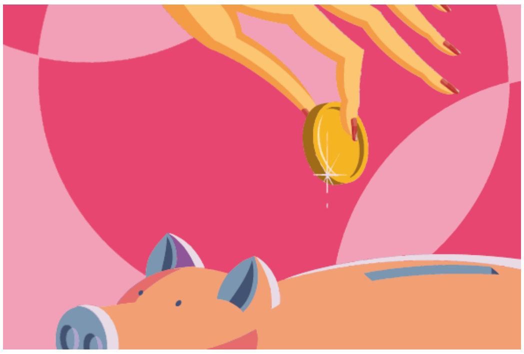


Pensions at a Glance 2013

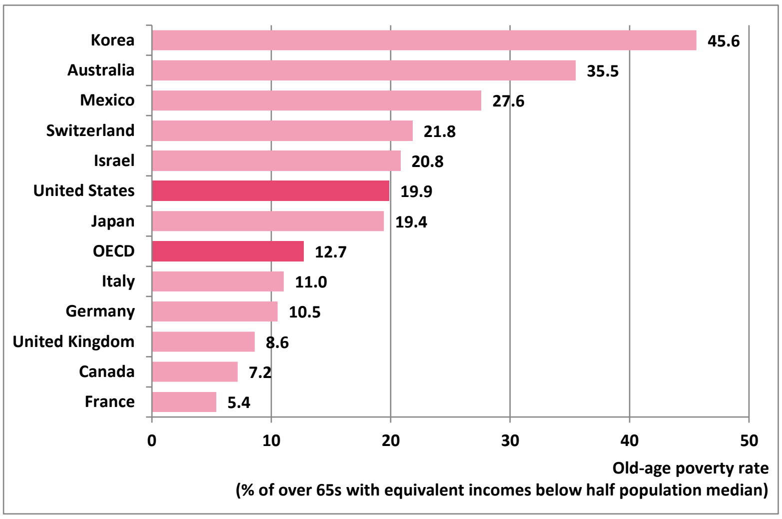
OECD and G20 Indicators

UNITED STATES

- **About one in five seniors lives in poverty, which is the sixth highest old-age poverty rate among OECD countries and more than half above the average.**
- **Future replacement rates for full career workers are projected to be amongst the lowest across the OECD.**

Old-age poverty is amongst the highest in OECD countries. The United States currently has one of the highest legal retirement ages at 66 years; coverage of private pension schemes is also high at 47% of the working-age population. People aged 65 and over have, on average, an income equivalent to 92% of that of the total population, which is above the OECD average of 86%. However, the old-age poverty rate is the sixth highest in the OECD at 19.9%, compared to the average of 12.8%. At least in part this reflects an overall higher poverty rate in the United States which is 17.4%, compared to the OECD average of 11.3%. The problem is more acute even for the very elderly (the over 75 age group) with a poverty rate of 24.3%. As the pension benefits are indexed to prices which generally increase less than wages, relative poverty rates among the elderly are likely to increase over time. By contrast, the majority of OECD countries with earnings-related schemes index at least partially to earnings or GDP. With increasing life expectancy, pensioners are likely to fall behind more unless private pension coverage is increased, particularly for low income groups.

Old-age income poverty rates late 2000s



Source: OECD (2013), Pensions at a Glance 2013

Future gross pension replacement rates are projected to be amongst the lowest in the OECD across the earnings distribution. Full career male workers at average earnings can only expect a replacement rate of 38% upon retirement, the fifth lowest in the OECD and well below the average of 54%. Low earners fare worse in OECD comparison with replacement rates of 50% in the United States and 71% on OECD average, while for higher earners the projected replacement rate is 33% against 48% for the OECD average. The figures above cover only the public pension scheme and do not consider the voluntary or occupational pensions, which cover 47% of the working-age population. Considering a typical defined contribution scheme with a 9% contribution rate and assuming a net annual real return of 3.5% over the full career the replacement rate for average earners would increase to 76%, with similar increases applying for both low and high earners.

Pension replacement rates for average earners

Source: OECD (2013), Pensions at a Glance 2013

Key indicators

		United States	OECD
Gross replacement rate	Average earner (%)	38.3	54.4
	Low earner (%)	49.5	71.0
Public spending on pensions	% GDP	6.8	7.8
Life expectancy	At birth	78.8	79.9
	At age 65	19.2	19.1
Population aged 65	% of working-age population	22.8	25.5
Average earnings	USD	47 600	42 700

Note: replacement rate is pension entitlement from all mandatory sources of retirement income relative to individual earnings. Calculations for a full-career worker entering the labour market in 2012. Low earner is assumed to earn 50% of the average.
Source: OECD (2013), Pensions at a Glance 2013: OECD and G20 Indicators.

Notes to editors:

Pensions at a Glance 2013:
OECD and G20 Indicators

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The report includes pension indicators for the OECD member countries and G20 economies with 2012 pension rules and parameters. There are two special chapters on (i) distributional impact of reforms; (ii) future retirement income adequacy, the role of housing, financial wealth and publicly provided services.

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OECD
2 rue André Pascal
Paris 75775 Cedex 16
France

For further information, please contact

OECD media relations	Spencer Wilson	spencer.wilson@oecd.org	+ 33 1 45 24 81 18
OECD Social Policy Division	Andrew Reilly	andrew.reilly@oecd.org	+ 33 1 45 24 82 04

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