Marin Public Pension Series

UC BERKELEY LABOR CENTER

BRIEF #3: How public pensions support race and gender equity

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Highlights

This brief analyzes the impact of public sector employment and defined-benefit pensions on race and gender equity in retirement income security in Marin County and California, drawing on Census data on employment patterns at the county level and retirement plan coverage, income distribution, and poverty at the state level. We find that public pensions play an outsized role in the retirement security of every racial group, particularly in Black and Latino communities, and that pension income provides a critical buffer against economic hardship in old age for all groups, especially women, Black and Latino Californians, and seniors without college degrees. Detailed findings are as follows:

1. **Public sector employment plays a critical role in the retirement security of all racial groups in Marin County and California as a whole, with particularly large impacts on Black and Latino communities.**
   - Public employees in Marin County are more racially diverse than the resident population: 39% of the public sector workforce consists of people of color, compared to 29% of residents.
   - Public sector jobs in California provide significantly higher rates of retirement benefit coverage than private sector jobs for every racial group (74% vs 47% on average).
     - Latino workers experience the largest relative boost from public sector employment: Latino public employees are twice as likely as their private sector counterparts to be included in a workplace retirement plan (68% vs 34%).

The Marin Public Pension Series is a three-part issue brief series intended to provide policymakers and the public with an informed perspective on the value, cost, and broader social implications of defined-benefit (DB) pensions for public employees in Marin County, California. Brief #1 examines the economic value of defined benefit pensions for public employees, employers, and residents in Marin County. Brief #2 addresses the cost and sustainability of public employee pensions. Brief #3 highlights the role of public defined-benefit pensions in reducing retirement wealth inequality by race, gender, and education compared to 401(k)-style plans.

    - Black public employees are 63% more likely to participate in a workplace retirement plan than Black private sector employees (72% vs 44%).

- Public sector retirement benefits play an outsized role in the retirement security of every racial group, with the largest relative impact on Black and Latino workers.
    - While only 16% of the statewide workforce is employed in the public sector, public employees make up 23% of all workers with retirement benefits. In addition, most public employees in California are covered by a traditional pension that provides almost twice the retirement income of 401(k)s for each dollar contributed.
    - Public sector employment provides an important economic anchor for the Black community: public sector jobs make up 23% of Black employment and 33% of total retirement plan coverage among Black workers in California.
    - Even though only 13% of Latino workers are government employees, the public sector accounts for 23% of Latino workers with employer-provided retirement benefits in California.

2. **Pensions support middle-class retirement and reduce poverty among older Californians across race, gender, and educational attainment, with the biggest difference for Black and Latino retirees and seniors who do not have a four-year college degree.**

- In 2018-2020, 2.0 million Californians age 60 and older received pension income totaling $47.0 billion annually from a union, company, or government plan. Nearly 700,000 older Californians received income from public pensions, which provided $25.9 billion, or 55% of total pension benefits.
- Pension income supports a balanced three-legged stool of middle-class retirement income: median income among pension recipients age 65 and older in California was $46,700 in 2018-2020, divided roughly equally into Social Security, pensions, and private sources.
- Among California retirees—defined for this analysis as having at least $5,000 in Social Security income and less than $5,000 in earnings—91% of those who received a pension or whose spouse received a pension had incomes above 200% of the federal poverty level (FPL) in 2018-2020. In contrast, 49% of retirees without pension income were below 200% FPL, the threshold for CalFRESH food assistance eligibility.
- Pension income receipt improves retirement income security across race, gender, and education divides.
    - Retirees of color in California were 65% more likely to be above 200% FPL if they had pension income, compared to those without pension income (89% vs 54%). Nationally, Black and Latino retirees with pension income were twice as likely to have incomes above 200% FPL if they have a pension.

  - Both retired men and retired women with pension income were approximately 50% more likely to be above 200% FPL compared to those without pension income (93% vs 62% and 89% vs 54%, respectively).
  - Among retirees with a high school degree or GED, those with pension income were 51% more likely to be above 200% FPL than those without a pension (85% vs 57%).

3. **Pensions are distributed more equitably than 401(k)s and IRAs among older Californians. Pensions also exert a leveling effect on income distribution by race and gender among pension recipients.**

- Among Californians age 65 and older in 2018-2020, pension benefits were distributed less equally by race than Social Security—which is explicitly progressive in benefit structure—but more equally than 401(k)/IRA income.
  - Among individuals age 65 and older, white men, Black men, and white women are most likely to receive pension income (34%, 32%, and 27%, respectively).
  - While Latino seniors were least likely to receive a pension (16% of men and 14% of women), this income source was much more important than retirement accounts for this community. Only 6% of Latino seniors had income from a 401(k) or IRA, compared to 15% of all California seniors.
- Defined-benefit pensions reduce income inequality by race and gender among California adults age 65 and older with any pension income. During 2018-2020, for every dollar of white men's pension income and total income, respectively:
  - White women received 88 cents pension income vs 74 cents total income;
  - Men of color received 89 cents pension income vs 81 cents total income; and
  - Women of color received 74 cents pension income vs 63 cents total income.
- Federal Reserve studies indicate that the shift from pensions to 401(k)s has contributed to widening wealth inequality because wealth held in 401(k)s and IRAs is significantly more concentrated than pension wealth.

Introduction

Public sector defined-benefit pensions, which provide secure monthly retirement income that workers can count on at the end of their working lives, form one of the last remaining bulwarks of middle-class retirement security. While most discussions of public pensions center on pension benefits as financial liabilities to state and local governments, it is also important to understand that public pensions make up a significant share of middle-class household wealth in the U.S. Retirement wealth makes up the largest financial asset for U.S. households, and public pensions account for nearly half of this asset.[1] Studies by the Federal Reserve have found that defined-benefit pensions reduce racial gaps in household wealth compared to 401(k)s, and the decline of pensions in the private sector has exacerbated wealth inequality.[2] This is because wealth held in retirement accounts such as 401(k)s (and IRAs, which are primarily used to roll over 401(k) balances) is significantly more concentrated by race and income than traditional pension benefits. In addition, pensions keep seniors out of economic hardship, with the largest impact on Black seniors.[3] Thus public pensions are an important tool in the fight to reduce race and gender inequality in income and wealth.

This research brief explores the race, gender, and class equity impacts of public sector defined-benefit (DB) pensions in Marin County, based on analyses of local, state, and national data from the U.S. Census Bureau and the U.S. Bureau of Labor Statistics.[4] **Section 1** of this brief examines the demographics of public sector employment in relation to residents in Marin County, and compares private sector versus public sector retirement benefit coverage rates by race and education in California. **Section 2** analyzes rates of pension income receipt, typical benefit amounts, and the impact of pension income receipt on rates of economic hardship among California retirees by race, gender, and education. **Section 3** examines the distribution of major types of retirement income—Social Security, pension income, and 401(k)/IRA income—by race and gender.

We find that public pensions play an outsized role in overall retirement plan coverage for all racial groups in California, with the largest relative impact on Black and Latino workers. This is important because workplace retirement plan participation is a critical factor in retirement wealth building. In addition, pensions ensure that retirees are able to meet basic expenses and avoid falling into economic hardship. This effect benefits all races, with particular significance for communities of color that lack access to generational wealth and for workers without college degrees. Finally, public pensions exert a leveling effect on retiree income by race, gender, and educational attainment.

