

Why Young Workers Want Good, Old-Fashioned Pensions

*The conventional wisdom that young workers don't care about pensions was turned on its ear by the Great Recession. A Towers Watson survey found that people under 40 are working for and staying with employers that provide defined benefit (DB) pensions. In 2011, 43% of young workers told TW that **their pension plan was the reason they were staying with their current employer**. Only 17% of young workers said they **liked their company's 401(k) plan**. Retirement security matters to younger employees, too.*

Here's why even young workers want traditional pension plans

- **Defined benefit pensions provide stable retirement income for life.** DB pension plans guarantee a specific monthly payment upon retirement based on an employee's years of services, age and salary. In a defined contribution (DC) plan, an employee, and sometimes the employer, contributes to an individual investment account. The amount in a DC account at retirement includes contributions and investment gains or losses, minus investment and management fees and early withdrawals and penalties.
- **DB pensions allow veteran workers to retire with dignity and make way for younger employees to advance professionally and earn higher salaries.** During the Great Recession, TW found, young workers saw older workers delay retirement, jeopardizing younger workers' career advancement, salary increases & long-term financial security.
- **It's easier and less costly to reach retirement income goals with a traditional pension than with a DC plan.** The National Institute for Retirement Security calculates it costs **46% less** in a DB pension plan to provide an employee with the same retirement income as it would in an individual retirement account because traditional pension plans maintain balanced portfolios that pool funds, hold down management fees, reduce risks and earn better returns than individual accounts.
- **Without DB pensions, workers are 30% more likely to fall below the poverty line after retirement.** DB pension funds like the Pennsylvania School Employees Retirement System & State Employees Retirement System, keep retiree households out of poverty. Among retirees without DB pensions, women and minorities are more likely to depend on government assistance.



- **Teacher pension plans reduce the cost of teacher turnover, leaving more resources for instruction.** NIRS researchers found that teacher pension plans play a critical role in recruiting and retaining teachers, saving districts nationwide hundreds of millions of dollars each year in teacher turnover costs.

- **Because of the national shift away from DB pensions, 1 in 3 Americans today has no retirement savings at all.** ([Frontline: The Retirement Gamble](#), April 2013) The 401(k) industry is eager for us to "invest" in individual accounts because retirement is Big Business. The more money we stash in 401(k)-type accounts, the more money Wall Street makes in commissions and fees.

Every Pennsylvanian deserves secure, stable retirement income. Instead of eliminating defined benefit pensions for the people who teach our children, protect our communities and care for the sick and elderly, AFT Pennsylvania is fighting to ensure that every worker can retire with economic security and dignity.

To Protect Our Pensions, visit AFT Pennsylvania – www.aftpa.org/legislation.