



Closing the Gap: The Role of Public Pensions in Reducing Retirement Inequality

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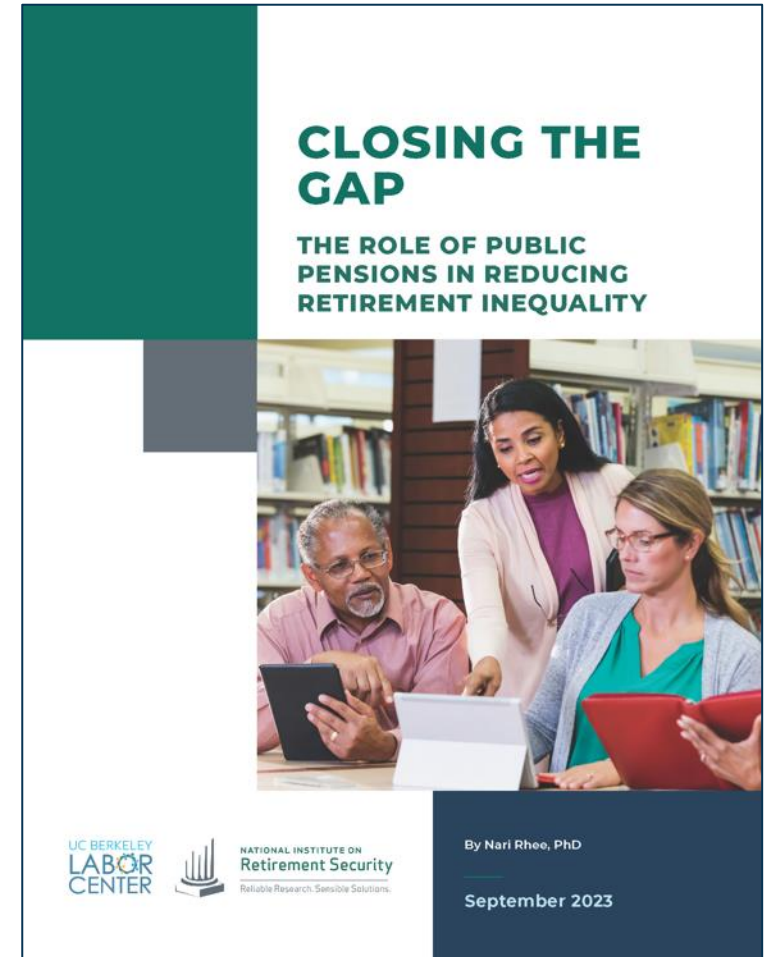


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Why This Research?

- Several Federal Reserve studies demonstrated that the decline of pensions and rise of 401(k)s increased wealth inequality and, conversely, adding pensions and Social Security to the household balance sheet reduces wealth inequality by race, income.
- Given the historical importance of public employment and related benefits to women and Black workers, what is the distributional impact of public pensions by race, gender and education?

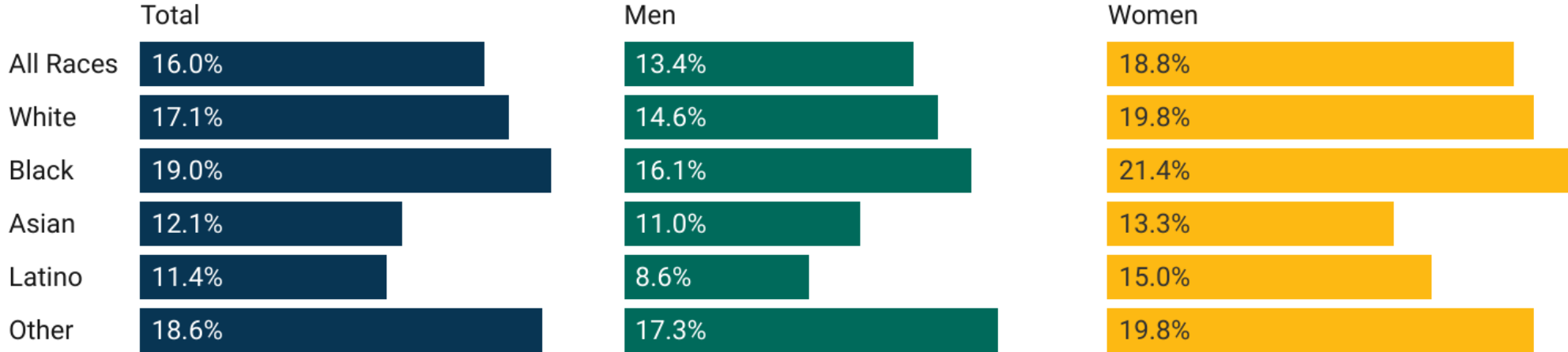


Key Findings

- Pensions reduce retiree poverty and near-poverty across race, sex, and educational attainment. The anti-poverty impact of pensions is largest for Black and Latino retirees, as well as for all retirees without a four-year college degree.
- Pension income is distributed relatively evenly among recipients by race, while public pension income is distributed more equally by gender than private pension and 401(k) income.
- Pension benefits currently in payment to 23.2 million adults aged 55 and older in the U.S. represent \$5.6 trillion in household wealth, boosting middle-class family net worth and narrowing racial and gender wealth gaps.

Public Employment and Related Benefits Are Especially Important for Women and Black Workers

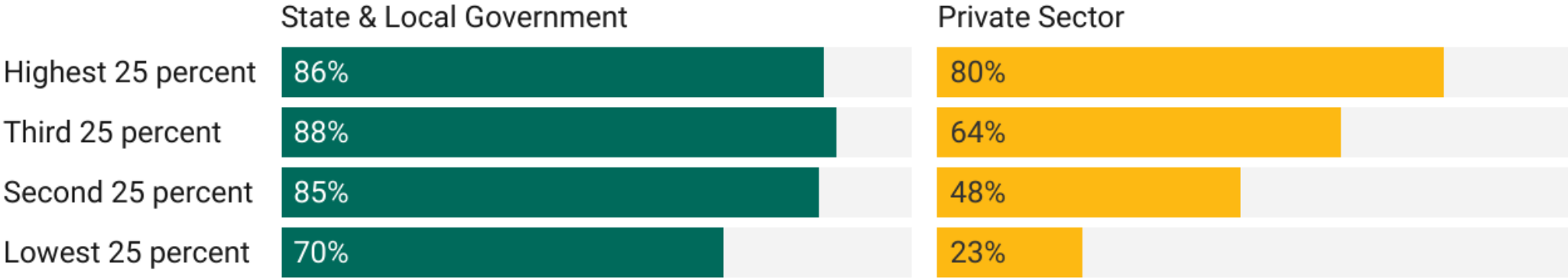
Figure 1: Share of Workers Employed in Public Sector, by Race and Gender, 2018-2020



Data source: Author’s analysis of CPS ASEC.

Retirement Plan Participation Is More Level by Wages in Public Sector than Private Sector