1. Public sector retirement benefits are a key pillar of middle-class retirement security, especially for Black and Latino communities

Public sector jobs provide middle-class economic opportunity, including retirement benefits, for all racial groups in Marin County and California, with particularly large impacts on Black and Latino workers. In this section, we first examine the racial makeup of the public sector workforce in Marin County. Then we compare private sector versus public sector workplace retirement benefit coverage by race and educational attainment in California and identify the magnitude of impact that public sector retirement benefits (which consist primarily of pensions) have on historically marginalized communities.

Public sector employment provides broader, more robust, and more racially equitable retirement benefit coverage than private sector employment

While California and the San Francisco Bay Area have a high degree of racial diversity, Marin is one of the least diverse counties in the region. According to Census data from 2016-2020, a large majority of Marin County residents (70.8%) were white, and only 29.2% were people of color. The second largest ethnic group in the county was Latino (16.2%), followed by Asians (5.6%). Blacks made up only 2.3% of the resident population (**Figure 1)**. However, Marin County residents are served by a more diverse public sector workforce: two out of five (39.3%) public sector employees in 2016-2020 were workers of color, and Latino workers alone accounted for one out of five public sector employees working in Marin County (19.7%). Notably, Blacks accounted for 7.4% of public employees, three times their rate of residence (2.3%). Many public employees commute into Marin from nearby counties, including San Francisco, Contra Costa, and Sonoma.[5]

At the same time, consistent with state and national patterns, Figure 1 shows that white workers and Black workers are overrepresented in public employment in relation to the workforce as a whole in Marin County, while Asian and Latino workers are underrepresented. In 2016-2020, white, Black, Asian, and Latino workers respectively made up 58.5%, 3.9%, 9.6%, and 22.9% of wage and salary employees working in Marin County.

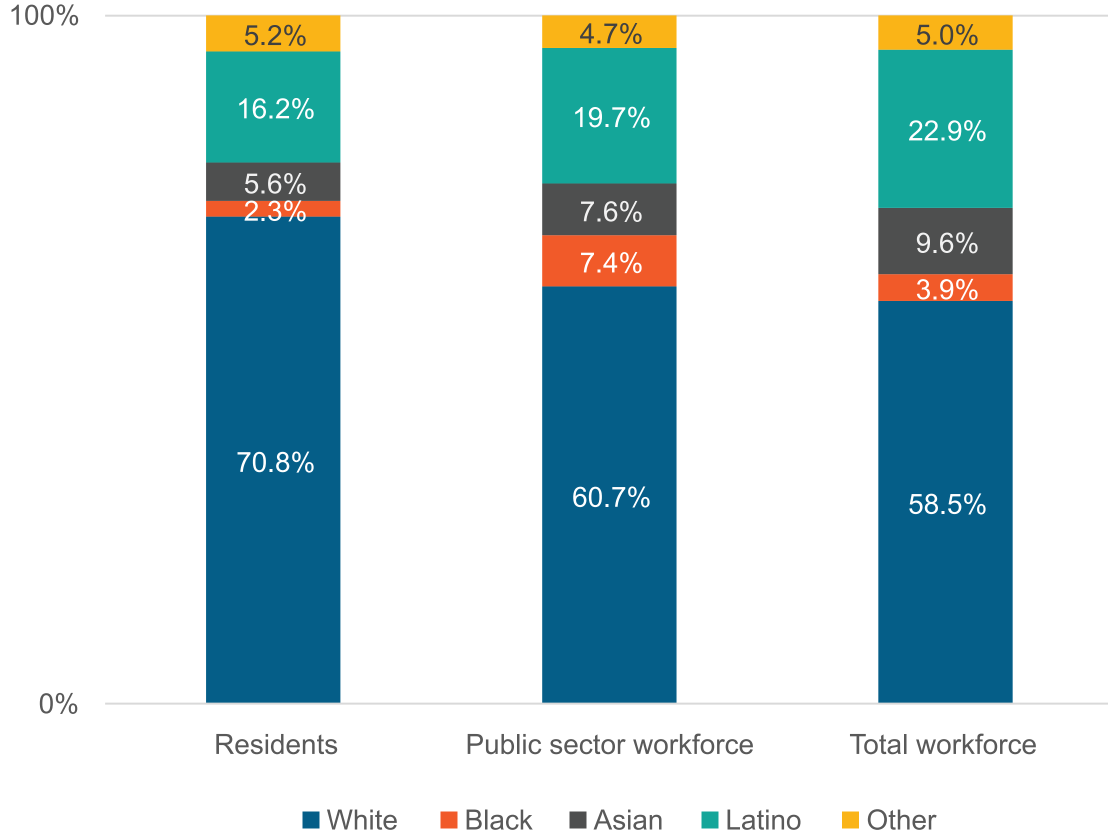
Public sector jobs provide significantly higher rates of retirement benefit coverage than private sector jobs. **Figure 2** shows estimated retirement plan participation rates for California public and private sector employees by race, counting both pensions and 401(k)-style plans, based on 2018-2020 Current Population Survey Annual Social and Economic Supplement public use microdata made available through IPUMS (IPUMS CPS ASEC).[6] We estimate that 74% of public sector employees in California participated in a retirement plan during this period, compared to only 47% of private sector employees. (See **Appendix** for methodology.)

Higher retirement benefit coverage rates in the public sector are due to both the high rate of retirement plan offering by public employers and the fact that public sector retirement benefits tend to be defined-benefit pensions that automatically cover all eligible employees. Although CPS data does not distinguish between pensions and 401(k)-style retirement benefits, the Bureau of Labor Statistics National Compensation Survey indicates that over 90% of public retirement plan participants in the U.S. were covered by a pension in 2020.[7]

Administrative data indicate that roughly 70% of all state and local government employees in California are covered by a defined-benefit pension. Out of a total of 2.5 million state and local government employees in California in 2021, CalSTRS and CalPERS together covered 1.4 million

Figure 1: Marin County public sector workforce is more diverse than resident population, has a higher percentage of white and Black workers than private sector workforce

Racial makeup of residents and workers in Marin County, 2016-2020



Note: Author's analysis of ACS 2020 5-year sample. Universe for public sector workforce is all public sector employees working in Marin County.

workers.[8] In addition, 22 independent retirement systems (including the Marin County Employee Retirement Association (MCERA)) provide pensions to another 300,000 local government employees.[9] Federal employees, who make up a small percentage of public employees in the state, are generally covered by the Federal Employee Retirement System pension.

