

**COMMENTARY****As Michigan population ages, number of pensions continues to fall**

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LANSING — Years ago, one of the best things about working for state or local government in Michigan was a guaranteed pension. Salaries were never very large, but retirements were seen as secure.

That's no longer the case. Pensions are less common in both the public and private sectors.

They've disappeared for most new state workers, and the Legislature may be gearing up to eliminate them for teachers as well, though the governor remains opposed.

But regardless of that, economists warn that a huge statewide and national economic crisis may be looming, as millions of baby boomers are facing getting older without anything like adequate retirement assets.

That may be especially alarming, given that there is now talk of possibly cutting or delaying Social Security payments. Republicans are in total control of all branches of government in Michigan.



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Battles over pensions are nothing new. Twenty years ago, John Engler, Michigan's first conservative Republican governor in decades, managed to get lawmakers to switch all newly hired state workers from a "defined benefit," or pension plan, to a "defined contribution," or 401(k) plan, in which the employee is essentially in charge of saving for their own retirement.

He failed, however, to persuade lawmakers to require that for school employees, primarily teachers. These days, new teachers qualify for a "blended" retirement system that is partly a traditional pension and partly a 401(k) plan.

But Senate Majority Leader Arlan Meekhof (R., West Olive) wants to force school systems to offer teachers only 401(k) plans. His attempts to

do so in last year's "lame duck" legislative session were thwarted, in part, because Gov. Rick Snyder, his fellow Republican, was strongly opposed.

However this battle turns out, there are a lot of indications that society's move away from pensions, coupled with lower-than-expected savings rates, may have left millions of aging Americans on the brink of economic disaster.

Economists and financial planners traditionally tell people they should have eight times their annual income saved before retirement. But very few do.

According to the New School's Center for Economic Policy Analysis in New York, half of all Americans between age 50 and 64 have total retirement assets of less than a year's income.

Even among many of the well-off, this is a problem. Even the top 10 percent of earners have median retirement savings of less than two years. Add the sobering reality that while nearly 40 percent of workers had pensions in 1980, only about 13 percent do now.

Thomas Jankowski, the associate director for research at Wayne State University's Institute of Gerontology, has been studying the financial situation of Michigan's aging population.

The numbers tell the tale. While "millennials" have now surpassed baby boomers as the most numerous generation, there are still more than 74 million boomers.

The U.S. Census Bureau defines them as everyone born between 1946 and 1964, meaning the eldest are 71; the youngest, approaching their mid-50s.

Their 401(k) accounts are often underfunded, and worse, Mr. Jankowski noted "a large number have next to nothing in the bank."

His figures show "currently, about one-third of Michigan seniors subsist almost entirely on Social Security," a number that is growing. "I would not be surprised to find that, within the next 15 or 20 years, 40 to 50 percent of Michigan retirees will depend on Social Security alone to live," he said.

For most, that won't be nearly enough to sustain their lifestyles. The much smaller cohort of "Generation X" Americans those born between 1964 and 1981, aren't doing much better. Ronald Braun, a certified financial planner with Upstream Investment Partners in the Detroit suburb of Beverly Hills, said "Gen Xers began investing earlier for retirement than baby boomers did," but even so, most don't realize how much they will need to save.

And a Transamerica Center for Retirement Studies survey found that even among this supposedly savvy group, 40 percent have no retirement strategy at all.

Donald Grimes, an economist and a senior research specialist for the University of Michigan for many years, thinks part of the solution lies in convincing people to keep working if possible, and "put off collecting social security until at least (their) full retirement age."

For older boomers, that is 66. Far better, however, would be to delay it until age 70. Someone born in 1952, for example, would get \$2,445 a month at age 66.

But if they wait four years, that goes up to \$3,269 a month for life — a nearly \$10,000 annual difference.

Beyond that, it is now clear that 401(k) plans have utterly failed as a pension substitute. The Wall Street Journal reported Jan. 2 that those who pushed for them in the early 1980s now "lament the revolution they started."

Herbert Whitehouse, an attorney who helped create 401(k) plans told the newspaper they were never meant to be a replacement for pensions, only a supplement.

Ironically, Mr. Whitehouse's 401(k) took a major hit during the Great Recession, and he now expects to work well into his 70s.

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