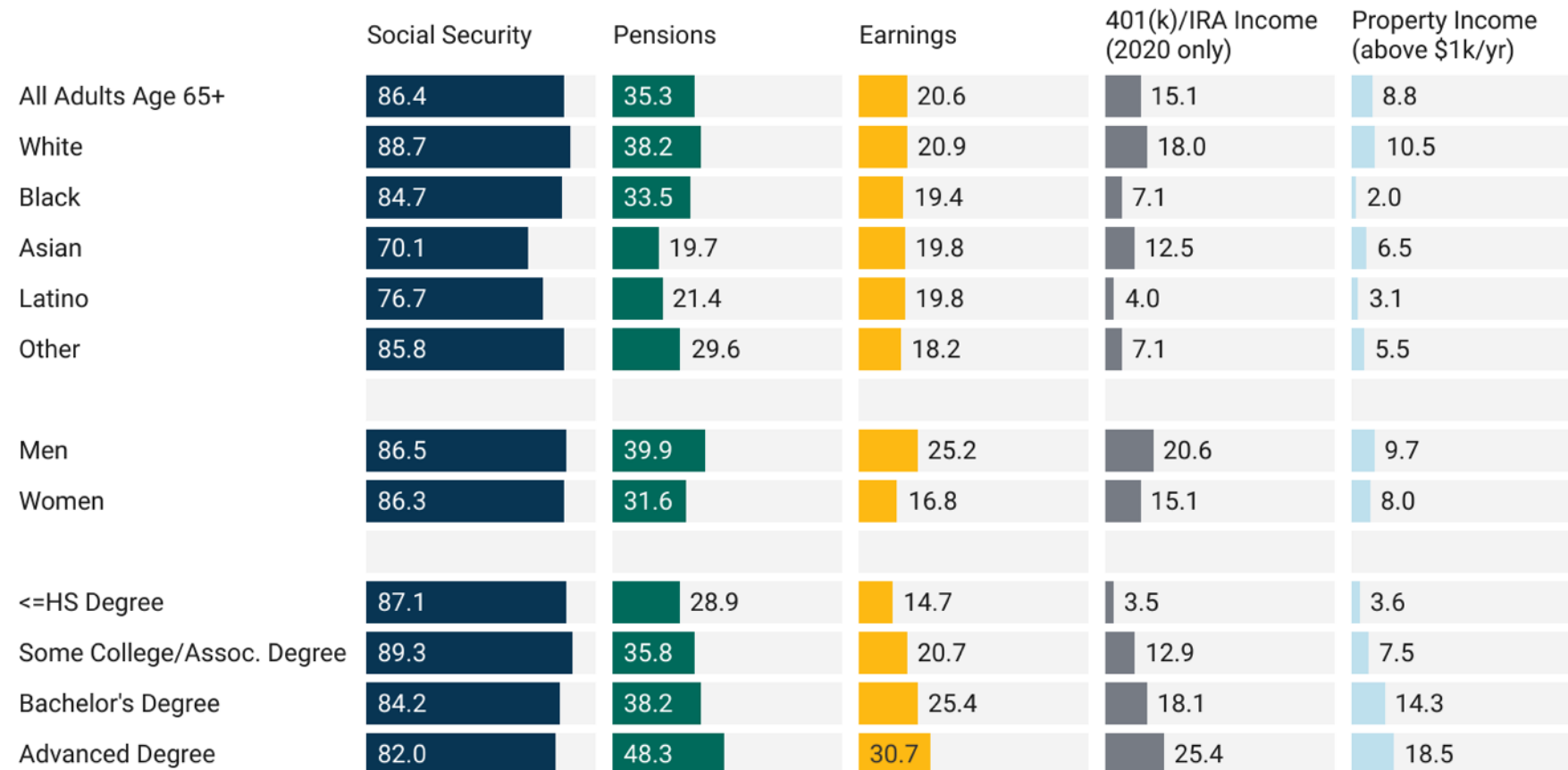
Figure 2: Public vs. Private Sector Employee Retirement Plan Participation Rates by Wage Quartile, 2022



Data source: National Compensation Survey/Employee Benefit Survey.

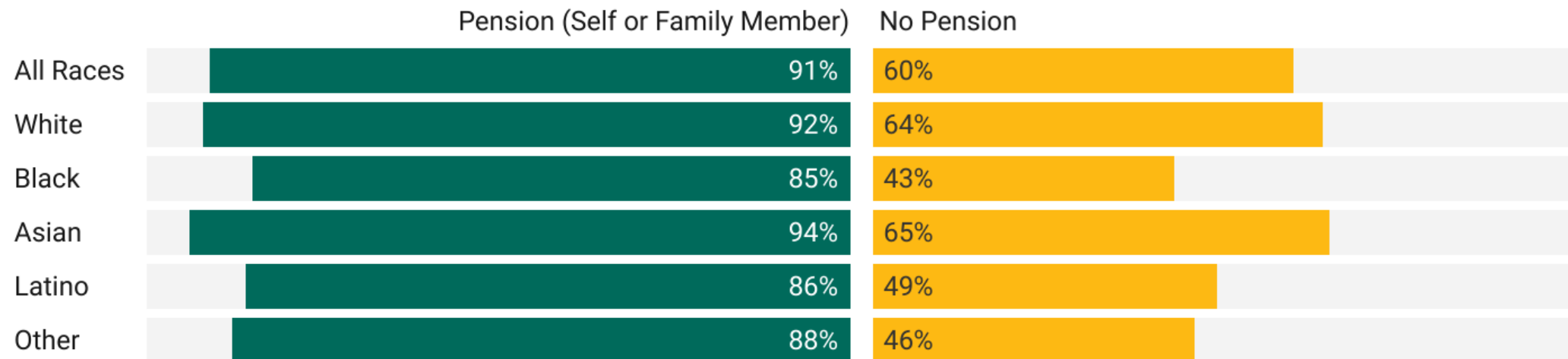
Pension Income Is More Equitably Distributed than 401(k)/IRA and Property Income

Figure 3: Share of Adults Age 65+ with Personal Retirement Income Source, 2018-2020



Pensions Have Significant Anti-Poverty Effect for All Racial Groups

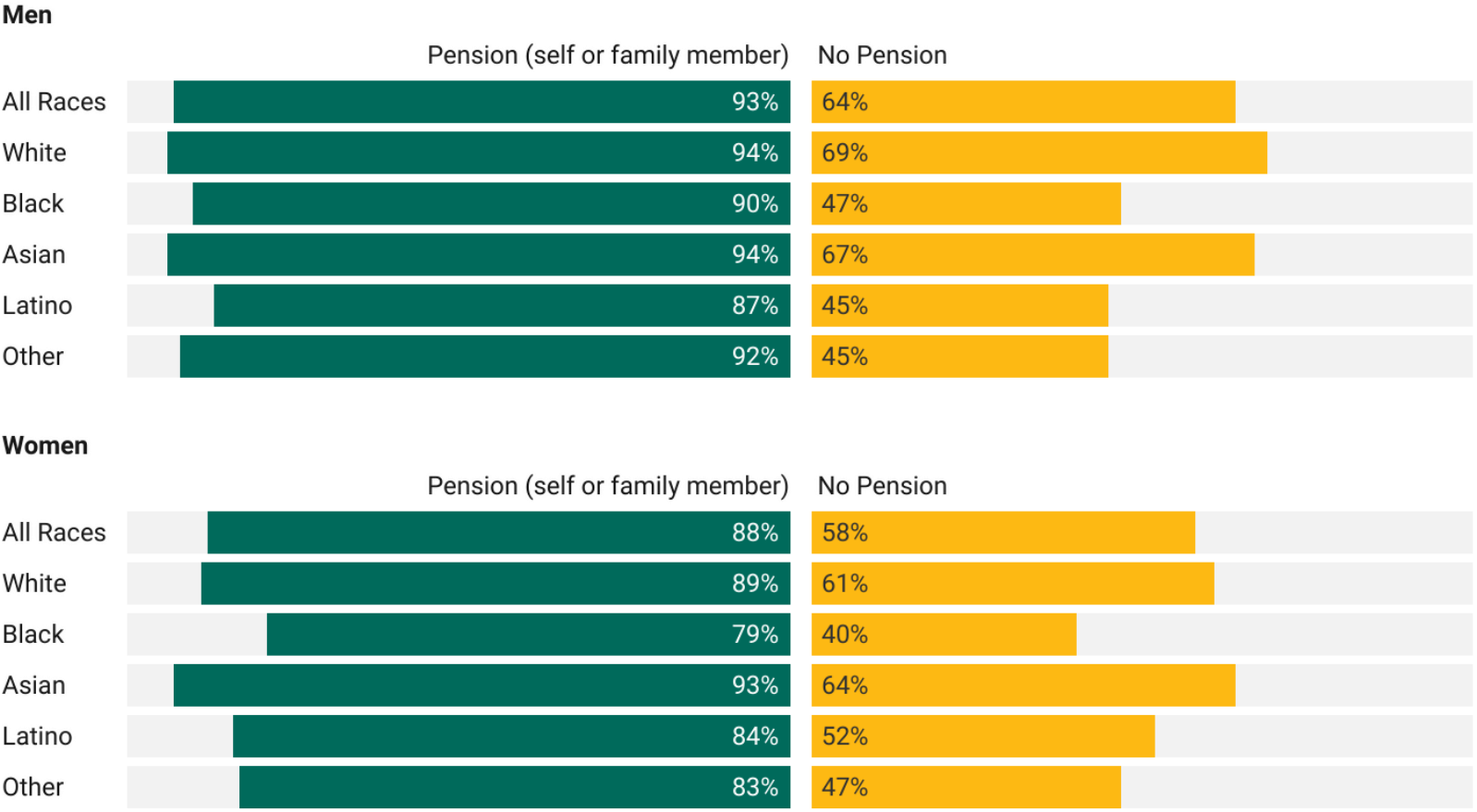
Figure 5: Share of Retirees above 200% FPL by Race, 2018-2020



200% of Federal Poverty Level in 2021 = \$25,992 (singles), \$32,758 (couples)