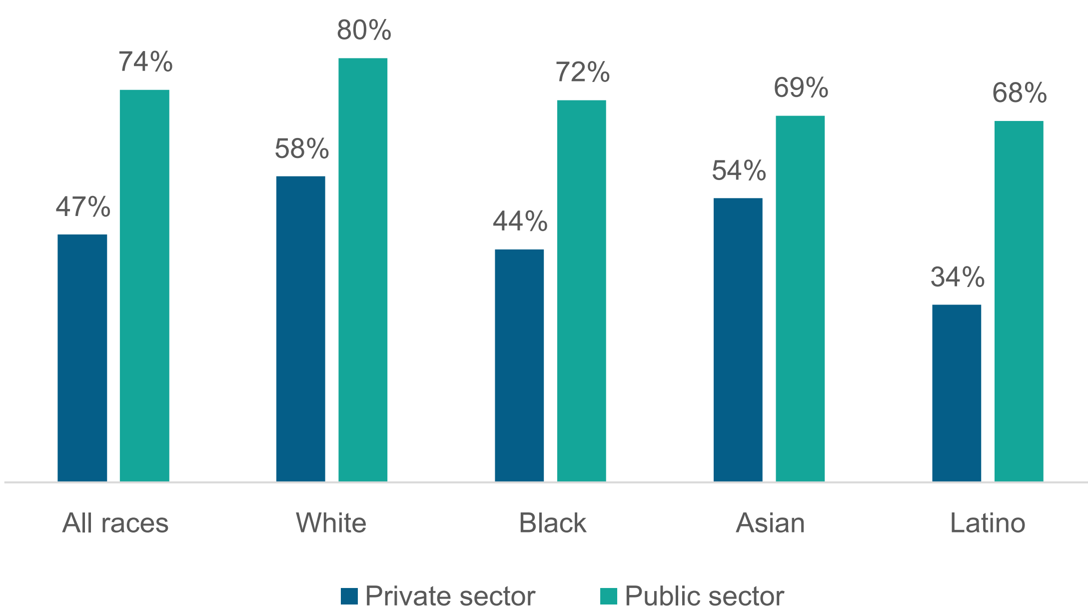
In contrast, many private employers either do not offer a plan or exclude a large share of their employees, for instance part-time employees, through restrictive eligibility rules.[10] In addition, those that do sponsor plans typically offer 401(k)-style retirement accounts that typically require employees to initiate enrollment themselves. 401(k)s also provide large up-front tax benefits for contributions from high-income workers, but only incidental tax benefits for low-income workers. Thus, take-up rates are low among low-wage workers in these kinds of plans.[11]

These differences result in broader, more robust, and more racially equitable retirement plan coverage in the public sector than in the private sector, as **Figure 2** shows. In 2018-2020, Black private sector employees were about 25% less likely than their white counterparts to participate in a retirement plan (44% vs 58%), and Latino workers were about 40% less likely (34% vs 58%). While white workers enjoyed the highest coverage rate in the public sector (8 out of 10 workers) during this period, workers of color were not as far behind in the public sector (about 7 out of 10 workers) as in the private sector. Indeed, Black public employees were 64% more likely to be covered by a workplace retirement plan than Black private sector employees (72% vs 44%). The difference was even larger for Latino employees: those working in the public sector were twice as likely to have a retirement plan as those working in the private sector (68% vs 34%).

Public sector retirement benefits also offer a leg up for California workers without four-year college degrees (**Figure 3**). Most public employees in Marin County and California have a bachelor's, master's, or Ph.D.,[12] and statewide data shows that in 2018-2020, public employees with college degrees were 18 percentage points more likely than their private sector counterparts to participate in a workplace retirement plan (85% vs 67%). The public sector advantage in retirement plan participation among full-time workers was 27 percentage points for workers with some college or an associate degree (78% vs 51%), and for those with a high school degree or GED (65% vs 38%).

Figure 2: Retirement benefit coverage is higher and more racially equitable in the public sector

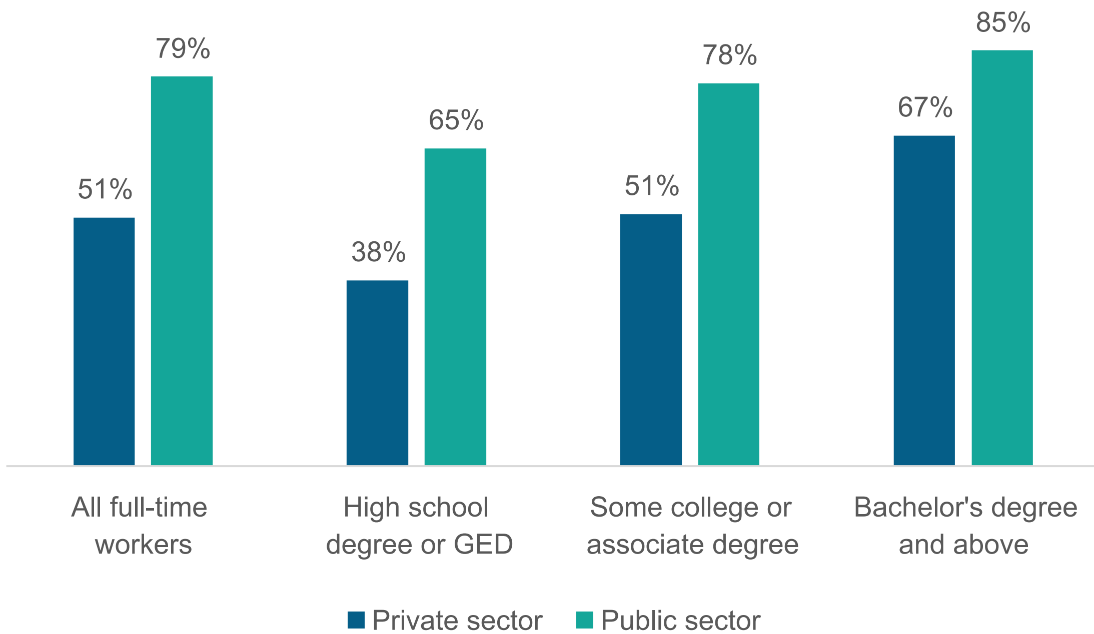
Estimated public vs private sector retirement plan participation rates by race, California, 2018-2020



Note: Author's analysis of IPUMS CPS ASEC 2019-2021. Universe is wage and salary employees age 25-64. See Appendix for detailed methodology.

Figure 3: Public sector employment offers higher retirement benefit coverage across educational levels

Workplace retirement plan participation rates by educational attainment among full-time employees age 25-64, California, 2018-2020



Source: Author's analysis of IPUMS CPS ASEC 2018-2021. Universe is wage and salary employees age 25-64 who worked an average of 35 hours or more a week. See Appendix for detailed methodology.

