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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, workers of color in the U.S. were 92% more likely to be in a retirement plan if they worked in the public sector, compared to the private sector.

Public sector plans covered 14% of all retirement plan participants of color in New Hampshire, while 12% of workers of color were employed in government jobs.

In 2013-2021, retirees of color in the U.S. were 55% 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 New Hampshire were 44% more likely to be above 200% FPL if they had pension income.

The average wealth value of pension benefits for pensioners of color in the U.S. was $295,000 in 2013-2021, the same as the average of $295,000 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 New Hampshire retirees with pension income from any source—public or private—lived above 200% FPL compared to retirees without pension income (89% vs. 61%).

Figure 1: New Hampshire Retirees above 200% of Federal Poverty Level with U.S. Race Detail, 2013-2021
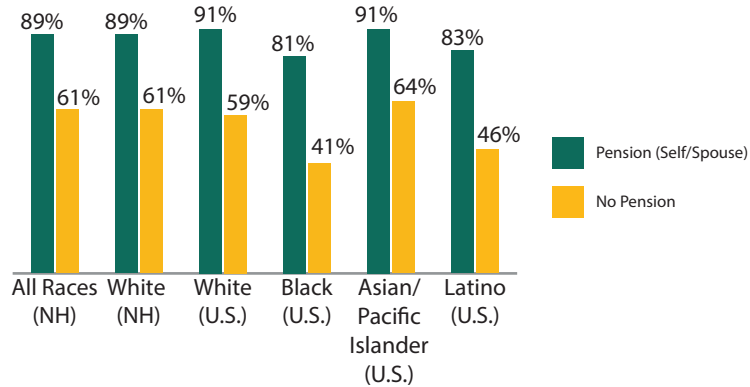
Due to data limitations, poverty outcomes by race are provided for the U.S. as a whole. White retirees with pension income in the U.S. were 55% more likely to be above 200% FPL than those without pension income (91% vs. 59%). Among retirees of color, those with pension income were 91% more likely to exceed 200% FPL than those without a pension (85% vs. 44%). 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: New Hampshire Retirees above 200% of Federal Poverty Level by Gender, 2013-2021

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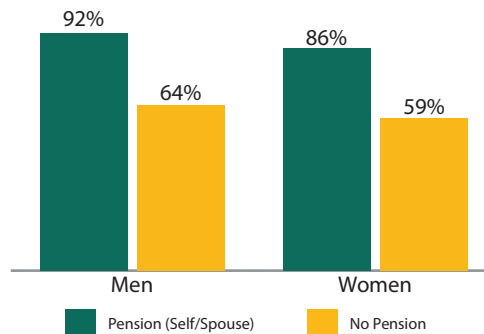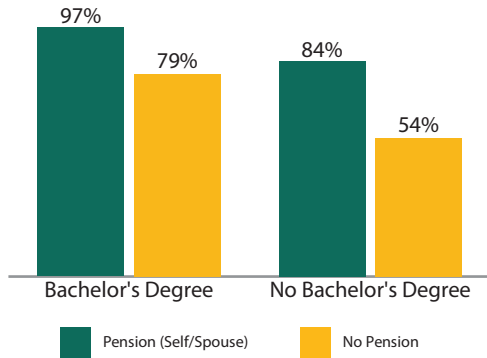
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Figure 3: New Hampshire Retirees above 200% of Federal Poverty Level by Education, 2013-2021

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 New Hampshire, male retirees with pension income were 44% more likely to be above 200% FPL than those without pension income (92% vs. 64%) in 2013-2021. Female retirees with pension income were 44% more likely to have incomes above this threshold than those without pension income (86% vs. 59%).

Pension income improves economic security across educational attainment levels (**Figure 3**). In particular, retirees without a four-year college degree were 54% more likely to live above 200% FPL if they or their spouse had pension income, compared to those without pension income (84% vs. 54%).