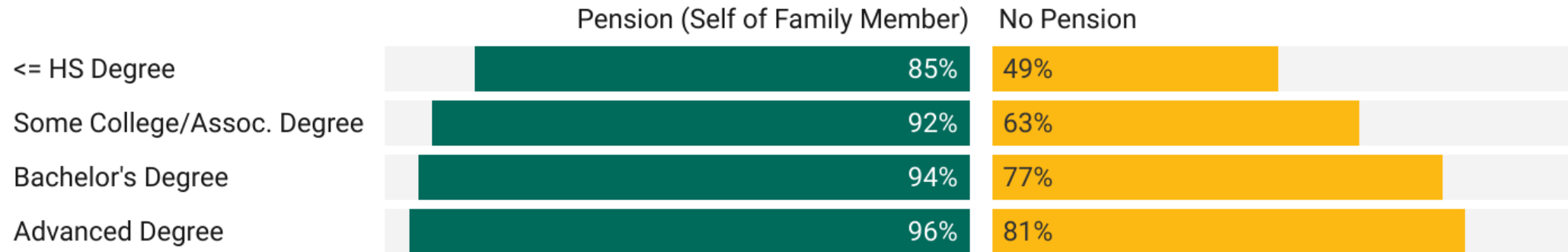
Pension Anti-Poverty Effect Largest for Black and Latino Retirees

Figure 6: Share of Retirees above 200% FPL by Race and Gender, 2018-2020



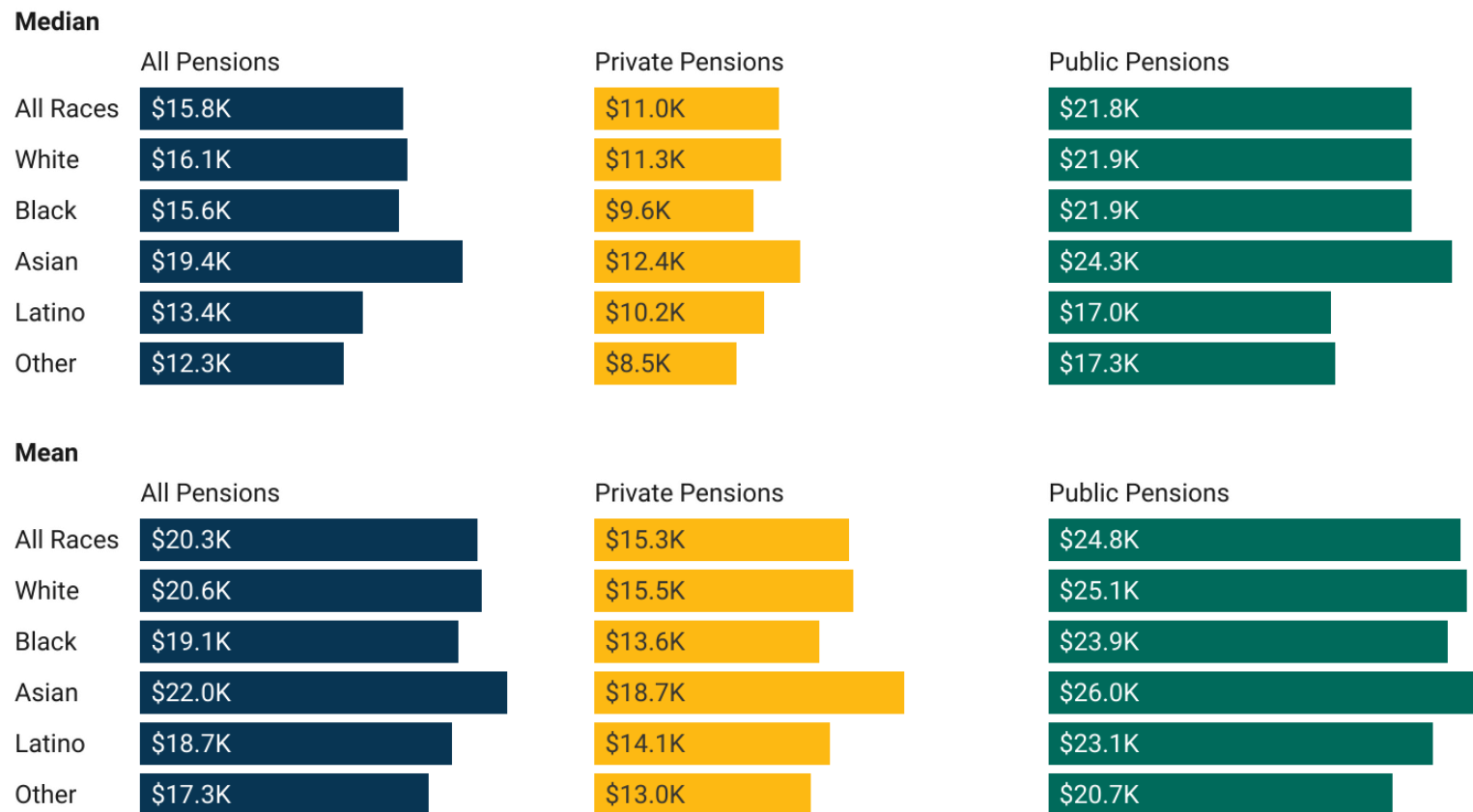
Anti-Poverty Effect Larger for Retirees without a Bachelor's Degree

Figure 7: Share of Retirees above 200% FPL by Educational Attainment, 2018-2020



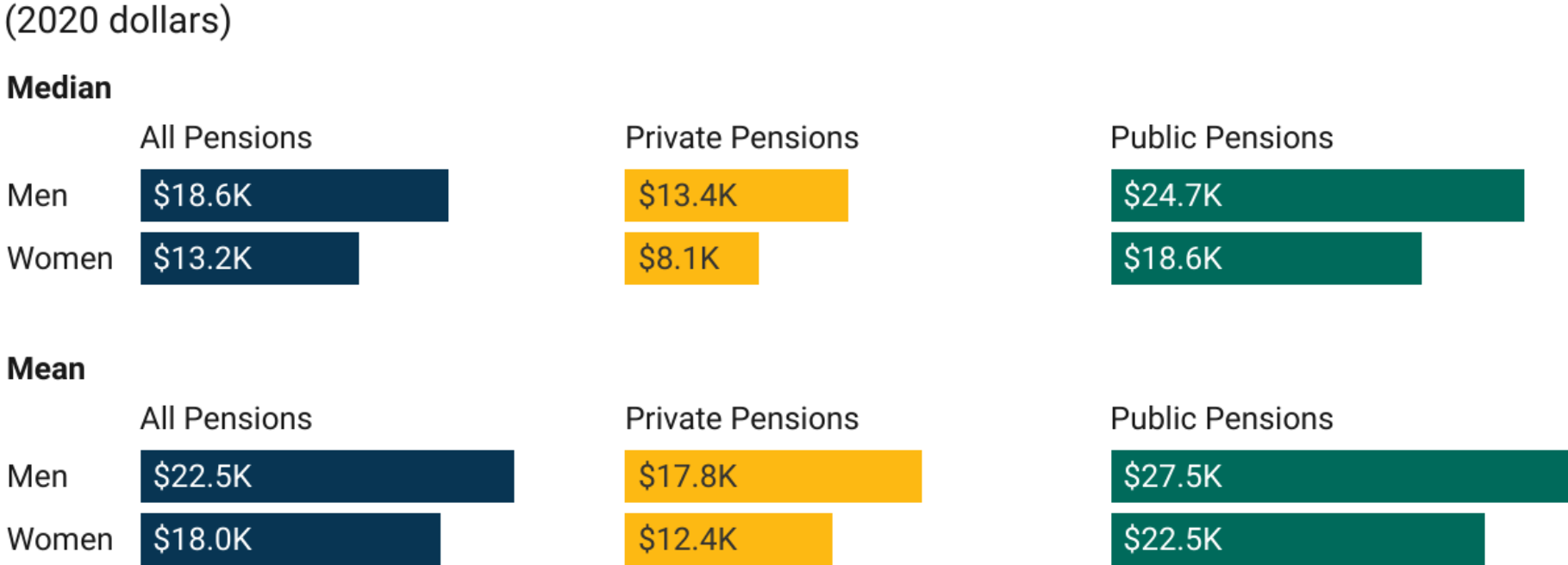
Pension Income Distribution by Race Is Relatively Equitable