Public pension benefits are important for the retirement security of all communities, especially those that are historically disadvantaged

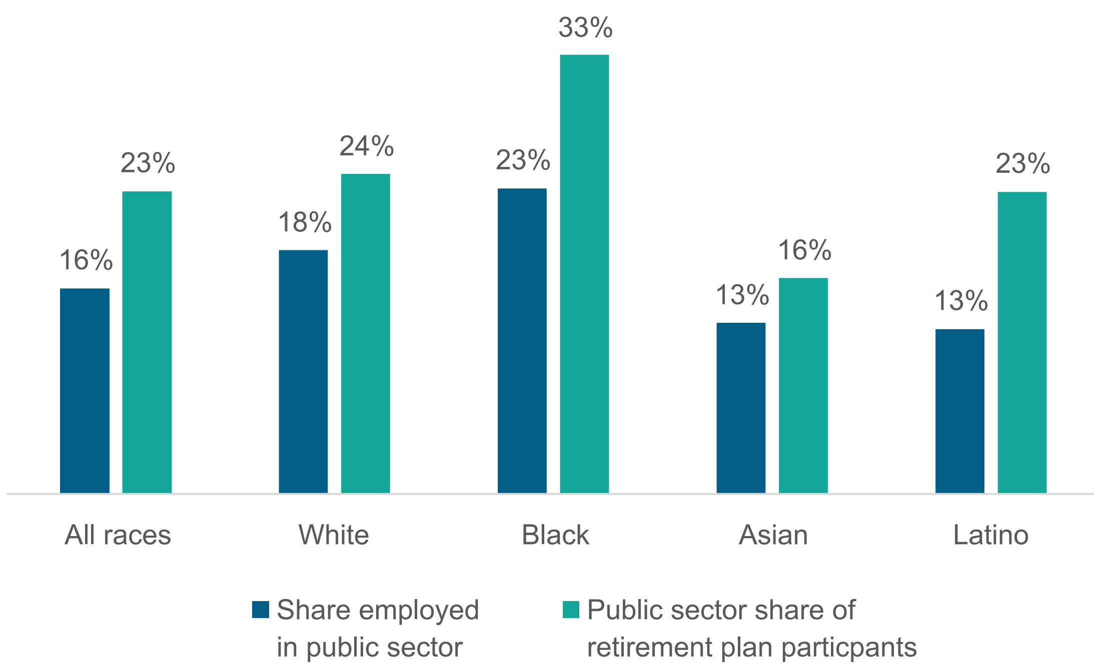
Given higher and more racially equitable employee coverage rates, public pensions play an outsized role in the retirement security of every racial group, with the largest relative impact on Black and Latino workers. This impact is compounded by the fact that average retirement income from DB pensions is higher than average income from 401(k) plans.

Figure 4 shows the share of each racial group in California that is employed in the public sector in 2018-2020, compared to the public sector share of all employees with retirement benefits—i.e., the number of public employees with retirement benefits divided by the number of all employees (both public and private) with retirement benefits. While the public sector employed just 16% of the California workforce during this period, 23% of all participants in job-based retirement benefits worked in public sector jobs. Among whites, the public sector accounted for 18% of workers and 24% of workplace retirement plan participants. Asians, who are underrepresented in the public sector, see a smaller boost: 13% vs 16%.

Public sector retirement benefits provide a particularly important economic security anchor for Black and Latino communities. Public sector jobs account for a relatively high share (23%) of Black employment and an even larger share (33%) of Black retirement benefit participants. This reflects the historical role of public employment in creating economic opportunity for the Black middle class since the 1970s. In addition, even though only 13% of Latino workers are government employees, public sector retirement plans account for 23% of Latino workers with retirement benefits. (See **Figure 4**.)

Figure 4: Public sector retirement plans have outsized importance for every racial group, especially Blacks and Latinos

Public sector shares of workforce vs public sector share of all retirement benefit participants, by race, California, 2018-2020



Note: Author's analysis of CPS ASEC 2019-2021 appended sample. Universe is wage and salary employees age 25-64.

These statistics understate the importance of public sector retirement plans as an anchor of retirement security for middle- and working-class families, including white and especially Black and Latino families. In reality, public sector retirement plans likely account for a majority of workers who are on track to have adequate income in retirement, especially in Black and Latino communities. This is because most public retirement plan participants are in traditional pensions that provide significantly greater retirement income security than the 401(k) type plans that cover most private sector participants.

Pensions are not only more secure, they provide nearly twice as much retirement income as 401(k)s per dollar of employer/employee contribution (see **Marin Pension Brief #1**).[13] Public pensions, private sector union pensions, and corporate pensions are funded with the aim of meeting income replacement targets. In contrast, private employers who sponsor 401(k)s typically offer no or

Retiree profile

Fran Rozoff

Retired Novato school teacher

Fran Rozoff is a second-generation teacher who retired in 2021 after teaching at Olive Elementary School in Novato for over 30 years. She also served as a Vice President at Novato Federation of Teachers, representing elementary school teachers in the district for 20 years. Three decades is a long time to stay in the same career, but common among California teachers thanks to the statewide teacher pension system (CalSTRS). "The security that pensions provide helps keep teachers in place and supports them to get vested with the local community and neighborhood schools," explains Fran. She adds, "These connections are so important for quality public education, which is vital to our democracy and access to economic opportunity."

Fran, now 72 years old, relies on her CalSTRS pension as a primary source of retirement income. While her husband receives Social Security benefits, Fran observes, "If he passes, I won't receive any survivor benefits." This is because California teachers are largely excluded from the program, including spousal and survivor benefits.

Fran and her husband still live in Novato, where they raised four children. Still passionate about public education, Fran is currently engaged in advocacy for increased public school funding as well as local school efforts to improve education quality and supports for the youngest students. "Having an adequate pension allows us to give back to the community," she reflects.

low matches on voluntary employee contributions.[14] According to the Employee Benefit Research Institute, 401(k)s had a median balance of just $17,961 in 2020.[15]

2. Defined-benefit pensions support economic security across race, gender, and educational divides among older Californians

During 2018-2020, 2.0 million Californians age 60 and older received pension income totaling $47.0 billion (in 2020 dollars) annually from a union, company, or government plan. Nearly 700,000 older adults received income from public pensions, which provided $25.9 billion, or 55% of total pension benefits.[16] In addition to direct recipients, an additional 415,000 Californians age 60 and older benefited from pension income received by their spouses. Given the importance of Social Security in retirement income, the remainder of this section focuses on adults who are at least age 65, the median claiming age for Social Security benefits.[17]

Overview of retirement income among California seniors

Out of 5.9 million California seniors age 65 and older in 2018-2020, 4.46 million (75%) reported receiving Social Security as part of their personal income, and 1.46 million (25%) reported receiving pension income—defined in this brief as retirement, disability, and survivor benefits from a union, company, or government pension fund (**Table 1**). Only 910,000 (15%) reported drawing income from a 401(k) or IRA, although that share is gradually increasing due to the growth of 401(k)s and the decline of pensions in the private sector since the 1980s.

Among Californians age 65 and older, white men and Black men were most likely to receive pension income in their own name (34% and 32%, respectively), due both to their overrepresentation in public sector jobs, as well as unionized jobs in the private sector.[18] White women were the next most likely to have pension income, due in part to their predominance among public school teachers. Asian women, Latino men, and Latina women were least likely (14%, 16%, and 14% respectively) to have pension income.

Pensions typically provide sufficient annual income among recipients to support middle-class retirement in combination with Social Security. (However, California teachers and certain other public employees are not covered by Social Security for their public sector earnings and rely primarily or exclusively on their pension for retirement income.) To calculate typical benefit amounts for seniors, we grouped recipients over age 65 by race (whites vs people of color) and gender, ranked them by income, and computed average income by source for the middle 50% of each group.

The results are shown in **Figure 5** for 2018-2020. The typical pensioner over age 65 in California received $22,400 in benefits annually, in 2020 dollars. White male pensioners typically received $26,100 a year; men of color received $22,200; white women received $21,300; and women of color received $16,700. These benefits supported middle-class retirement incomes, typically averaging $48,300 total income for all races, ranging from $38,100 for women of color to $57,400 for white men. For all groups, pensions were the largest source of retirement income, typically averaging 46% of total income.

