector employer defined benefit pension income of those having this income was \$26,434 in 2013 before the redesign and \$20,272 in 2013 after the redesign (Figure 11). The average for this income was higher in 2014–2017 but lower than the pre-redesign level.
- The average DC/IRA withdrawal income was dramatically lower after the redesign (\$19,809 in 2013 before the redesign compared with \$11,156 after the redesign). The average DC/IRA withdrawal income was \$13,214 in 2017, which is also lower than its pre-redesign level.
- In contrast, the average private-sector employer defined benefit plan income was higher after the redesign (\$13,154 compared with \$15,087). In 2017, the average was \$15,568.

Figure 10
Average and Median Pension/Annuity Income of Those Ages 65 or Older Receiving Such Income Using the Current Population Survey Traditional and Redesigned Questionnaires, 2011–2017



Note: All dollar figures are nominal values.
 Source: Employee Benefit Research Institute estimates of the March Current Population Survey 2012–2018.
 (T)-traditional questionnaire and (R)-redesigned questionnaire results. Both the traditional and redesigned questionnaires were fielded in 2014 (2013 results).
 The 2011–2012 results were from the traditional, while the 2014–2017 results were from the redesigned questionnaire.

Figure 11
Average Pension/Annuity Income of Those Ages 65 or Older Receiving Such Income Using the Current Population Survey Traditional and Redesigned Questionnaires, by Source, 2011–2017



Note: All dollar figures are nominal values.
 Source: Employee Benefit Research Institute estimates of the March Current Population Survey 2012–2018.
 (T)-traditional questionnaire and (R)-redesigned questionnaire results. Both the traditional and redesigned questionnaires were fielded in 2014 (2013 results).
 The 2011–2012 results were from the traditional, while the 2014–2017 results were from the redesigned questionnaire.

The median levels of these sources of pension/annuity income essentially followed the same patterns as the average levels. Both the median public-sector employer defined benefit plan income and median DC/IRA withdrawal income were lower in 2017 than before the redesign — \$20,000 and \$6,480 respectively. The median private-sector DB plan income was above the pre-redesign level in 2017 at \$9,600 (Figure 12).

The reported change in the median and average DC/IRA withdrawal income after the redesign can be attributed at least partially to the higher incidence of this type of income, where potentially small irregular withdrawals were captured due to the redesign of the questionnaire. The change in the public-sector employer DB plan average and median incomes is due to the reporting of some of the previously reported public-sector DB income as individual annuities or other pension/annuity income since the redesign, leading to a higher incidence of these other types of income.

Comparison of CPS With IRS Data

In Figure 13, the total income from pension/annuity income and survivor and disability income from CPS is compared with pension/annuity income and taxable IRA withdrawals reported in IRS reports of tax return data.¹⁶ This is the most expansive income definition from the CPS for pension/annuity income. However, even after the redesign, the CPS total retirement income amounts for 2015 and 2016 were only 63.1 percent of the 2015 IRS amount and 65.4 percent of the 2016 level.¹⁷ Yet, it is a clear improvement in the relative amount of income captured in the CPS compared with the amount before the redesign (32.3 percent).