Figure 8: Average Pension Income among Recipients Age 55+, 2018-2020



Gender Gap in Is Smaller for Public Pension Wealth than Private Pension Wealth

Figure 9: Average Pension Income among Recipients Age 55+, by Gender, 2018-2020

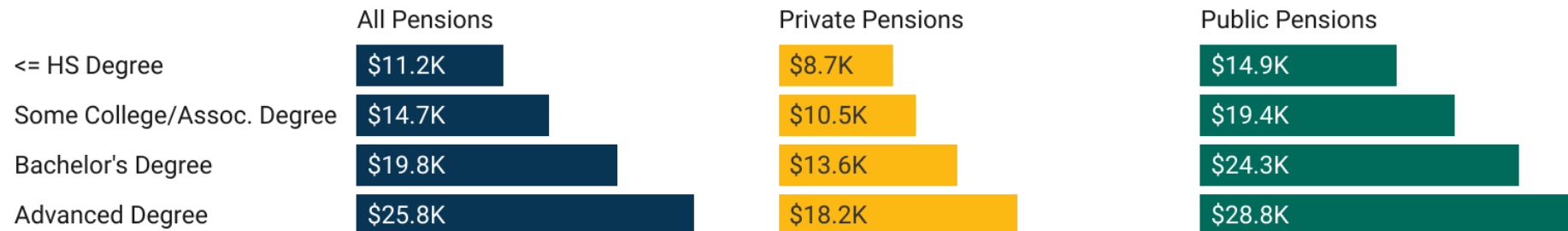


Those with Higher Levels of Education Have More Pension Income

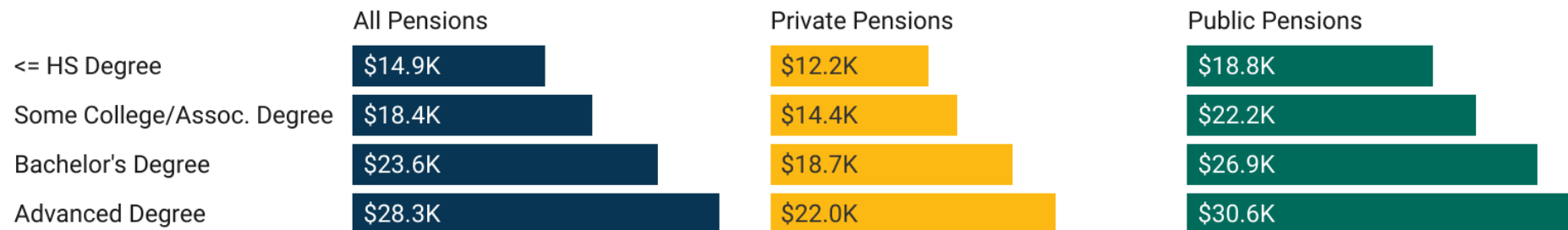
Figure 10: Average Pension Income among Recipients Age 55+, by Educational Attainment, 2018-2020

(2020 dollars)

Median



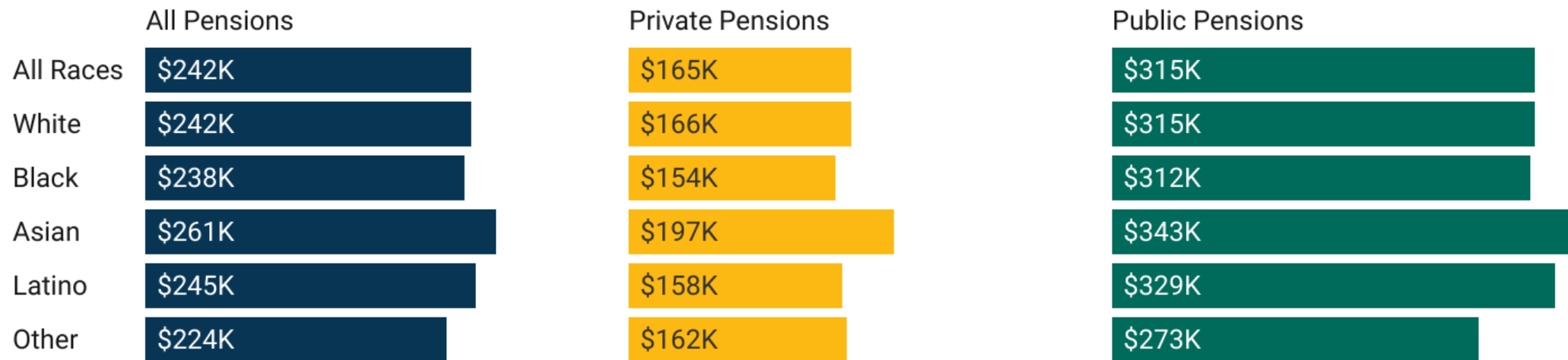
Mean



Pension Wealth Is Equitably Distributed by Race

Figure 11: Average (Mean) Wealth Value of Pensions in Payment to Adults Age 55+, by Race and Pension Type, 2018-2020

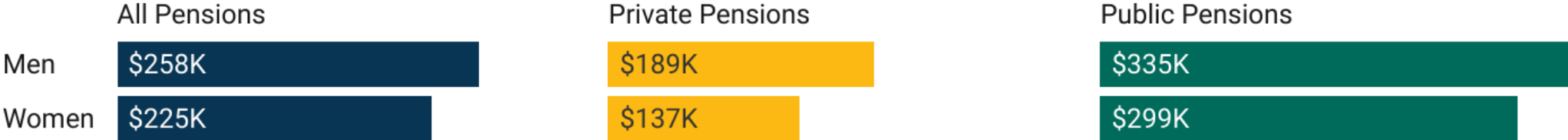
(2020 dollars)



Gender Gap in Pension Wealth is Lower for Public Pensions than Private Pensions

Figure 12: Average (Mean) Wealth Value of Pensions in Payment to Adults Age 55+, by Gender and Pension Type, 2018-2020

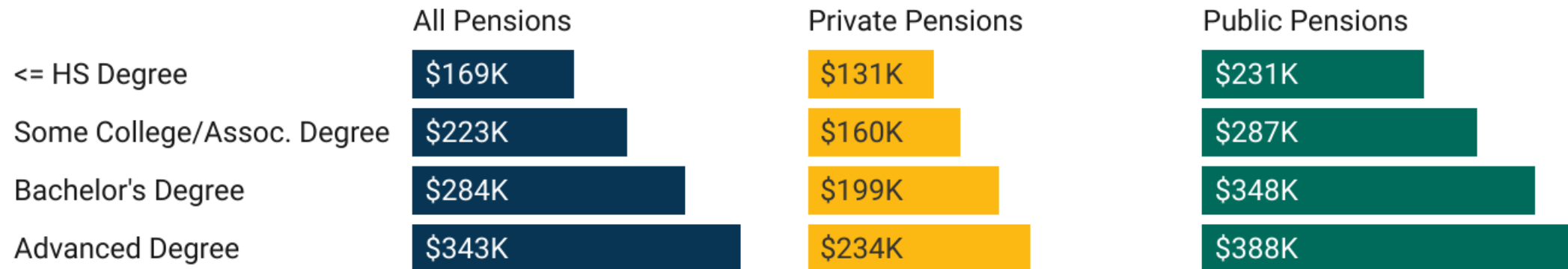
(2020 dollars)



