



Fast Facts from **EBRI**

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What Share of Pre-Retirement Income Do Pensions Replace?

WASHINGTON—What percentage of pre-retirement income do “traditional” pensions replace for those American workers age 65 and older who receive one?

The March 2007 *EBRI Notes*, published by the nonpartisan Employee Benefit Research Institute (EBRI), provides an answer. Using the most recent data (from the Survey of Income and Program Participation, or SIPP), the *Notes* article reports that for all those receiving a pension, the median (midpoint) replacement rate was 27 percent in the first year of retirement through 2003.

But since most private-sector pension payments are not indexed to inflation, the median replacement rate had fallen to 21 percent by 2003, the year of the SIPP survey. Also, the replacement rates are lower for older retirees.

In 2003, slightly more than a third (37.6 percent) of Americans age 65 and older received pension income from their own former employer. For those receiving a pension, the median annual pension income in 2003 was \$8,340. Here is a breakdown of the replacement rates as a percentage of pre-retirement income that the pension represents, by age group:

Pre-Retirement Income Replacement Rates, by Income, From a “Traditional” Pension

Retiree Age Range	Initial Year of Retirement	2003
65–69 years old	31%	26%
70–74 years old	27	20
75–79 years old	27	19
80 and older	24	19

Source: Employee Benefit Research Institute, *EBRI Notes*, March 2007,
www.ebri.org/publications/notes/index.cfm?fa=notesDisp&content_id=3791

The March 2007 *EBRI Notes* article is available at www.ebri.org.

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