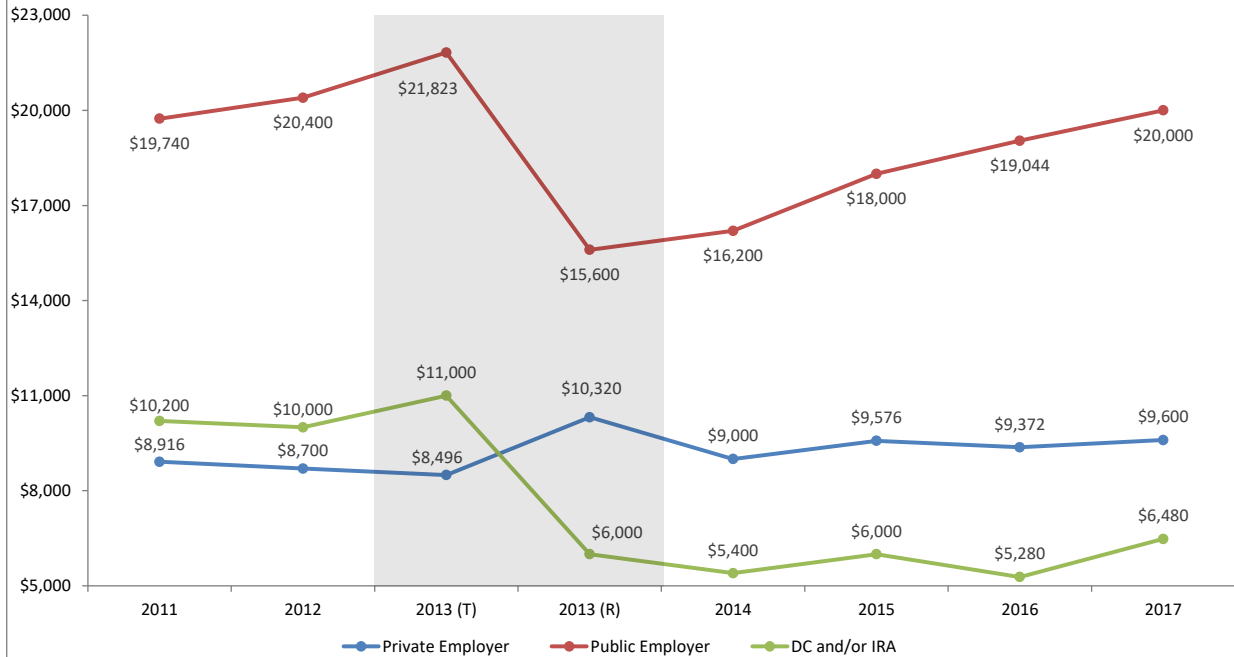
U.S. Census researchers Bee and Mitchell conducted a more thorough comparison by matching the individuals in the CPS sample with their income reported to the federal government.¹⁸ For the 2013 survey (2012 results before the redesign), they found that the CPS only captures 76 percent of the total income from the federal government administrative data of those ages 65 or older, including just 48 percent of retirement income. While they found a substantial underreporting of DC and IRA withdrawal income, they also found a sizable amount of DB/annuity income that was underreported in the CPS.

While these results were from the CPS before the redesign, they did give a benchmark of how much income was *not* captured in the CPS before the redesign and the magnitude of the income that the redesign would need to capture to replicate the administrative data. From the comparison with the aggregate IRS data and the study linking the CPS to administrative data, it is clear that the CPS redesign was not able to capture all of the income that these other sources are showing. When the increases in retirement income from Figure 13 were calculated, approximately 25 percent more income was captured from the redesign of the CPS, whereas the Bee and Mitchell study shows that the additional retirement income would have needed to increase by 100 percent (or double) to match the administrative data.

The CPS redesign altered the relative percentages of income sources for those ages 65 or older (Figure 14). However, as discussed earlier, it was determined that the CPS was missing certain types of retirement income, in particular irregular withdrawals from DC plans and IRAs. Consequently, as a percentage of the total income received, the share of income from Social Security was less after the redesign (38.0 percent in 2012 vs. 33.8 percent in 2017). Correspondingly, the percentages of IRA/401(k) and other retirement income were higher (0.8 percent and 0.5 percent in 2012 vs. 3.1 percent and 2.6 percent in 2017, respectively).

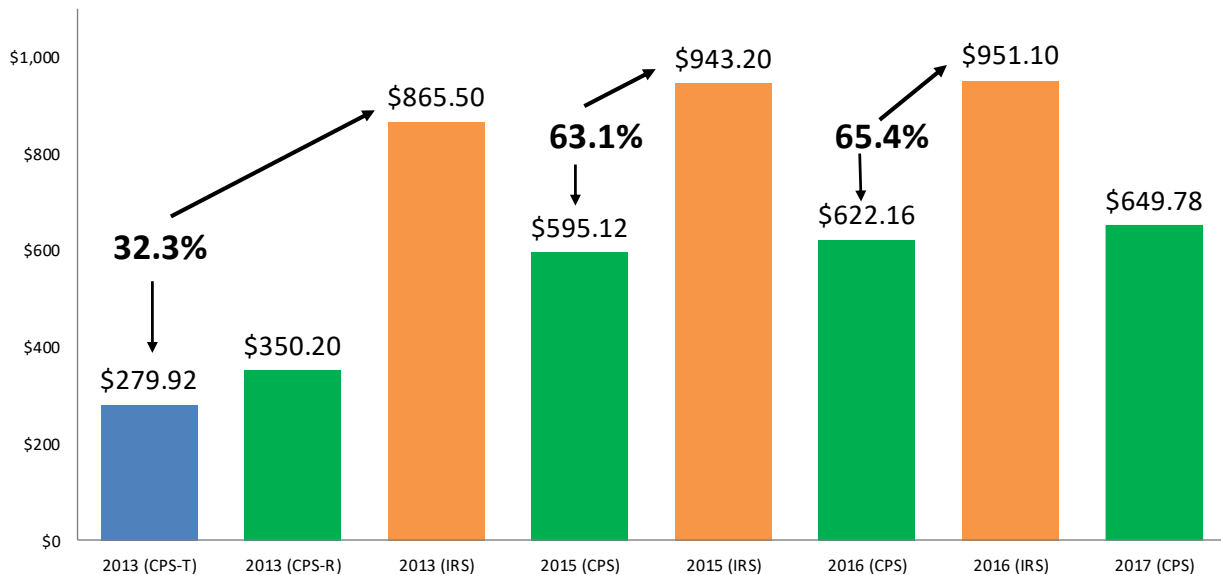
On an income-weighted basis, Social Security represented only one-third of all income received by Americans ages 65 or older, but on an individual-weighted basis, where the average percentage of each income source is calculated across each individual regardless of the amount of income received, Social Security represented nearly three-fifths (57.8 percent), on average, of each individual's income in 2017 (Figure 15). This is due to the fact that lower-income individuals were more reliant on Social Security income than were higher-income individuals, as higher-income individuals also had pension income, earnings, and income from assets.