Pension Wealth is Also Higher for Those with Higher Levels of Education

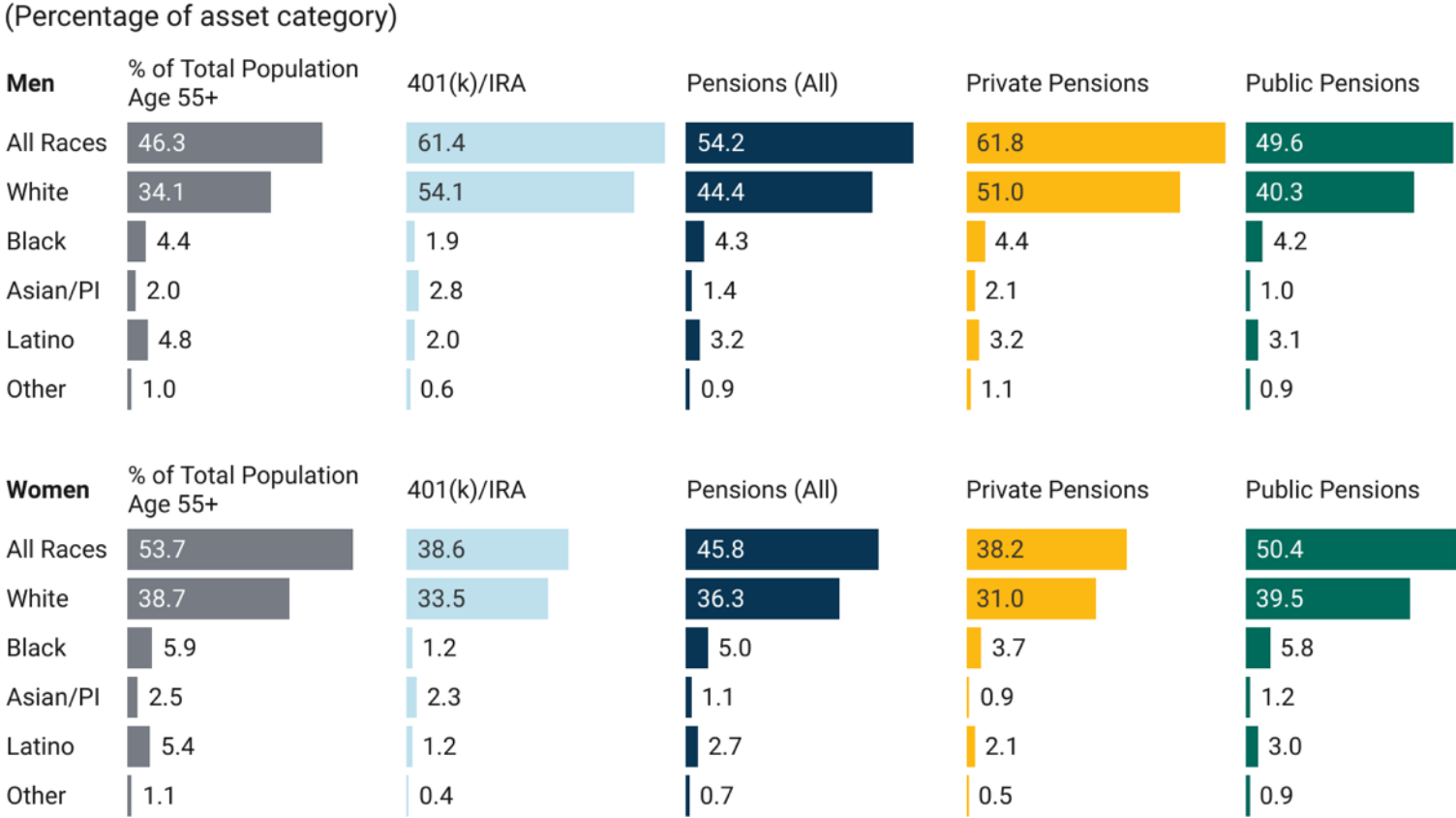
Figure 13: Average (Mean) Wealth Value of Pensions in Payment to Adults Age 55+, by Educational Attainment and Pension Type, 2018-2020

(2020 dollars)



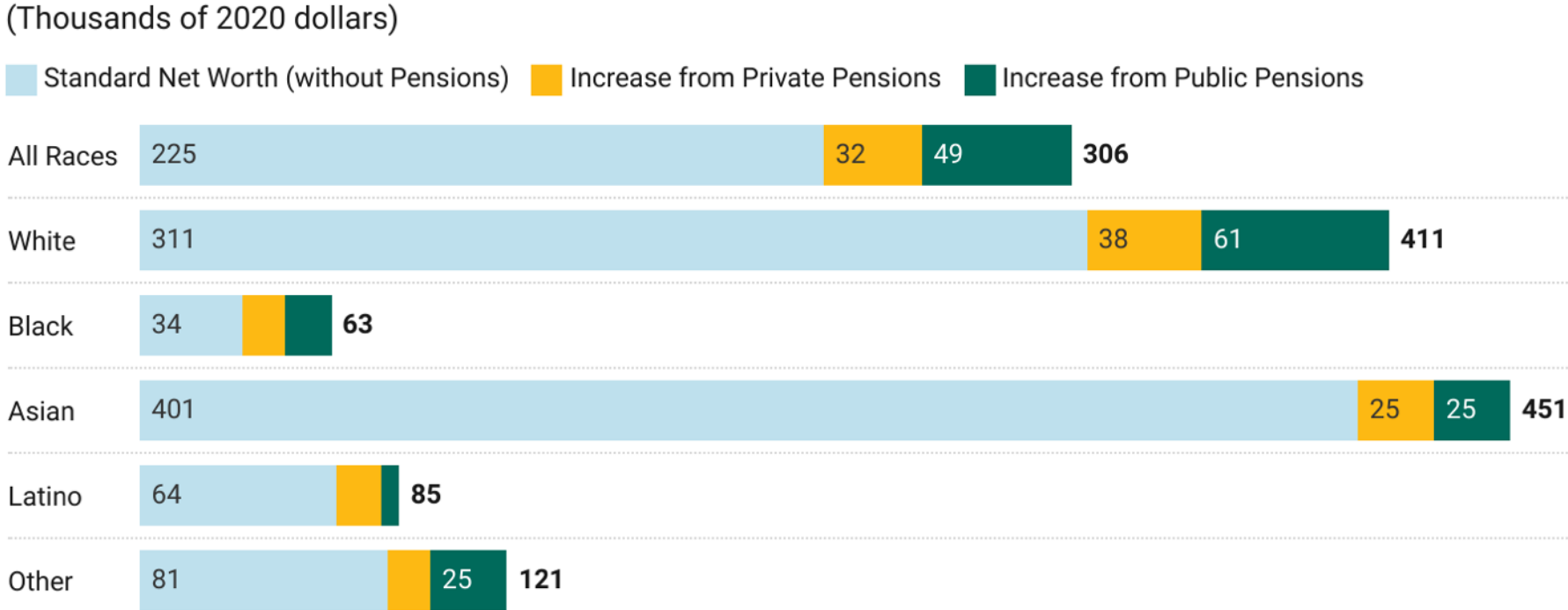
Public Pension Wealth is Distributed More Equitably by Race/Gender than Private Pensions and 401(k)/IRA Assets

Figure 14:
Distribution of 401(k)/IRA and Pension Wealth among Adults Age 55+, by Gender and Race, 2018-2020



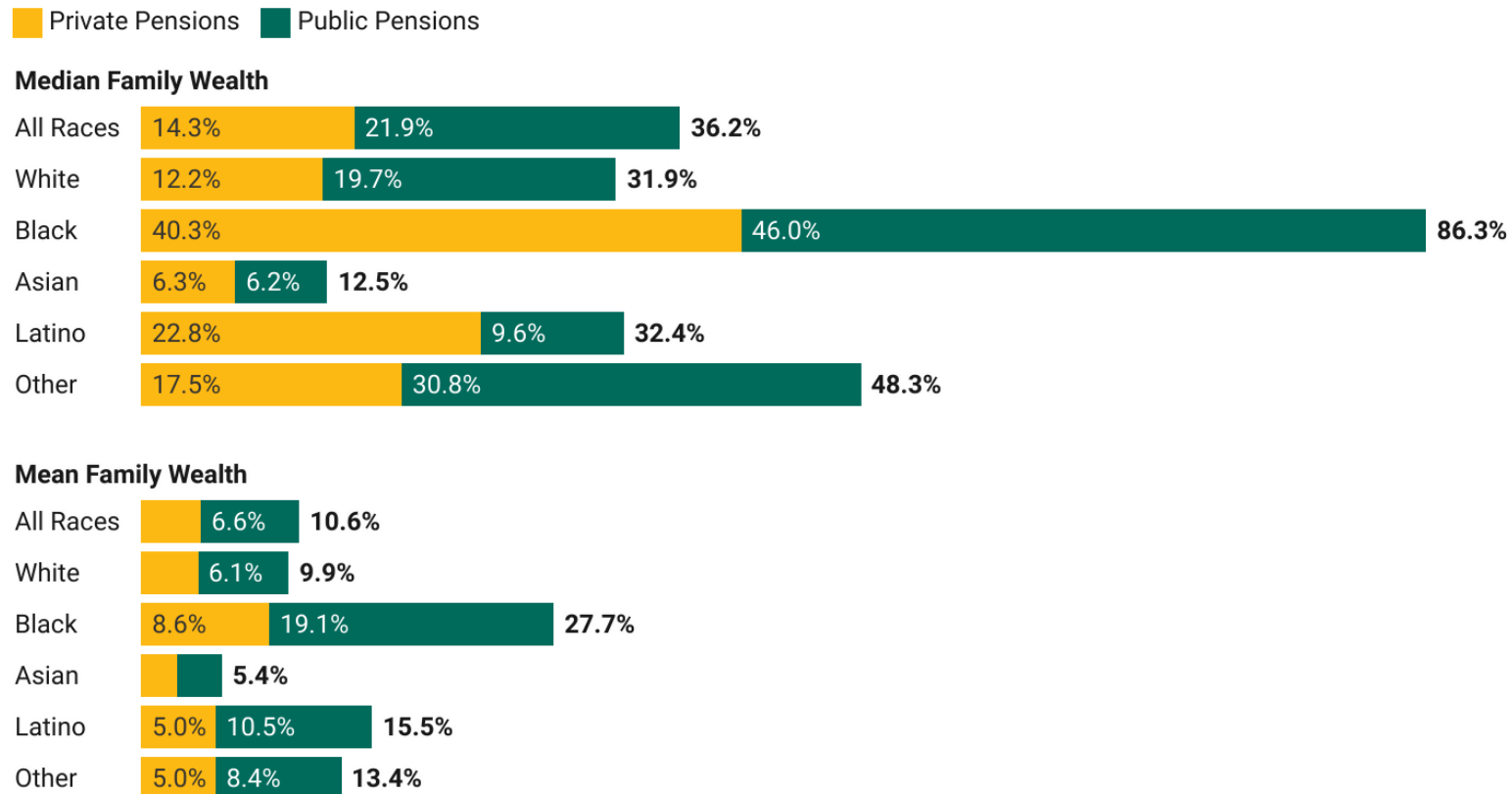
Pensions Boost Older Family Net Worth at the Middle of the Wealth Distribution

