Comparing Defined Benefit and Defined Contribution Access

Most state and local governments offer a defined benefit pension to their firefighters, nurses, teachers, and other public employees. Meanwhile, only a quarter of public employees across the country are not eligible for Social Security (like in Alaska), meaning their pension is even more vital to those workers.

84% of all state and local government workers have access to a pension:

	All	State Government	Local Government
Defined Benefit Access	85%	87%	84%
Defined Contribution Access	33%	44%	29%

In the private sector, union and full-time workers are more likely to have access to a pension:

	All	Full-time	Part-time	Union	Non-union
Defined Benefit Access	18%	21%	8%	70%	13%
Defined Contribution Access	62%	72%	33%	55%	62%

Larger firms in the private sector are more likely to offer a pension:

	1 to 49	50 to 99	100 to 499	500+
Defined Benefit Access	7%	14%	20%	43%
Defined Contribution Access	46%	60%	74%	82%

Charts compiled from data available at: https://www.hsdl.org/?view&did=799215.

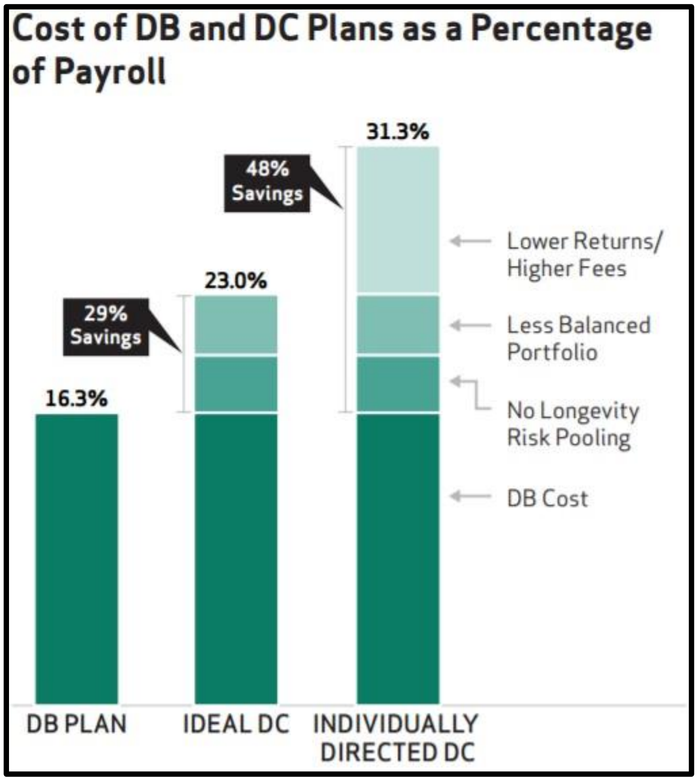
Failure of 401(k)s to Provide Retirement Security

Twenty years ago, Michigan moved its state employees into a 401(k). This year, the Office of Retirement Services found the following:

- Median amount state workers have saved for retirement: **$37,260**
- Average amount saved: **$79,878**
- For workers who are at least 60 years old and who have worked for the state for at least 15 years:
    - Average those older workers have saved in retirement accounts: **$124,000** Median savings of older group of workers: **$36,000**

It is widely accepted that 401(k)s have failed most Americans.

Wall Street Journal: The Champions of the 401(k) Lament the Revolution They Started
"The dominant vehicle for retirement savings has fallen short of its early backers' rosy expectations; longer life spans, high fees and stock-market declines."



Pensions are a solution not just for workers, but for the state.

Pensions Offer a Better Bang for the Buck (source: NIRS)

The fact is, you have to pay much more to provide the same level of benefit through a 401(k)-type plan, since they have consistently achieved lower returns, suffered from higher fees, and cannot benefit from pooling longevity risk.

Please contact Bailey Childers, bchilders@protectpensions.org, with any questions.