Figure 12
Median Pension/Annuity Income of Those Ages 65 or Older Receiving Such Income Using the Current Population Survey Traditional and Redesigned Questionnaires, by Source, 2011–2017



Note: All dollar figures are nominal values.
 Source: Employee Benefit Research Institute estimates of the March Current Population Survey 2012–2018.
 (T)-traditional questionnaire/(R)-redesigned questionnaire. Both the traditional and redesigned questionnaires were fielded in 2014 (2013 results).
 The 2011–2012 results were from the traditional, while the 2014–2017 results were from the redesigned questionnaire.

Figure 13
Comparison of Aggregate Pension/Annuity Income Including DC and IRA Distribution Income Plus Survivor and Disability Income From the Current Population Survey and Taxable IRA Distributions and Pension/Annuity Income From IRS Tax Data, 2013–2017
 (in billions of (nominal) dollars)



Source: Employee Benefit Research Institute estimates of the March Current Population Survey 2014–2018.
 (T)-traditional questionnaire/(R)-redesigned questionnaire. Both the traditional and redesigned questionnaires were fielded in 2014 (2013 results).
 IRS, Statistics of Income Division, Individual Tax Returns, Preliminary Data, *SOI Bulletin*, Spring 2016, <https://www.irs.gov/pub/irs-soi/soi-a-inpd-id1606.pdf> and *Individual Tax Returns, 2016* <https://www.irs.gov/pub/irs-soi/16inintaxreturns.pdf>

Figure 14
Distribution of Income Sources for Americans Ages 65 or Older, 2012 and 2017
 (Income Weighted)