Figure 15: Median Net Worth including Wealth Value of Pension Income, Families Age 55+, by Race, 2018-2020



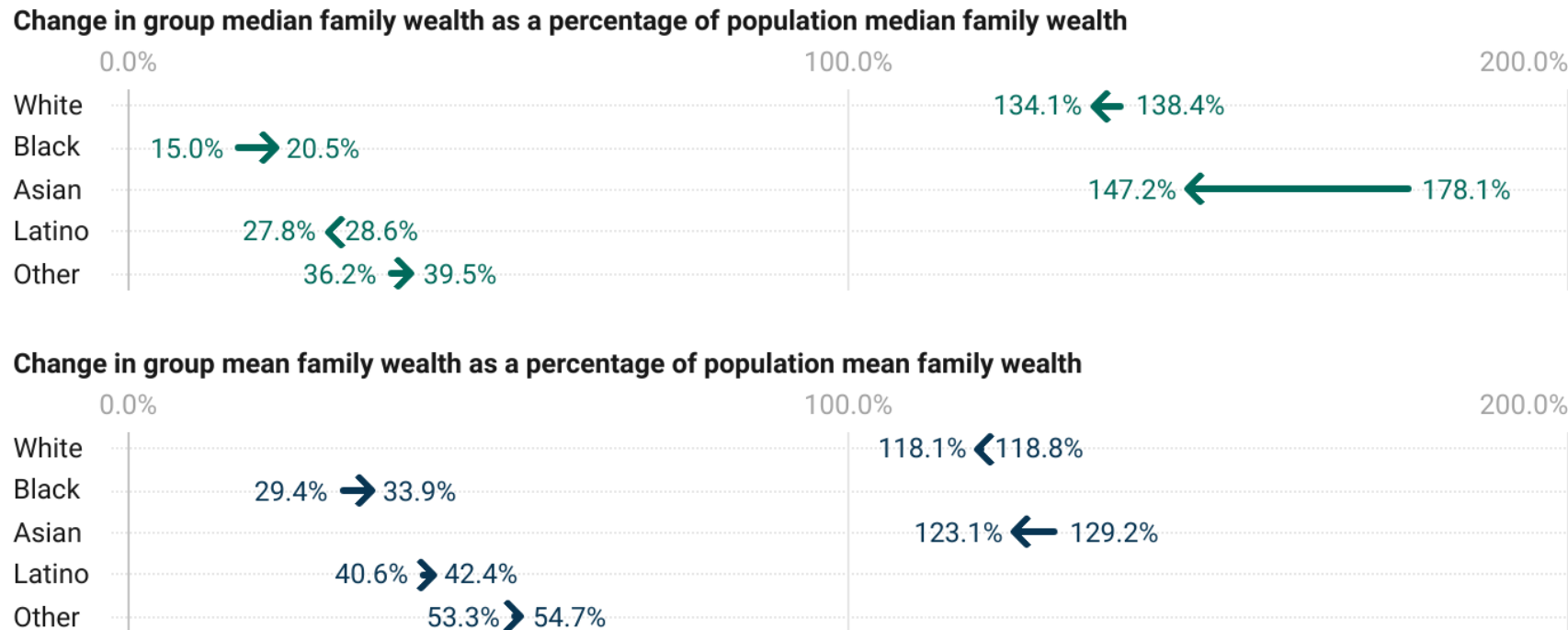
Pensions Increase Wealth for Older Black Families

Figure 17: Percentage Increase in Net Worth of Families Age 55+ from Wealth Value of Pension Income, by Race, 2018-2020



Pensions Narrow the Racial Wealth Gap among Families Age 55+

Figure 18: Change in Distribution of U.S. Older Family Wealth after Adding Wealth Value of Pension Income

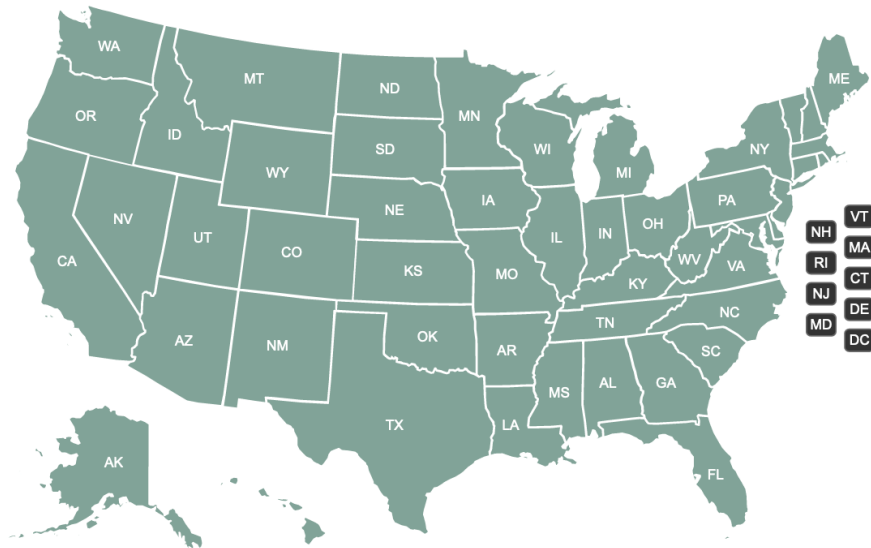


Conclusion

- Pensions are a critical bulwark of middle-class retirement security alongside Social Security
- Pensions have the largest anti-poverty and wealth-building effects on historically disadvantaged groups including women and the Black community
- Pensions—especially public pensions—are an important household asset that reduce wealth inequality

State Findings Detailed in Clickable Map

How do public pensions help close the retirement gap in your state? Click on a state to download a Fact Sheet with details.



NOTE: Guam, Puerto Rico and the U.S. Virgin Islands are not included in this study.

ALASKA Closing the Gap: The Role of Public Pensions in Reducing Retirement Inequality

Pensions Improve Economic Security in Retirement Across Race, Gender, and Educational Divides

Retirees with pension income are significantly less likely to fall into poverty or significant economic hardship. Figures 1.2 and 3 show the percentage of retirees with income above 200% of the Federal Poverty Level (FPL) – \$26,000 for single and \$32,800 for couples in 2021 – by race, sex, education, and pension receipt, estimated from the U.S. Census Bureau's Current Population Survey. For this analysis, retirees include adults age 65 and older who received at least \$5,000 in annual Social Security benefits and less than \$5,000 in annual earnings in 2021 dollars. In 2013-2021, a significantly larger share of Alaska retirees with pension income from any source – public or private – lived above 200% FPL compared to retirees without pension income (89% vs. 52%).

Figure 1: Alaska Retirees above 200% of Federal Poverty Level by Race, 2013-2021

Race	With Pension	No Pension
All Races	93%	53%
White	95%	57%
Nonwhite	87%	43%
Alaska Native/ Nonwhite Native American	90%	35%
Other	82%	52%

White retirees with pension income in Alaska were 66% more likely to be above 200% FPL than those without pension income (95% vs. 57%). Among Alaska Native retirees, those with pension income were 129% more likely to exceed 200% FPL than those without a pension (90% vs. 39%). Among all other retirees of color, those with pension income were 58% more likely to be above 200% FPL (82% vs. 52%) in other words, having a pension makes a big difference for all races, especially seniors of color, when it comes to ensuring a basic level of retirement income (Figure 1).

