

COLORADO

Closing the Gap:

The Role of Public Pensions in Reducing Retirement Inequality

Key Findings

Pension income reduces poverty in old age across racial, gender, and educational divides. Public pensions play an outsized role in the retirement security of every racial group, especially communities of color, and help narrow the racial wealth gap.

In 2018-2021, Latino workers in Colorado were 128% more likely to be in a retirement plan if they worked in the public sector, compared to the private sector.

Public sector plans covered 24% of all Latino retirement plan participants in Colorado, while 12% of Latino workers were employed in government jobs.

In 2013-2021, retirees of color in Colorado were 93% more likely to be above 200% of the Federal Poverty Level (FPL) (or \$26,000 per year for a single adult) if they had pension income.

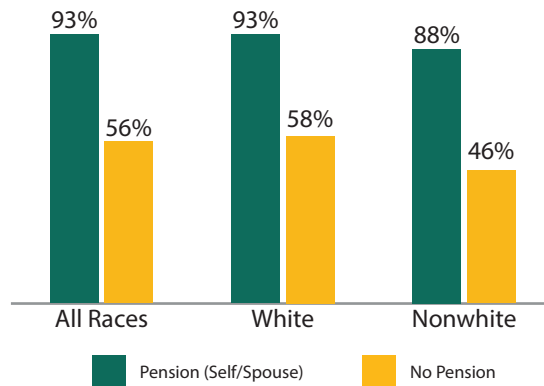
Retired women in Colorado were 72% more likely to be above 200% FPL if they had pension income.

The average wealth value of pension benefits for Latino pensioners in Colorado was \$344,000 in 2013-2021, roughly 90% of the average of \$394,000 for white pensioners.

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 singles 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 Colorado retirees with pension income from any source—public or private—lived above 200% FPL compared to retirees without pension income (93% vs. 56%).

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



White retirees with pension income in Colorado were 60% more likely to be above 200% FPL than those without pension income (93% vs. 58%). Among retirees of color, those with pension income were 93% more likely to exceed 200% FPL than those without a pension (88% vs. 46%). 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: Colorado Retirees above 200% of Federal Poverty Level by Gender, 2013-2021

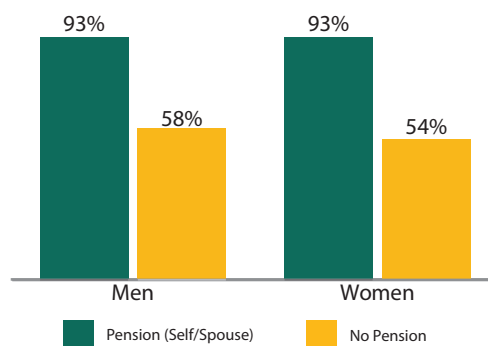
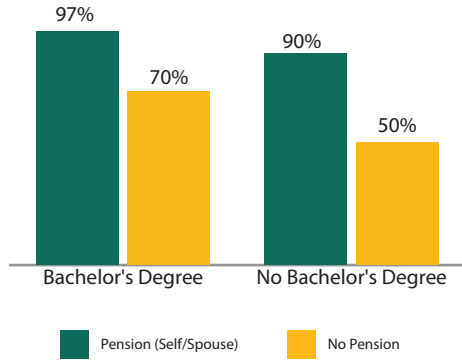


Figure 3: Colorado Retirees above 200% of Federal Poverty Level by Education, 2013-2021



Both retired men and retired women benefit from a significant increase in financial security when they have pension income (Figure 2 on p.1). In Colorado, male retirees with pension income were 59% more likely to be above 200% FPL than those without pension income (93% vs. 58%) in 2013-2021. Female retirees with pension income were 72% more likely to have incomes above this threshold than those without pension income (93% vs. 54%).

Pension income improves economic security across educational attainment levels (Figure 3). In particular, retirees without a four-year college degree were 78% more likely to live above 200% FPL if they or their spouse had pension income, compared to those without pension income (90% vs. 50%).

Retirement Plan Coverage is Higher and More Equitable in the Public Sector

Public sector retirement benefits form a pillar of middle-class retirement security, especially for economically marginalized groups.

Figure 4 shows that in Colorado, overall participation in any type of workplace retirement plan was significantly higher in the public sector than in the private sector (84% vs. 52%) in 2018-2021. Job-based retirement plan coverage was higher in the public sector for all racial groups, with the largest increase among workers of color. Latino workers were 128% more likely to participate in a retirement plan in the public sector than the private sector (76% vs. 33%).

Public sector employees in Colorado are 42% more likely than private sector employees to have a Bachelor's degree or higher. Nonetheless,

public sector retirement benefits offer a leg up for those without 4-year college degrees, who are 91% more likely to participate in a retirement plan if they have a public sector job rather than a private sector job (72% vs. 38%) (Figure 5).