Table 1: One out of four California seniors has pension income

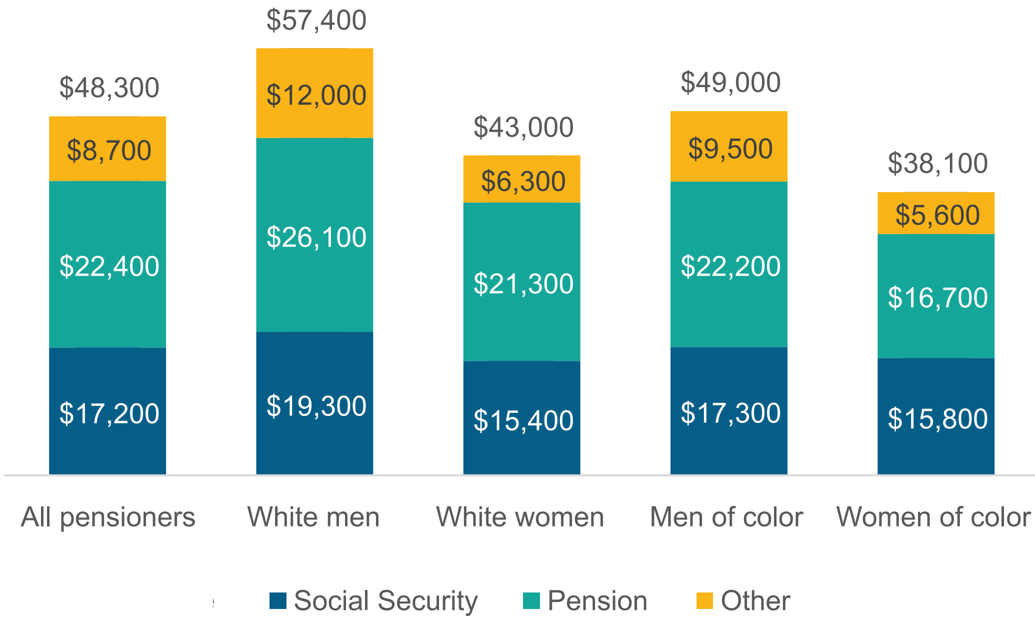
Percentage of adults age 65 and older with retirement income sources, by race and gender, California 2018-2020

	Social Security	Pensions	401(k)/IRA
All adults age 65+	**75%**	**25%**	**15%**
Men	75%	28%	18%
Women	75%	22%	14%
Whites			
Men	79%	34%	23%
Women	79%	27%	18%
Blacks			
Men	79%	32%	12%
Women	73%	22%	6%
Asians			
Men	64%	20%	15%
Women	63%	14%	11%
Latinos			
Men	74%	16%	6%
Women	74%	14%	6%

Note: Author's analysis of CPS ASEC data from IPUMS. Universe is California adults age 65 and older. Pension income includes retirement, disability, and survivor benefits from a union, company, railroad, or government pension. 401(k)/IRA income includes income from any kind of employer-sponsored retirement account or Individual Retirement Account.

Figure 5: Pensions support middle-class retirement across race and gender divides in California

Mean income by source for the middle 50% of California pension recipients age 65 and older, by race and gender, 2018-2020



Source: Author's analysis of IPUMS CPS ASEC, 2019-2021 appended data. Universe consists of adults age 65 and older with retirement, disability, or survivor income from a union, company, government, or railroad pension. The data shown represent interquartile means (average values for the middle 50%) after ordering members of each group by total income.

California seniors with pension income are significantly less likely to fall into poverty

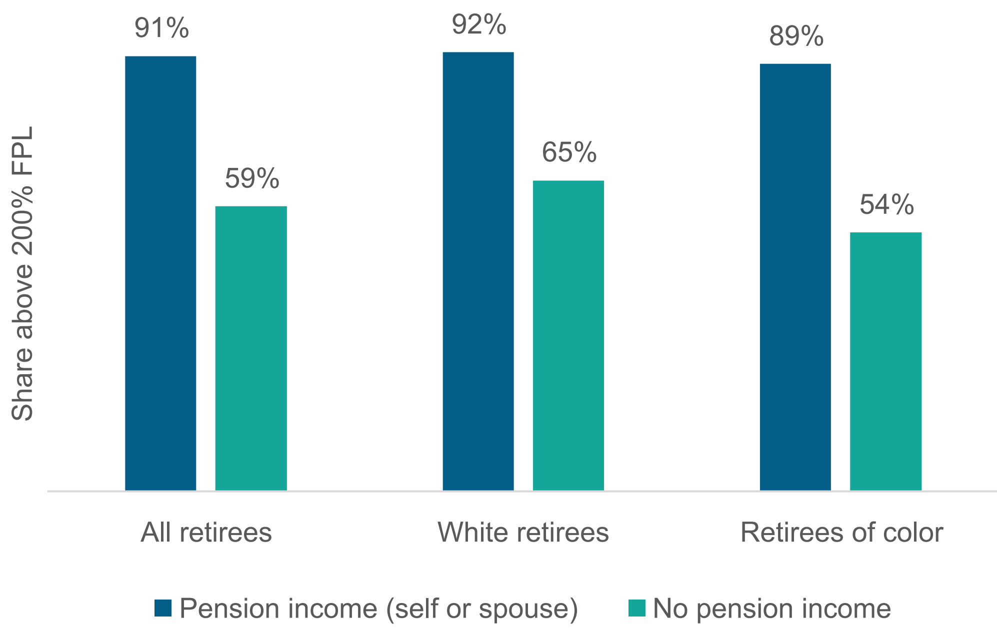
We compared the poverty status of Californians age 65 and older who had household defined-benefit pension income (received in their own name or their spouse's) with seniors who did not. To minimize the impact of differences based on labor force participation before retirement age and employment during retirement, we limited the analysis to seniors age 65 and older with at least $5,000 in annual Social Security benefits and less than $5,000 in annual earnings. Given the high cost of living in California, we define poverty in this brief as having family income below 200% of the federal poverty level (FPL). In 2020, 200% FPL was $23,120 for singles and $32,480 for couples. According to the UMass Boston Elder Index—a more comprehensive measure of basic retirement income needs than FPL—the average single senior who rents their home needed a yearly income of $30,900 in California in 2020, while the average senior renter couple needed $41,316, in order to avoid significant economic hardship.[19]

Figure 6 shows that a significantly larger share of California retirees with pension income were above 200% FPL in 2018-2020 (91%) compared to retirees without pension income (59%). Among white retirees, those with pension income were 41% more likely to be above 200% FPL than those without pension income (92% vs 65%). Among California retirees of color, those with pension income were about 65% more likely to exceed 200% FPL than those without a pension (89% vs 54%). That is, pensions provide a larger relative boost to seniors of color when it comes to ensuring a basic level of retirement income.

