Pensions Decline as Major Source of Anticipated Income in Retirement for Working Kentuckians

Kentucky workers have made a dramatic shift away from relying on pensions as a major source of income in retirement in recent years. However, data indicate that they are not shifting toward any other sources—leaving a gap and raising the question: How do future retirees plan to fund their retirement?

Two Kentucky surveys conducted in 2000 and 2007 illustrate the shift away from pensions as a source of funding in retirement. Figure 1 shows that in 2000 nearly half the sample indicated that money from an employer-provided pension is or would be a major source of income in retirement, compared to approximately one-third by 2007.

This shift is due primarily to the decline among current workers in their anticipated reliance on pensions as a source of income in retirement. Approximately half of both retirees and workers in 2000 indicated that pensions are or would be a major source of retirement income (see Figure 2). By 2007, a divergence in the two groups emerged as the proportion of workers anticipating pensions to be a major source of income had shrunk from 47 percent in 2000 to a little over a quarter (28 percent) in 2007. Among retirees, the decline was less severe, falling from 51 percent to 42 percent.

Respondents were asked to indicate if other sources of retirement income, such as money to a defined-contribution plan, personal savings, and Social Security, are...
or would be a major, minor, or not a source of income in retirement. Figure 3 shows the extent to which Kentuckians shifted to other sources in parallel with their decreased reliance on pensions.

Although there was a 30-percent decline in the reliance on pensions as a major source of retirement income from 2000 to 2007 in Kentucky, there was no comparable increase in any of the other anticipated sources to help offset this decline. In both surveys, a majority considered Social Security a major source of their retirement income and only a third anticipate that a 401(k) or other comparable retirement plan will play a major role in meeting their retirement income needs. The extent to which the boomer generation has adequately funded their retirement will have serious implications for the ability of government at all levels to meet the needs of this aging demographic.

1For more information on the 2000 Kentucky Retirement Survey refer to <http://www.kltprc.net/books/aging/entry.htm>.
2Respondents were asked to indicate what sources of income would be a major, minor, or not a source of income in retirement. Here “pensions” refers to the choice given to survey respondents that reads “Money provided by an employer like a pension or retirement account (not one you paid into).”

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