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 New Hampshire, overall participation in any type of workplace retirement plan was significantly higher in the public sector than in the private sector (84% vs. 59%) in 2018-2021. Nationally, job-based retirement plan coverage was higher in the public sector for all racial groups, with the largest increase among workers of color. Workers of color were 92% more likely to participate in a retirement plan in the public sector than the private sector (75% vs. 39%).
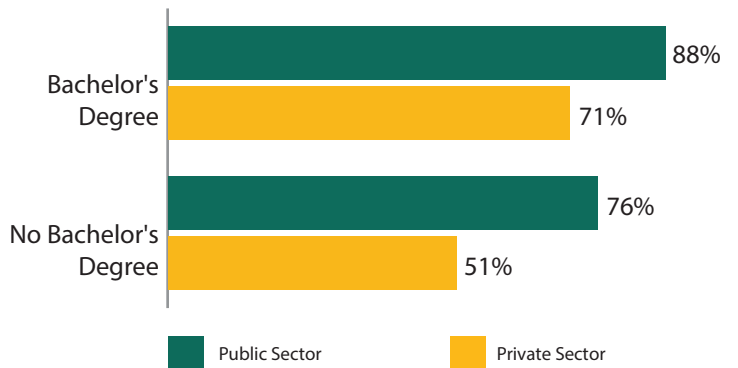
Public sector employees in New Hampshire are 45% more likely than private sector employees to have a Bachelor's degree or higher. Nonetheless, public sector retirement benefits offer a leg up for those without 4-year college degrees, who are 50% more likely to participate in a retirement plan if they have a public sector job rather than a private sector job (76% vs. 51%) (**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: New Hampshire Public vs. Private Sector Retirement Plan Participation Rates, 2018-2021

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

In New Hampshire, the public sector employs 12% of workers of color and accounts for 14% of retirement plan participants of color.

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Public Pensions Narrow the Racial Wealth Gap

Public pensions represent a significant asset for New Hampshire 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, 92,900 New Hampshire residents age 55 and older received a total of $2.2 billion annually from retirement, disability, and survivor pensions. Federal, state, and local government pension plans contributed 51%, or $1.1 billion annually. The value of this income stream was equivalent to $24.6 billion in pension wealth from all sources, including $14.5 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 NEW HAMPSHIRE HOUSEHOLDS

92,900 New Hampshire older adults age 55+

$2.2 billion in annual pension income, including $1.1 billion in public pension income

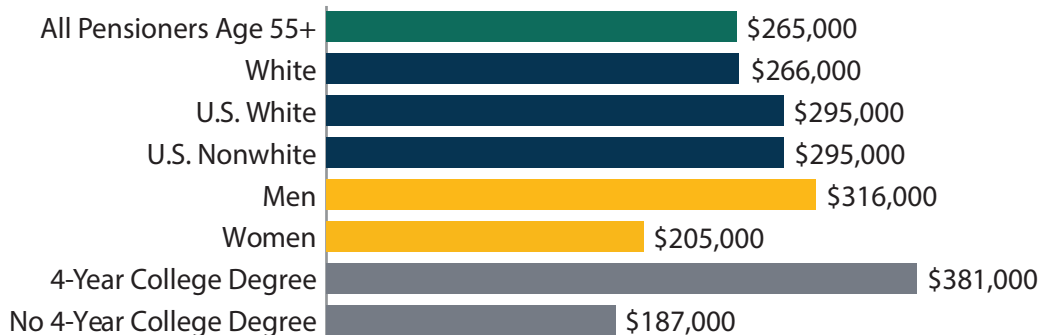**$24.6 billion in pension wealth, including $14.5 billion from public pensions**

in New Hampshire is held by white residents, among older adults with any pension income in the U.S. as a whole, pensioners of color held an average of $295,000 in pension wealth, the same as the average of $295,000 among white pensioners in 2013-2021.

In New Hampshire, women pensioners' average pension wealth was 65% of men's during this period. Historical gender wage gaps and women's truncated careers due to caregiving suppress their retirement wealth, although 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 $205,000 and $187,000, 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 New Hampshire Pensioners Age 55+, 2013-2021

Category	Value
All Pensioners Age 55+	$265,000
White	$266,000
U.S. White	$295,000
U.S. Nonwhite	$295,000
Men	$316,000
Women	$205,000
4-Year College Degree	$381,000
No 4-Year College Degree	$187,000

National data provided for race detail due to state data limitations.

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.