The CPS sample size for this time period (2018-2020) was too small for similar statistics on pension recipients by detailed race category for California. However, national data indicates that Black and Latino retirees see a particularly large relative boost from pensions, compared to other racial groups (**Figure 7**). Black retirees with pension income were more than twice as likely as other Black retirees to have incomes above 200% of the federal poverty threshold (85% vs 39%) in 2018-2020. Latino retirees with pension income were almost twice as likely as those without a pension to exceed this basic income threshold (86% vs 44%). For Asian retirees, the odds of having basic retirement income adequacy were 47% higher for those who have pension income compared to their counterparts without pensions (92% vs 63%).

Figure 6: California retirees with pensions are significantly less likely to fall into economic hardship

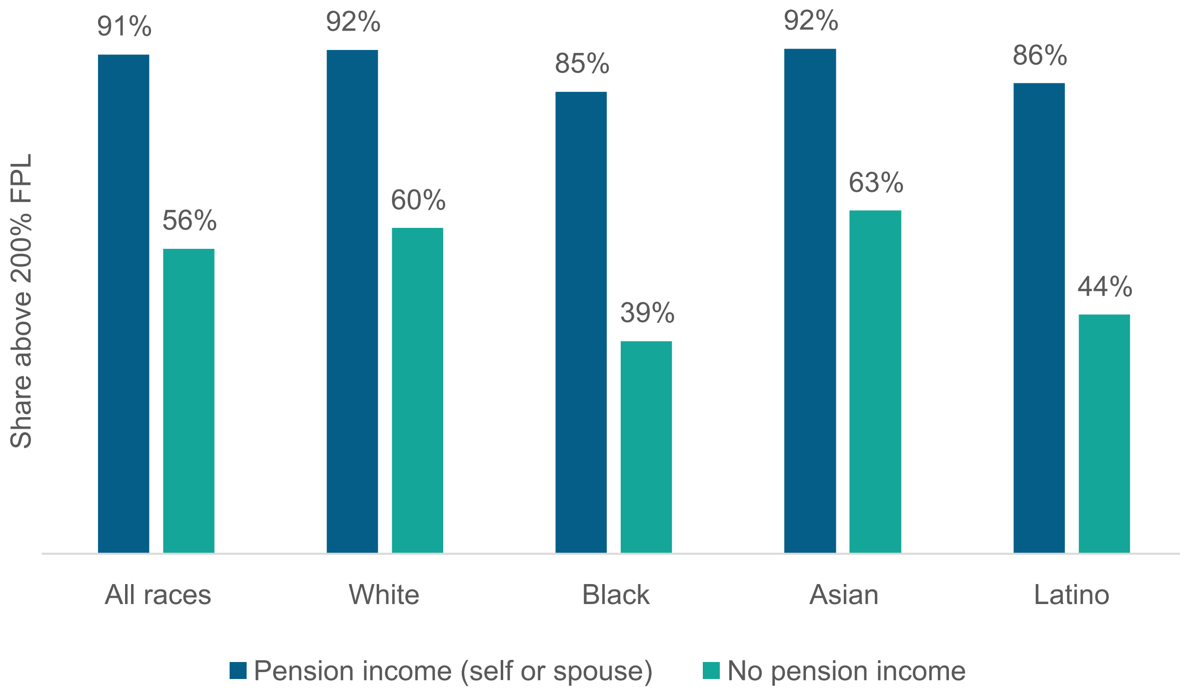
Share of California retirees with income above 200% of federal poverty level by white/nonwhite status and household pension income receipt, 2018-2020



Source: Author's analysis of IPUMS CPS ASEC, 2019-2021. Universe consists of adults age 65 and older with at least $5,000 in annual Social Security income and less than $5,000 in annual earnings.

Figure 7: Pensions improve economic security in retirement for all races in the U.S., especially Black and Latino elders

Share of retirees with income above 200% of federal poverty level, by race and household pension income receipt, U.S., 2018-2020



Source: Author's analysis of IPUMS CPS ASEC, 2019-2021 appended data. Universe consists of U.S. adults age 65 and older with at least $5,000 in annual Social Security income and less than $5,000 in annual earnings.

Both retired men and retired women gain an equally large advantage from pension income (**Figure 8**). Male retirees with pension income were 52% more likely to be above 200% FPL than those without pension income (93% vs 62%) in 2018-2020. Female retirees with pension income were 53% more likely to have incomes above this threshold than those without pension income (89% vs 54%).

In addition, retired Californians fare better economically with a pension regardless of educational attainment (**Figure 9**). Almost all college-educated retirees with pension income (97%) lived above the 200% FPL threshold in 2018-2020, compared to 75% among their counterparts without pension income. Among those with a high school diploma or equivalent, 85% of retirees with pension income exceeded 200% FPL, compared to 57% of those without. Indeed, retirees with a high school degree and a pension were more likely than college graduates without a pension to exceed the 200% FPL threshold (85% v. 72%).

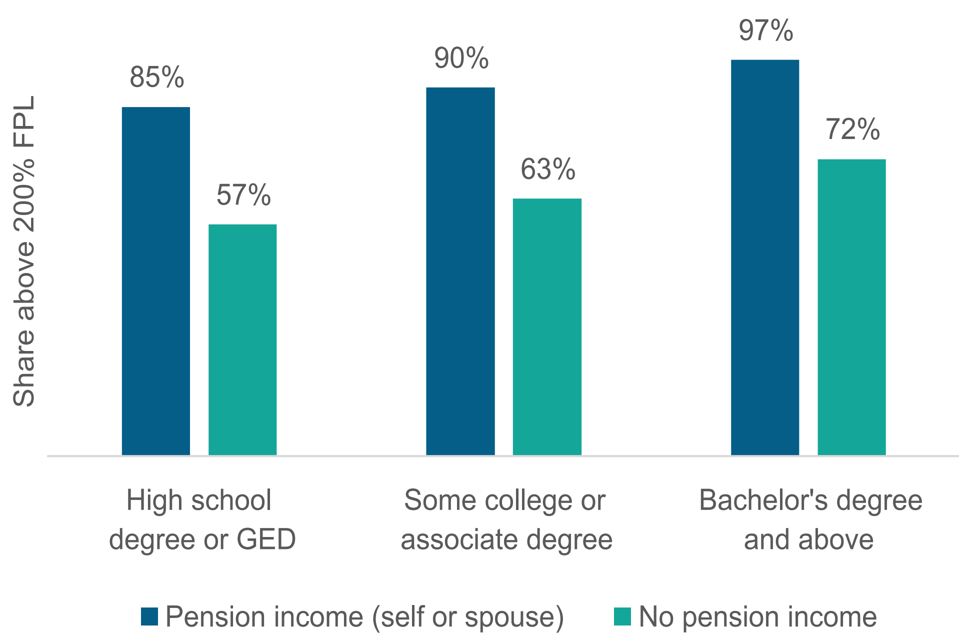
Figure 8: Pensions improve financial security in retirement for both men and women in California

Share of retirees with income above 200% of federal poverty level, by gender, California, 2018-2020

Source: Author's analysis of IPUMS CPS ASEC, 2019-2021. Universe consists of adults age 65 and older with at least $5,000 in annual Social Security income and less than $5,000 in annual earnings.