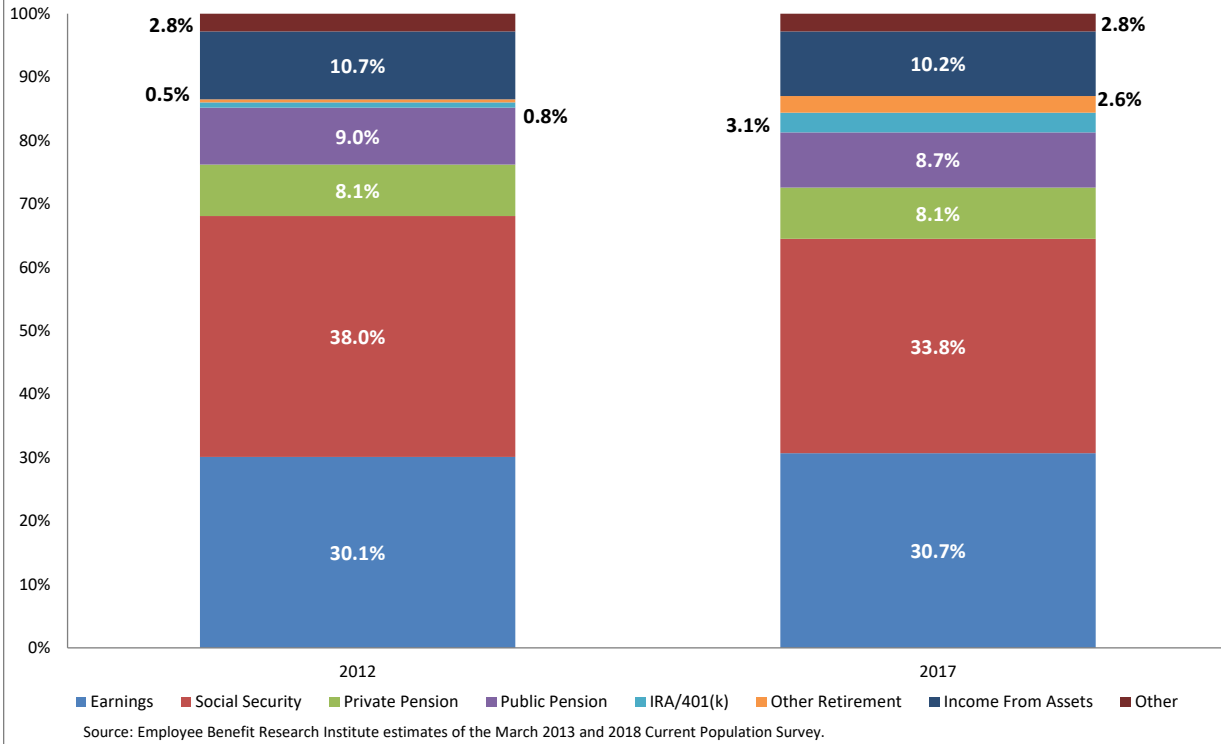
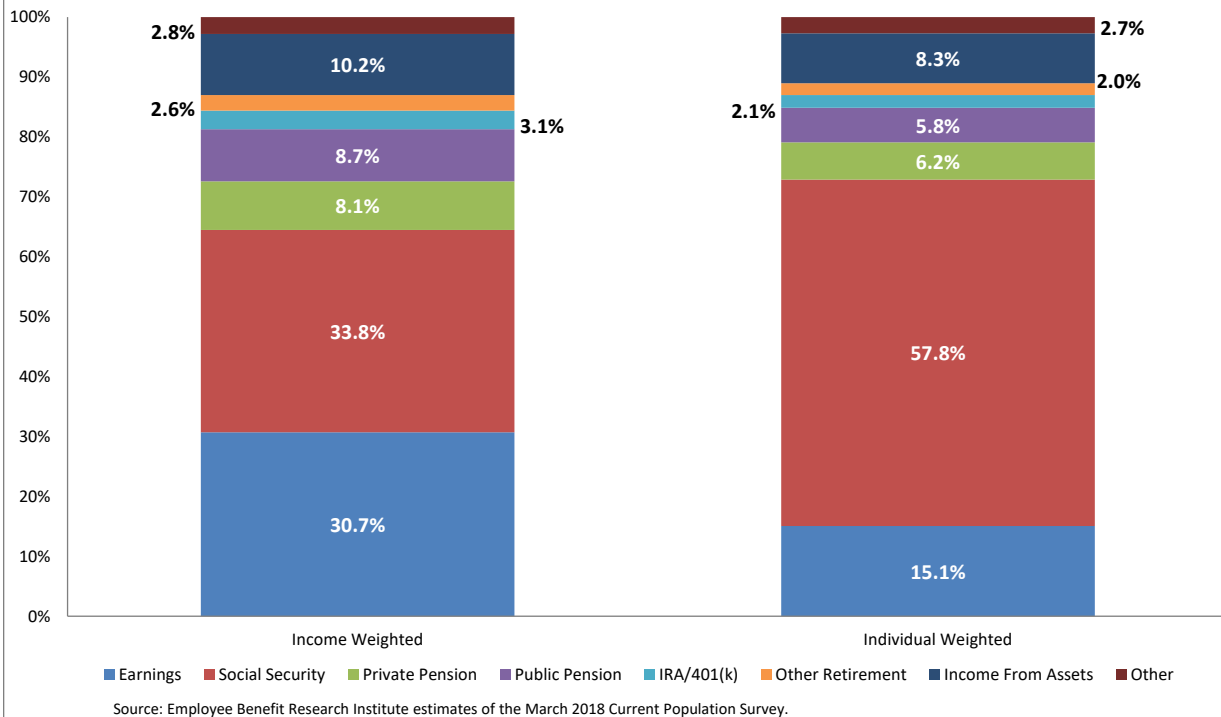


Figure 15
Distribution of Income Sources for Americans Ages 65 or Older, 2017
 (Income vs. Individual Weighted)



Conclusion

Again, the issues with the estimates of employment-based retirement plan participation that resulted from the CPS questionnaire redesign persisted in the 2018 CPS. The participation levels in 2017 were essentially equal to 2016 but still significantly below other prior years' estimates for this coverage, unlike those from the NCS. Furthermore, although there was some improvement in the amount of retirement income captured after the redesign, the numbers remain substantially below IRS benchmarks.