Figure 2: Alaska Retirees above 200% of Federal Poverty Level by Gender, 2013-2021

Gender	With Pension	No Pension
Men	98%	57%
Women	89%	52%

Retired women in Alaska were 72% more likely to be above 200% FPL if they had pension income.

The average wealth value of pension beneficiaries for Alaska Native pensioners in Alaska was \$337,000 in 2013-2021, roughly 80% of the average of \$408,000 for white pensioners.

ALASKA Social Wealth Gap

Households, related into their life received a and survivor pensions. Federal, state, and local government pension plans contributed 64%, or \$822.4 million annually. The value of this income stream was equivalent to \$15.9 billion in pension wealth from all sources, including \$1.1 billion from public pensions.

Furthermore, this wealth was spread relatively evenly between white and people of color (Figure 6). While the majority of pension

Figure 3: Alaska Public vs. Private Sector Retirement Plan Participation Rates, 2018-2021

Education	Public Sector	Private Sector
Bachelor's Degree	89%	61%
No Bachelor's Degree	40%	66%

Public sector employees in Alaska are 53% more likely than private sector employees to have a Bachelor's degree or higher. Nonetheless, public sector retirement benefits offer a big up for those without a significantly higher in the public retirement plan if they have a public sector job rather than a private sector job (66% vs. 40%) (Figure 5).

Higher and more equitable coverage in the public sector is due to a high rate of retirement plan sponsorship among government employees and the fact that they tend to offer defined benefit pensions that automatically cover eligible employees.

Figure 5: Alaska Public vs. Private Sector Retirement Plan Participation Rates, 2018-2021

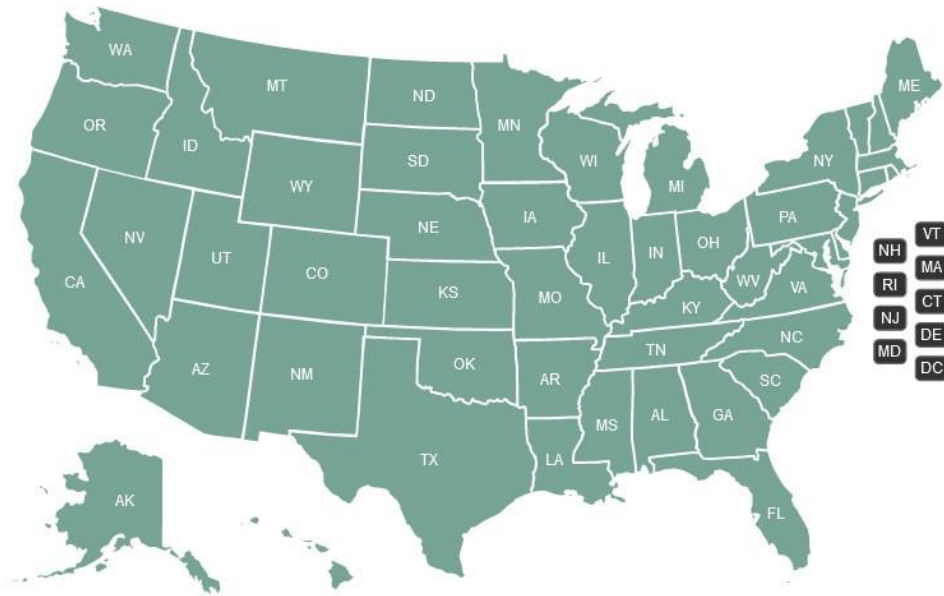
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<https://www.nirsonline.org/wp-content/uploads/2023/09/AK-Toolkit-Fact-Sheet-8.29.pdf>

State Findings Detailed for Pensionomics

What is the economic impact of state and local pension plans in your state? Click on a state to download a Fact Sheet with details.



NOTE: Guam, Puerto Rico and the U.S. Virgin Islands are not included in this study.

OKLAHOMA

Pensionomics 2023:
Measuring the Economic Impact of DB Pension Expenditures

Overview
Expenditures made by retirees of state and local government provide a steady economic stimulus to Oklahoma communities and the state economy. In 2020, 125,522 residents of Oklahoma received a total of \$2.6 billion in pension benefits from state and local pension plans.

Key Findings

Benefits paid by state and local pension plans support a significant amount of economic activity in the state of Oklahoma.

Pension benefits received by retirees are spent in the local community. This spending ripples through the economy, as one person's spending becomes another person's income, creating a multiplier effect.

In 2020, expenditures stemming from state and local pensions supported... 20,499 jobs that paid \$959.9 million in wages and salaries.

\$5.2 billion in total economic output

\$387.6 million in federal, state, and local tax revenues

... in the state of Oklahoma.

Each dollar paid out in pension benefits supported \$1.22 in total economic activity in Oklahoma.

Each dollar "invested" by Oklahoma taxpayers in these pension plans supported \$3.80 in total economic activity in the state.

Impact on Jobs and Incomes
Retiree expenditures stemming from state and local pension plan benefits supported 20,499 jobs in the state. The total income to state residents supported by pension expenditures was \$959.9 million.

To put these employment impacts in perspective, in 2020 Oklahoma's unemployment rate was 6.2%. The fact that DB pension expenditures supported 20,499 jobs is significant, as it represents 1.1 percentage points in Oklahoma's labor force.

Economic Impact
State and local pension funds in Oklahoma and other states paid a total of \$2.6 billion in benefits to Oklahoma residents in 2020. Retiree expenditures from those benefits supported a total of \$5.2 billion in total economic output in the state, and \$1.7 billion in value added in the state.

Impact on Tax Revenues
State and local pension payments made to Oklahoma residents supported a total of \$387.6 million in revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled \$61.2 million. Taxes attributable to pension expenditures in the local economy accounted for \$306.3 million in tax revenue.

Federal Tax	\$135.5 million
State/Local Tax	\$252.1 million
Total	\$387.6 million

Figure 1: Pension Sources

The average pension benefit received was \$1,733 per month or \$20,790 per year. These modest benefits provide retired teachers, public safety personnel, and others who served the public during their working careers income to meet basic needs in retirement.

Between 1990 and 2020, 32% of Oklahoma's pension fund receipts came from employer contributions, 13% from government contributions, and 54% from investment earnings.* Earnings on investments and employer contributions—not taxpayer-based contributions—have historically made up the bulk of pension fund receipts.

*Data source: NIRSONLINE. For the total number of jobs supported, see Figure 1.1. Pensionomics 2023: Measuring the Economic Impact of DB Pension Expenditures. National Institute on Retirement Security, Washington, DC, 2023. <https://www.nirsonline.org/resources/pensionomics-state-data/>

National Institute on Retirement Security
Pensionomics 2023: Measuring the Economic Impact of DB Pension Expenditures

OKLAHOMA

Economic Multipliers

Pension Benefit Multiplier
Each \$1 in state and local pension benefits paid to Oklahoma residents ultimately supported \$1.22 in total output in the state. This "multiplier" incorporates multiple rounds of impacts of retiree spending, as each purchase ripples through the state economy.

Taxpayer Investment Factor
Each \$1 in taxpayer contributions to Oklahoma's state and local pension plans supported \$3.80 in total output in the state. This reflects the fact that taxpayer contributions are a major source of financing for retirement benefits—investment earnings and employee contributions finance the remainder.

*Caution should be used in interpreting these numbers. See the Technical Appendix of the full Pensionomics report for details.

Economic Impacts by Industry Sector
The economic impact of state and local pension benefits was broadly felt across various industry sectors in Oklahoma. The five industry sectors with the largest employment impacts are presented in the table to the side.

Industry	Employment Impact (# Jobs)
Hospitals	1,366
Limited-service restaurants	1,322
Full-service restaurants	941
Retail - general merchandise stores	695
Offices of physicians	679

Industry-wide reflects the total impact from pension payments to state residents, and it does not account for "spillover" to other states.