Figure 9: Pensions ensure economic security for California retirees across educational backgrounds

Share of retirees living above 200% of federal poverty level, by educational attainment, California, 2018-2020



Source: Author's analysis of IPUMS CPS ASEC, 2019-2021. Universe consists of adults age 65 and older with at least $5,000 in annual Social Security income and less than $5,000 in annual earnings.

Retiree profile

Phillip Thomas

Retired county employee

Phillip Thomas worked for 21 years as a communications technician for the Marin County Department of Public Works. "My unit maintained the county emergency services communications system, cameras in high crime areas and flood zones, and several other systems," said Thomas. He and his wife reside in Vallejo, in Solano County, where housing is more affordable than in Marin. Thomas, who is Black, was a founding member of the Marin Association of Public Employees. "I enjoyed my work and planned to keep working," he said. Then a few years ago, his wife Judy became disabled and needed a caregiver.

Thomas was able to care for his wife himself by taking early retirement at age 56 through the county employee pension system (MCERA), albeit with a significantly reduced pension benefit. MCERA also provides retiree medical benefits to cover Thomas's own health insurance, though not his wife's.

His pension, together with his wife's disability benefit, is "barely enough to cover the bills," he said. "We're not having fancy dinners or taking grand vacations—we're struggling to get by." He will receive just $200-$300 a month from Social Security when he becomes eligible despite having worked for more than 30 years, because his county employment was not covered by the program.

Despite these struggles, the county pension provides Thomas's family a critical lifeline. "I don't know if I would have been able to afford to keep working and pay someone else to care for my wife," said Thomas.

3. Pensions help mitigate retirement income inequality by race and gender

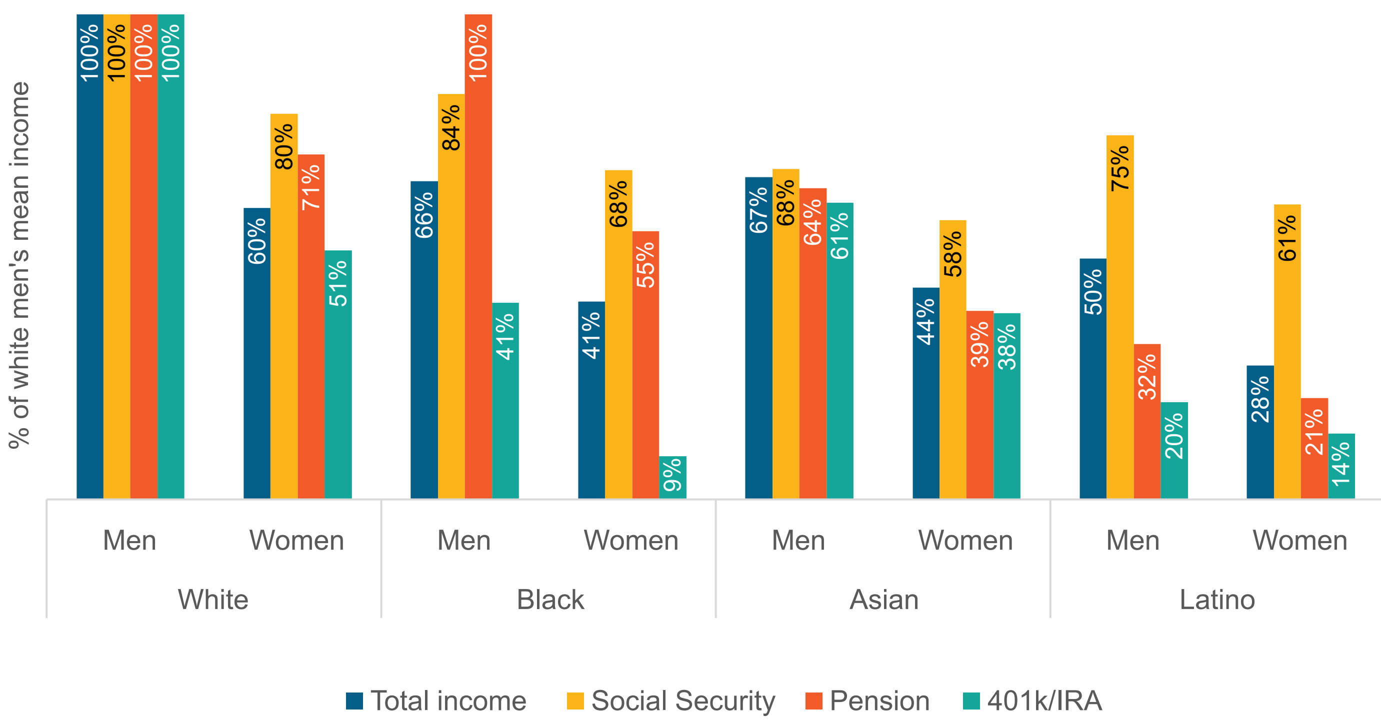
In addition to ensuring a dignified retirement for recipients and buffering vulnerable communities against poverty, pensions help mitigate retirement income and wealth inequality. National studies by the Federal Reserve have shown that pension wealth is distributed more equally than wealth held in 401(k)/IRAs and that including the wealth value of pension and Social Security income as part of household net worth narrows the racial wealth gap.[20] Our analysis of Census data for California finds that pension income is more evenly distributed by race and gender among older Californians than 401(k)/IRA income and promotes greater parity in retirement income across race and gender.

Figure 10 shows the average income of Californians age 65 and older by race and gender for 2015-2020, calculated as a percentage of white men's average income, for total income, Social Security, pension income, and income from 401(k)s and IRAs. Social Security is progressive by design and has near-universal coverage among wage and salary employees, and thus is the most evenly distributed by race and gender. Pensions likewise mitigate race and gender inequality in retirement income among older Californians, though to a greater extent for some groups than others.

Notably, pensions play an even greater leveling role than Social Security for Black men: they have the same mean pension income as white men (i.e., a pension income ratio of 100%), compared to 84% of their Social Security income and 66% of their total income. For white women and Black women, there is

Figure 10: Pensions are more equally distributed by race and gender than 401(k)/IRA income among California seniors

Ratio of income to white male income by race and gender, Californians age 65 and older, 2015-2020



