Majority would trade pay for a pension

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By Anne Tergesen

Would you be willing to sacrifice some take-home pay for better retirement benefits? That's a trade-off a growing number of employees are willing to make, according to a survey released today.

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Would you sign away some pay now for security later?

Among the 5,000 full-time employees surveyed by consulting firm Towers Watson, 62% said they'd be willing to give up some pay for a guaranteed retirement benefit. Fifty eight percent said they'd make the same trade for a more generous version of their current retirement plan (guaranteed or not). In the depths of the recession in 2009, only 46% said they'd be willing to give up some of their pay for a guaranteed retirement benefit. The trend held true across all age groups.

Kevin Wagner, a senior actuarial consultant at Towers Watson, describes a "guaranteed" benefit as being "annuity-based" rather than "account-based" like a 401(k). Traditional pensions are generally structured to be annuity-based, although the Towers Watson survey didn't use the word "pension." (About 14% of private-sector workers had a traditional pension in 2011, compared with 38% in 1979, according to the Employee Benefit Research Institute.)

What's going on? "People are beginning to get religion when it comes to their retirement benefits," says Wagner. With the stock market up 123% since hitting bottom in March 2009, 67% of employees say they are satisfied with their retirement plans—up from 54%

in 2009. But in an indication that people are more realistic about the adequacy of those savings—or lack thereof—only 47% of employees think their plans will be enough to meet their retirement needs.

“Given that the market has recovered tremendously, it makes sense that people are more satisfied with their retirement benefits than they were five years ago,” says Wagner. But because neither employees nor employers are putting enough money into these plans, he adds, a growing number of employees say they are in favor of having their employers funnel more of their pay into these accounts.

According to Fidelity Investments, the average 401(k) balance hit $88,600 at the end of March. While that’s up 9.5% from a year ago and up 92% from March 2009, few employees are currently saving at Fidelity’s recommended annual total savings rate of 10% to 15%.

To make matters worse, in recent years, employers have scaled-back on contributions to retirement benefits. In the high-tech sector, for example, employers contribute 4.4% of pay, down from 6.8% in 1998. And in the energy field, employers kick in 9.5% of pay, down from 12.8%, according to Towers Watson.

Much of the increase in employee satisfaction with retirement plans is concentrated among younger employees, the survey notes. Among those younger than 40, satisfaction levels rose 15 percentage points, from 54% in 2009 to 69% in 2013. Among those 50 and older, 65% are currently satisfied with their retirement benefits, up from 58% in 2009.

But among the 50-plus, almost 80% are concerned about their retirement security, versus only 39% of those under 40.

The survey also addressed health benefits – and the news for employers isn’t good. Only 59% of employees are currently happy with their health benefits, down from 69% in 2007. Most unhappy are those who are older and those in poor health.

“People are responding to the massive changes in healthcare that we have seen over the past five years,” says Wagner. With employers forcing employees to pay more for their benefits and embrace high-deductible plans, “employees have been disrupted in the way they use their benefits,” he adds. The survey results, he says, reflect a weariness among employees, who “are saying, ‘Enough is enough, please stop changing my benefits.’”

Only 27% say they'd be willing to give up some pay for more generous health benefits. People feel they "have given up way too much pay already" for their health plans, says Wagner. "They don't want to give up anymore."

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