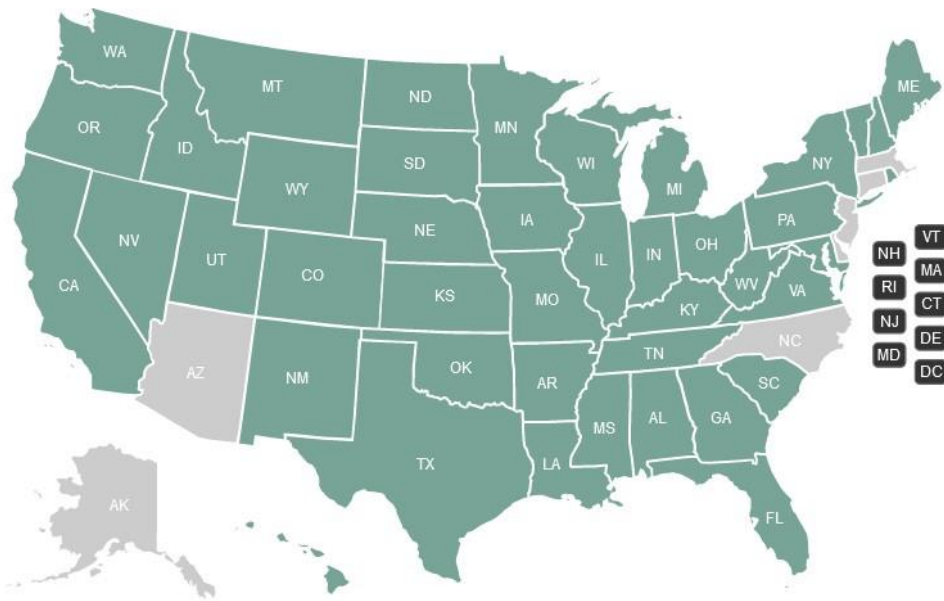
Economic Impacts by Occupation Category
The pension benefits in Oklahoma supported jobs in every civilian job category, as shown in the table below:

Occupation Category	Wage and Salary Employment	Wage and Salary Income	Supplements to Wages and Salaries	Employee Compensation
Food Preparation and Serving Related Occupations	2,397	\$44,303,203	\$7,939,006	\$52,242,210
Sales and Related Occupations	2,182	\$70,189,005	\$13,258,511	\$83,447,517
Office and Administrative Support Occupations	1,940	\$77,821,521	\$16,072,318	\$93,893,639
Healthcare Practitioners and Technical Occupations	1,591	\$133,699,261	\$28,751,091	\$162,450,353
Transportation and Material Moving Occupations	1,349	\$48,421,826	\$9,897,031	\$58,318,857

<https://www.nirsonline.org/resources/pensionomics-state-data/>

State Findings in Fortifying Main Street

What is the impact in your state? Click on a state to download a Fact Sheet with maps detailing the impact.



NOTE: Guam, Puerto Rico and the U.S. Virgin Islands are not included in this study.

FLORIDA Fortifying Main Street:
The Economic Benefit of Public Pension Dollars in Rural America

Table A5. Florida County Data

No.	County Name	County Type	2018 Pension Benefits	Benefits as a % of GDP	Benefits as a % of Total Personal Income	Population Change (2000 vs 2018)
1	Alachua	Metropolitan	\$248,366,938.18	2.00%	2.07%	25,861
2	Baker	Micro	\$22,368,807.06	3.72%	2.42%	27,391
3	Bay	Metropolitan	\$62,293,184.64	1.81%	1.95%	26,206
4	Bradford	Micro	\$27,362,324.48	4.15%	2.94%	6,301
5	Brevard	Metropolitan	\$277,983,832.00	0.93%	0.80%	28,331
6	Broward	Metropolitan	\$60,838,698.22	0.64%	0.63%	20,225
7	Calhoun	Micro	\$4,908,885.46	5.96%	3.60%	12,081
8	Charlotte	Metropolitan	\$51,252,508.37	1.00%	0.87%	30,629
9	Citrus	Micro	\$75,840,283.47	2.66%	1.81%	28,271
10	Clay	Metropolitan	\$78,224,754.42	1.69%	0.82%	53,441
11	Collier	Micro	\$71,978,846.41	0.46%	0.21%	50,579
12	Columbia	Micro	\$58,887,365.75	2.78%	2.38%	24,781
13	Duval	Metropolitan	\$20,832,286.41	2.31%	2.35%	18,399
14	Duval	Micro	\$18,750,669.07	0.00%	2.95%	20,781
15	Duval	Metropolitan	\$276,124,621.11	0.47%	0.43%	21,991
16	Escambia	Micro	\$35,523,090.00	1.80%	1.81%	7,881
17	Flagler	Micro	\$31,735,975.76	1.56%	0.65%	124,894
18	Franklin	Micro	\$11,083,382.34	3.27%	2.62%	6,141
19	Gadsden	Micro	\$79,854,334.09	6.60%	4.95%	1,791
20	Gulf	Micro	\$81,520,490.81	4.81%	2.62%	38,441
21	Glades	Micro	\$3,192,363.28	1.88%	0.95%	29,771
22	Gulf	Micro	\$12,574,978.91	3.34%	2.38%	21,241
23	Hamilton	Micro	\$2,132,079.71	1.44%	1.19%	7,181
24	Hardee	Micro	\$13,848,507.62	1.24%	1.00%	1,941
25	Hendry	Micro	\$4,958,909.23	1.23%	1.16%	14,761
26	Hernando	Micro	\$81,018,700.66	1.64%	0.90%	40,921
27	Highlands	Micro	\$6,948,101.81	2.29%	1.89%	29,671
28	Hillsborough	Metropolitan	\$504,481,582.65	0.63%	0.75%	43,841
29	Holmes	Micro	\$15,738,440.08	4.86%	2.69%	4,921
30	Indian River	Micro	\$60,799,902.53	1.84%	0.91%	39,371
31	Jackson	Micro	\$80,430,223.31	6.79%	5.79%	3,521
32	Jefferson	Micro	\$24,948,422.38	7.94%	4.13%	10,741
33	Lafayette	Rural	\$4,273,689.28	3.00%	2.88%	24,301
34	Lake	Micro	\$136,830,314.93	1.60%	0.99%	69,331

Table A5. Florida County Data (continued)

No.	County Name	County Type	2018 Pension Benefits	Benefits as a % of GDP	Benefits as a % of Total Personal Income	Population Change (2000 vs 2018)
35	Lee	Metropolitan	\$74,465,255.10	0.69%	0.45%	71,161
36	Leon (Capital)	Metropolitan	\$462,110,136.45	3.26%	3.55%	22,151
37	Levy	Micro	\$28,728,209.78	2.61%	2.00%	18,351
38	Liberty	Rural	\$1,632,576.27	6.39%	5.83%	20,451
39	Madison	Micro	\$38,858,738.07	3.85%	3.21%	-1,091
40	Manatee	Metropolitan	\$127,616,330.80	1.01%	0.68%	49,571
41	Marion	Micro	\$147,812,914.34	1.60%	1.11%	39,031
42	Martin	Micro	\$69,263,469.24	1.00%	0.61%	26,971
43	Miami-Dade	Metropolitan	\$836,668,274.00	0.57%	0.61%	22,351
44	Monroe	Micro	\$35,674,411.44	0.84%	0.52%	-4,731
45	Nassau	Micro	\$35,328,662.67	1.60%	0.71%	48,851
46	Okaloosa	Micro	\$83,717,653.12	0.80%	0.83%	21,571
47	Oklawaha	Micro	\$23,239,081.24	2.02%	1.82%	15,671
48	Orange	Metropolitan	\$308,955,743.00	0.35%	0.50%	54,031
49	Osceola	Micro	\$53,201,854.00	0.64%	0.43%	113,341
50	Palm Beach	Micro	\$440,549,788.78	0.87%	0.97%	31,361
51	Pasco	Micro	\$154,838,632.11	1.38%	0.71%	56,521
52	Pinellas	Metropolitan	\$354,038,213.00	0.75%	0.68%	5,841
53	Polk	Micro	\$236,564,660.07	1.05%	0.94%	46,311
54	Putnam	Micro	\$59,190,193.11	2.95%	2.91%	5,311
55	St. Johns	Micro	\$193,804,472.23	1.43%	0.81%	106,491
56	St. Lucie	Micro	\$102,469,691.15	1.23%	0.81%	66,651
57	Santa Rosa	Micro	\$74,366,224.44	1.94%	0.93%	52,321
58	Sarasota	Micro	\$127,098,511.00	0.71%	0.46%	30,911
59	Seminole	Micro	\$153,993,049.00	0.78%	0.67%	28,101
60	Sumter	Micro	\$55,290,421.50	2.22%	0.93%	141,361
61	Suwannee	Micro	\$34,873,534.32	3.38%	2.52%	26,831
62	Taylor	Micro	\$17,943,667.00	2.10%	2.73%	12,291
63	Union	Micro	\$17,962,299.88	6.00%	5.41%	11,141
64	Volusia	Micro	\$256,985,554.86	1.56%	1.11%	23,501
65	Wakulla	Micro	\$42,947,272.69	7.09%	3.57%	41,981
66	Walton	Micro	\$29,549,848.95	1.38%	0.69%	75,801
67	Washington	Micro	\$23,473,417.88	4.77%	3.21%	18,631

<https://www.nirsonline.org/resources/fortifying-main-street/>

Questions

