MICHIGAN

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, workers of color in Michigan were 37% more likely to be in a retirement plan if they worked in the public sector, compared to the private sector.

Public sector plans covered 20% of all Black retirement plan participants in Michigan, while 14% of Black workers were employed in government jobs.

In 2013-2021, Black retirees in Michigan were 89% 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.
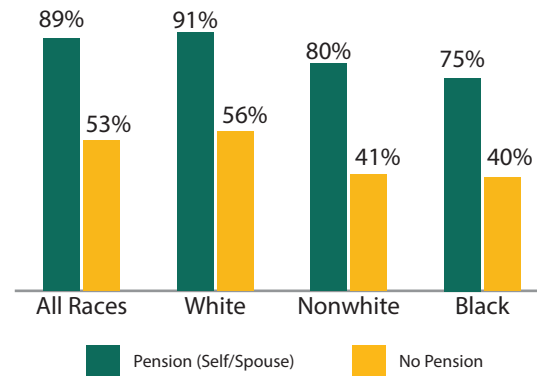
Retired women in Michigan were 79% more likely to be above 200% FPL if they had pension income.

The average wealth value of pension benefits for Black pensioners in Michigan was $208,000 in 2013-2021, roughly 80% of the average of $254,000 for white pensioners.

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 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 Michigan retirees with pension income from any source—public or private—lived above 200% FPL compared to retirees without pension income (89% vs. 53%).

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

White retirees with pension income in Michigan were 61% more likely to be above 200% FPL than those without pension income (91% vs. 56%). Among Black retirees, those with pension income were 89% more likely to exceed 200% FPL than those without a pension (75% vs. 40%). 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: Michigan Retirees above 200% of Federal Poverty Level by Gender, 2013-2021

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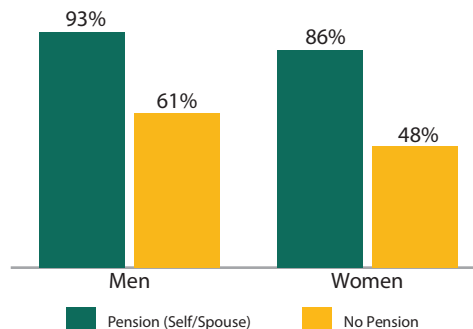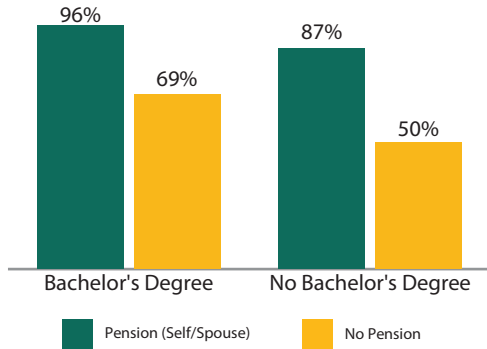
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Figure 3: Michigan Retirees above 200% of Federal Poverty Level by Education, 2013-2021

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 Michigan, male retirees with pension income were 52% more likely to be above 200% FPL than those without pension income (93% vs. 61%) in 2013-2021. Female retirees with pension income were 79% more likely to have incomes above this threshold than those without pension income (86% vs. 48%).

Pension income improves economic security across educational attainment levels (**Figure 3**). In particular, retirees without a four-year college degree were 75% more likely to live above 200% FPL if they or their spouse had pension income, compared to those without pension income (87% 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 Michigan, overall participation in any type of workplace retirement plan was significantly higher in the public sector than in the private sector (78% vs. 57%) in 2018-2021. Job-based retirement plan coverage was higher in the public sector for all racial groups. Workers of color were 37% more likely to participate in a retirement plan in the public sector than the private sector (66% vs. 48%).

Public sector employees in Michigan are 72% 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 42% more likely to participate in a retirement plan if they have a public sector job rather than a private sector job (68% vs. 48%) (**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: Michigan Public vs. Private Sector Retirement Plan Participation Rates, 2018-2021

Figure 5: Michigan Public vs. Private Sector Retirement Plan Participation Rates by Education, 2018-2021
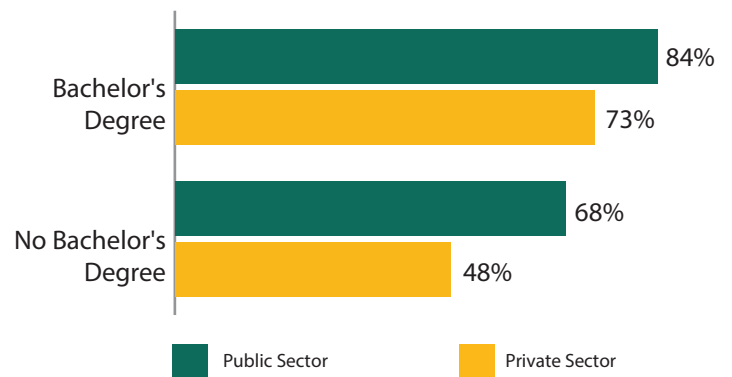
In Michigan, the public sector employs 14% of Black workers and accounts for 20% of Black retirement plan participants.

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Public Pensions Narrow the Racial Wealth Gap

Public pensions represent a significant asset for Michigan 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, 821,500 Michigan residents age 55 and older received a total of $17.8 billion annually from retirement, disability, and survivor pensions. Federal, state, and local government pension plans contributed 39%, or $7.0 billion annually. The value of this income stream was equivalent to $203.3 billion in pension wealth from all sources, including $89.5 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 MICHIGAN HOUSEHOLDS

821,500 Michigan older adults age 55+

$17.8 billion in annual pension income, including $7.0 billion in public pension income

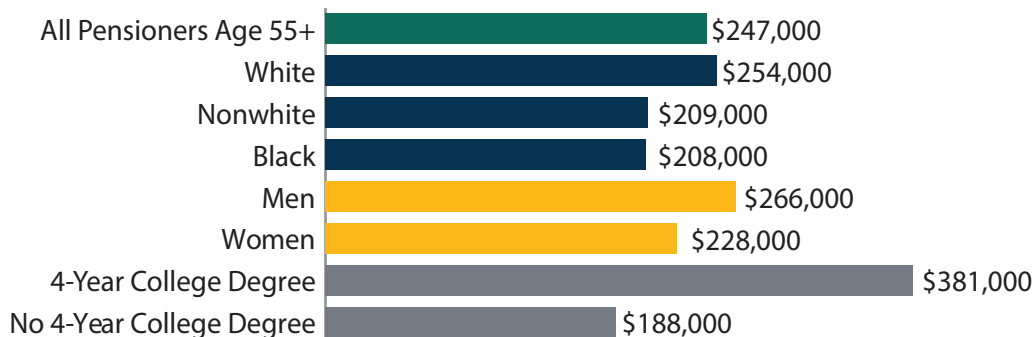**$203.3 billion in pension wealth, including $89.5 billion from public pensions**

in Michigan is held by white residents, among older adults with any pension income, Black pensioners held an average of $208,000 in pension wealth, roughly 80% of the average of $254,000 among white pensioners in 2013-2021.

In Michigan, women pensioners' average pension wealth was 86% 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 49% 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 $228,000 and $188,000, 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 Michigan Pensioners Age 55+, 2013-2021

Category	Value
All Pensioners Age 55+	$247,000
White	$254,000
Nonwhite	$209,000
Black	$208,000
Men	$266,000
Women	$228,000
4-Year College Degree	$381,000
No 4-Year College Degree	$188,000