As noted, the CPS has been one of the most commonly used sources for employment-based retirement plan participation, since it is an annual survey and has a vast number of demographic characteristics of workers. However, relying on it to understand trends in this coverage is dangerous and misleading at best. Yet, the ratio of participation levels across demographic cohorts has held steady, except among specific race/ethnicity categories. Thus, the data could be used to see changes among demographic cohorts. Furthermore, significant amounts of retirement income are still being missed by the CPS, resulting in an underreporting of income created in the employment-based retirement plan system from both defined contribution and defined benefit plans.

However, the data from the CPS clearly show that Social Security continues to be the source of retirement income for a considerable number of retirees. Without Social Security, these retirees would have very little income. Yet, other groups of retirees are better off than what is shown from the CPS due to the missed income. Furthermore, of the income coming from individual account retirement plans, the sustainability of this income could be uncertain depending on the amount taken from these plans relative to the amount held in them.¹⁹ Consequently, understanding how retirees draw down retirement assets as well as their spending in general are critical policy topics. This in turn calls for improved data to allow for the better understanding of what income retirees have and how they spend their income throughout their retirement.

Endnotes

¹ The U.S. Census Bureau conducts the Current Population Survey (CPS) for the Bureau of Labor Statistics and currently interviews about 60,000 households. It contains numerous questions about individuals' work statuses, employers, incomes, and basic demographic characteristics. Consequently, the CPS provides detailed information about workers from a broad sample of Americans. For more detail about the survey see, <http://www.census.gov/programs-surveys/cps/about.html>

² For example, see Craig Copeland, "Current Population Survey: Issues Continue for Retirement Plan Participation and Retiree Income Estimates," *EBRI Issue Brief*, no. 452 (Employee Benefit Research Institute, June 12, 2018).

³ For a complete explanation of the changes to the survey, see Jessica L. Semega and Edward Welniak, Jr. "The Effects of the Changes to the Current Population Survey Annual Social and Economic Supplement on Estimates of Income," *Proceedings of the 2015 Allied Social Science Association (ASSA) Research Conference*, available at <http://www.census.gov/content/dam/Census/library/working-papers/2015/DEMO/ASSA-Income-CPSASEC-Red.pdf>

⁴ See Craig Copeland, "Examining the New Income Measures in the Current Population Survey," *EBRI Notes*, vol. 36, no. 5 (Employee Benefit Research Institute, May 2015): pp. 8–15 for another comparison of the income received by those ages 65 or older under the traditional and redesigned questionnaires.

⁵ The U.S. Census Bureau conducted a split-sample design on the 2014 March CPS. Five-eighths of the sample received the traditional questionnaire and three-eighths of the sample received the redesigned questionnaire. Weights were developed for each sample to provide nationally representative estimates of the variables in the survey.

⁶ While the CPS provides detail about the workers who participate in employment-based pension plans (or retirement plans — used interchangeably in this study, as has been done in prior analyses of these data), it does *not* provide for the questions that are reported about the specifics of the plans such as the worker's plan type or whether the individual worker is eligible to participate in the plan sponsored by his or her employer or union. This makes the definition of terms in this study important:

- In this discussion, the term *percentage of workers participating in a plan* is not synonymous with the standard retirement plan term *participation rate*, which is generally understood to mean the percentage of eligible workers who participate in a plan. Consequently, *participation rate* is not used in this analysis; instead, the terms *participation level* or *percentage participating* are used. To reiterate, those terms refer to the fraction of workers in the specified work force who participate in an employment-based pension or retirement plan regardless of the workers' eligibility to participate in a plan. (An eligible worker is one who is offered a plan and meets the requirements to participate.)
- Lastly, the term *participating in a plan (or pension or retirement plan)* as used here always refers to a pension or retirement plan provided through an employment-based arrangement, *not* a plan such as an individual retirement account (IRA) that workers can fund outside of an employment-based arrangement. Furthermore, since there isn't a distinction made in the data between defined benefit and defined contribution plans, participation includes either plan type.