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

Figure 4: Colorado Public vs. Private Sector Retirement Plan Participation Rates, 2018-2021

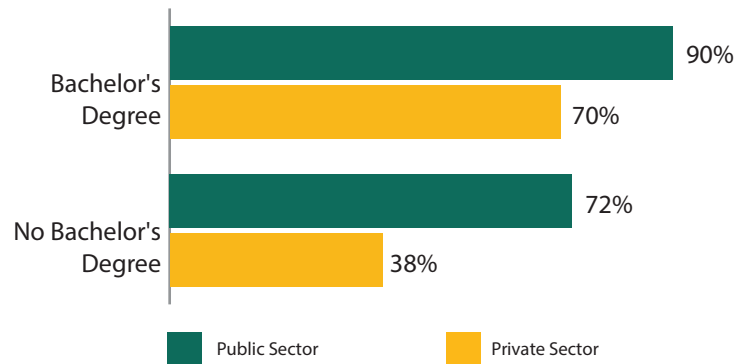
Public Sector



Private Sector



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



In Colorado, the public sector employs 12% of Latino workers and accounts for 24% of Latino retirement plan participants.

Public Pensions Narrow the Racial Wealth Gap

Public pensions represent a significant asset for Colorado households. A monthly stream of regular pension income can be calculated into lump-sum wealth (or “present value”) based on the recipient’s life expectancy.

In 2013-2021, 287,800 Colorado residents age 55 and older received a total of \$9.4 billion annually from retirement, disability, and survivor

pensions. Federal, state, and local government pension plans contributed 58%, or \$5.5 billion annually. The value of this income stream was equivalent to \$112.2 billion in pension wealth from all sources, including \$71.3 billion from public pensions.

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

PUBLIC PENSIONS ARE A SIGNIFICANT SOURCE OF WEALTH FOR OLDER COLORADO HOUSEHOLDS



287,800 Colorado older adults age 55+



\$9.4 billion in annual pension income, including \$5.5 billion in public pension income



\$112.2 billion in pension wealth, including \$71.3 billion from public pensions

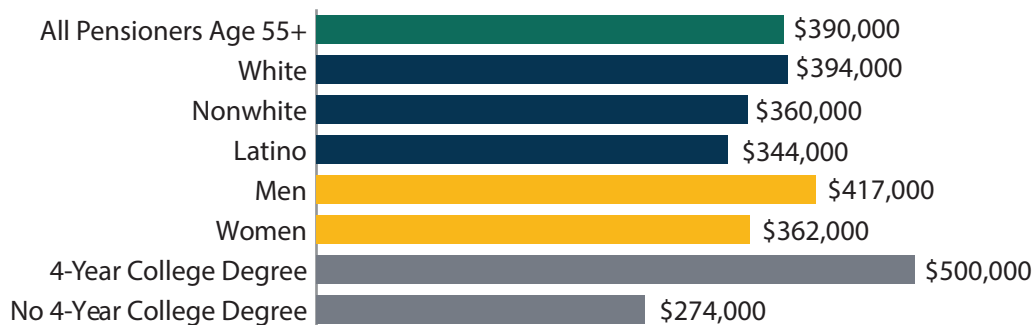
in Colorado is held by white residents, among older adults with any pension income, Latino pensioners held an average of \$344,000 in pension wealth, roughly 90% of the average of \$394,000 among white pensioners in 2013-2021.

In Colorado, women pensioners’ average pension wealth was 87% of men’s during this period. While historical gender wage gaps and women’s truncated careers due to caregiving suppress their retirement wealth, pension income over women’s longer lifespans offsets some of this inequality. Pensioners without college degrees had 55% of the average pension wealth of those with a Bachelor’s

degree or higher due to the latter’s higher pay. At the same time, the average pension wealth values of \$362,000 and \$274,000, among women and non-college graduates, respectively, represent a significant nest egg compared to the retirement savings of those without pensions.

Nationally, the share of seniors with private pensions has been shrinking due to the decline of corporate pensions. As the trend continues, public pensions will remain one of the last bulwarks of wealth equity in the U.S., alongside Social Security.

Figure 6: Average Value of Pension Wealth among Colorado Pensioners Age 55+, 2013-2021



Notes: Retirement plan participation, pension income, and retiree poverty estimates in this brief are from the UC Berkeley Labor Center’s analysis of the U.S. Census Bureau’s Current Population Survey/Annual Social and Economic Supplement (CPS ASEC) microdata, obtained from IPUMS. The present value of pension income was calculated using a blended discount rate of 5.45%, which reflects a liability-weighted average across federal, union, corporate, and state and local government pension systems in the U.S. in 2020. For detailed methodology see the Appendix of the full report, Rhee, N., 2023, *Closing the Gap: The Role of Public Pensions in Reducing Retirement Inequality*, National Institute on Retirement Security, Washington, DC, www.nirsonline.org.