⁷ See Employee Benefits Security Administration, U.S. Department of Labor, "Private Pension Plan Bulletin Historical Tables and Graphs 1975–2016," <https://www.dol.gov/agencies/ebsa/researchers/statistics/retirement-bulletins/private-pension-plan>. The numbers are much higher in the Bulletin because many of the active participants are active in more than one plan — approximately 18 million in each of these years were in a 401(k) plan at the same time as another plan. Furthermore, the Form 5500 was revised in 2004, changing the way active participants were counted in the Bulletin and leading to over 9 million more participants to be considered active in 2004 after the change than what was calculated under the previous way in 2004.

⁸ The National Compensation Survey (NCS) is conducted annually in March by the Bureau of Labor Statistics by surveying United States businesses about their compensation cost trends, incidence of benefits, and detailed benefit provisions. Estimates from the NCS are for civilian workers — workers in private industry and in state and local government — by various employee and employer characteristics. Federal government, agricultural, private household, and self-employed workers are excluded. For more detail on the NCS, see <http://www.bls.gov/ncs/ebs/benefits/2017/overview.htm>

⁹ Again, the NCS includes all civilian workers, except for federal government, agricultural, private household, and self-employed workers (only private-sector workers are included in this study's comparison). The CPS is a survey of all noninstitutionalized individuals in American households. The pension questions in the CPS are asked of anyone who worked

during the prior year about their pension participation in that year. The CPS estimates are filtered to match the NCS universe as closely as possible, where the CPS estimates in this section are only for civilian full-time, full-year wage and salary workers working for private-sector employers with 500 or more employees but *not* in the agricultural or private household industries.

¹⁰ In the paper Peter J. Brady and Steven Bass, "Who Participates in Retirement Plans, 2014." *ICI Research Perspective* 24, no. 1 April 2018 available at www.ici.org/pdf/per24-01.pdf, tabulations from the IRS's Statistics of Income (SOI) division that show that the percentage of workers with an employment-based retirement plan held steady from 2013 to 2014 are presented. This was in contrast to the result found in the CPS showing a decline during that period, even when just looking at the redesigned results. Furthermore, they show that the results from the SOI Form W-2 study indicate that the percentage of employees has been higher than what has been found in the CPS for many years prior to the CPS questionnaire redesign.

¹¹ Employee Benefits Security Administration, U.S. Department of Labor. "Private Pension Plan Bulletin: Abstract of Form 5500 Annual Reports," <https://www.dol.gov/agencies/ebsa/researchers/statistics/retirement-bulletins/private-pension-plan>

¹² The remaining percentage of private sector wage and salary workers did not participate in a plan. In 2017, this amounted to 52 percent of workers.

¹³ This still only includes the civilian noninstitutionalized population, as it did for retirement plan participation.

¹⁴ Pension income includes income from traditional pension plans, defined contribution (DC) plans, and individual retirement accounts (IRAs). The redesign of the questionnaire was better able to capture irregular withdrawals (i.e., one-time lump sums) from DC plans and IRAs that were missed under the traditional questionnaire.

¹⁵ All of the dollar amounts in this section are in current-year dollars.

¹⁶ The IRS uses the term *taxable IRA distributions* in its reports. To be consistent with the terminology used in this study, *taxable withdrawals* are equivalent to *taxable distributions*.

¹⁷ In Anqi Chen, Alicia H. Munnell, and Geoffrey T. Sanzenbacher, "How Much Income Do Retirees Actually Have?" *Issue Brief* No. 18-20. Center for Retirement Research at Boston College, November 2018 (https://crr.bc.edu/wp-content/uploads/2018/11/IB_18-20.pdf), a number of government survey income data are compared with IRS data. The CPS is again shown to underreport income by a significant amount, but the other surveys reviewed had income amounts similar to those reported in the IRS data.

¹⁸ Adam Bee and Joshua Mitchell, "Do Older Americans Have More Income Than We Think?" U.S. Census Bureau SEHSD Working Paper 2017-39, July 2017 <https://www.census.gov/content/dam/Census/library/working-papers/2017/demo/SEHSD-WP2017-39.pdf>

¹⁹ See Craig Copeland, "Individual Retirement Accounts: How Balances of Older Account Owners Change Over Time," *EBRI Issue Brief*, no. 477 (Employee Benefit Research Institute, March 21, 2019) for a first look at how the IRA balances of individuals ages 60 or older change over a three-year period.