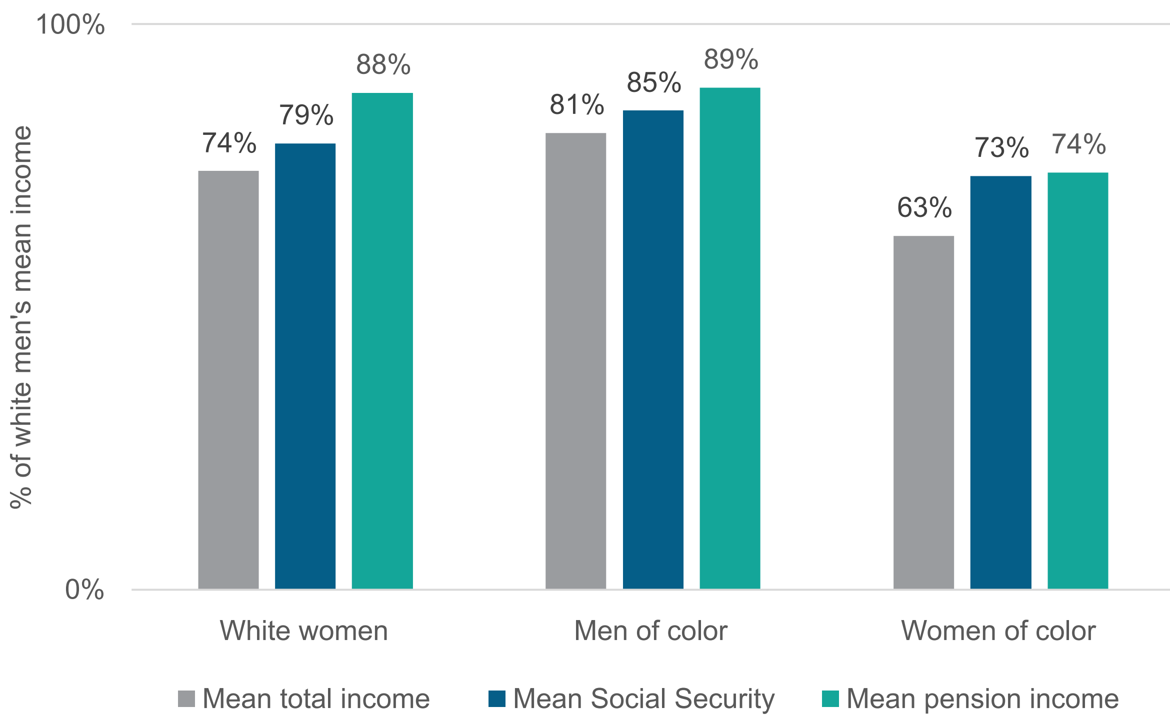
Note: Author's analysis of CPS ASEC data from IPUMS. Universe is California adults age 65 and older. Penson income includes retirement, disability, and survivor benefits from a union, company, railroad, or government pension, or other defined-benefit pensions. 401(k)/IRA income includes income from any kind of employer-sponsored retirement account or Individual Retirement Account.

significantly greater parity with white men in pension income (71% and 55%) than total income (60% and 41%), though lesser parity than Social Security (80% and 68%). Among Asian men, Latino men, and Latina women, pensions are more unequally distributed than total income and Social Security, but more equally distributed than 401(k)/IRA income. This is due to the fact that Latino elders are least likely to have pension income, as shown in Table 1, and Latino workers are underrepresented in public sector employment. Significantly, pension income is more evenly distributed than 401(k)/IRA income, which ranges from 9% (of white men's 401(k)/IRA income) for Black women to 61% for Asian men.[21] (See Figure 10.)

Among the 25% of California seniors age 65 and older who receive pensions, pension income is more equally distributed by race and gender than total income and even Social Security income. That is, pensions reduce race and gender income inequality among recipients to a greater extent than Social Security. **Figure 11** shows the ratios between the average incomes of white women, men of color, and women of color pension recipients on the one hand and the average income of white male pensioners on the other, distinguishing between total income, Social Security, and pensions. For every dollar of each income type received by white men in 2018-2020, white women received 74 cents total income, 79 cents from Social Security, and 88 cents from pensions. Men of color received 81 cents total income, 85 cents from Social Security, and 89 cents from pensions for each dollar received by white men. This means that for white women and men of color, pensions exerted a greater leveling effect on income in relation to white men than Social Security. For women of color with pension income, pensions had a similar leveling effect as Social Security: they received 63 cents, 73 cents, and 74 cents, respectively, for every dollar of white male total income, Social Security income, and pension income.

Figure 11. Pensions mitigate income inequality by race and gender among recipients

Ratio of income to white male income by broad race/gender categories, California pension income recipients age 65 and older, 2018-2020



Note: Author's analysis of CPS ASEC data from IPUMS. Universe is people age 65 and older who had pension income.

Conclusion

Public pension benefits are not just fiscal liabilities, but important community assets and a powerful policy tool in the fight against inequality by race and gender. First, public pensions play an outsized role in the retirement security of every racial group, with a particularly large relative impact on Black and Latino communities due to low retirement plan coverage rates in the private sector. Second, pensions are a significant asset for working households and retirees in California, ensuring adequate retirement income and providing a critical buffer against economic hardship in old age for all groups, especially women, Blacks, Latinos, and seniors without a four-year college degree. Third, pensions mitigate retirement income inequality: pension income and assets are distributed more equally by race and gender than 401(k)s and IRAs among the general senior population, and play an even larger role than Social Security in leveling income by race and gender among the 25% of Californians age 65 and older who receive any pension income.

Pensions offer an efficient means of equalizing retirement income because they generate almost twice the retirement income as a 401(k) for each dollar contributed. The value of guaranteed pension income to employees far exceeds the taxpayer funds invested in them, helping offset the pay penalty for the average public employee in Marin County (see **Brief #1**).[22] Furthermore, these investments ultimately flow back to the community: each dollar of public pension benefit received by California residents in 2019 supported $1.54 in total economic output.[23] Given that public pensions like MCERA, CalPERS, and CalSTRS are funded by investment returns as well as employer and employee contributions, each dollar of taxpayer contribution towards public pensions in California supports $6.40 in total economic activity. The economic impact of CalPERS alone was $114 million in Marin County in 2019-2020.[24]

Given the decline of corporate pensions and the rise of highly unequal 401(k) benefits in the private sector, public pensions remain the last bastion of middle-class retirement security, particularly for women and Black and Latino communities. As California state and local governments continue to engage racial equity and racial justice, public pensions should not be overlooked as an important means to help close the racial wealth gap. Conversely, research indicates that replacing public pensions with 401(k)-style plans will worsen income and wealth inequality by race and gender.

Appendix: Methodology

Data sources

Marin County population and workforce estimates were derived from the 5-year ACS PUMS file spanning the 2016-2020 survey years. We used place-of-work variables to identify Marin County workers. California and U.S. data in this report reflect the author's estimates derived from IPUMS CPS ASEC data. Where applicable, CPS data were weighted with the COVID weights (ASECWTCVD in IPUMS) developed by the Census Bureau to compensate for higher non-response rates among lower-income households during the pandemic for the 2019, 2020, and 2021 survey years.

Retirement plan participation

Workers were considered to participate in a workplace retirement plan if they reported directly that they participate in a retirement plan at the longest job they held during the reference year in the CPS ASEC. In addition, to compensate for known problems with underreporting in response to the CPS ASEC survey question about workplace retirement benefit coverage, we also included workers who reported receiving dividend or interest income from a qualified retirement plan. This method is less precise than the one developed by Sabelhaus (2020) using CPS and IRS Statistics of Income, but is sufficient for the purposes of comparing retirement plan coverage by sector.

Applied nationally, the above method matched the private sector benchmark (51% private sector participation rate in 2019 per National Compensation Survey), but fell significantly short of the 83% state and local benchmark. This is likely because most public employees are covered by a DB pension as the sole or primary retirement plan, while the retirement plan coverage estimation method described above uses supplemental variables related to DC and IRA accounts, but none related specifically to DB pensions. In order to partially offset this bias, private sector employees who reported receiving interest income from a plan consistent with their sector, and public employees who reported interest income from any kind of qualified retirement plan, were added to the retirement plan participant count. The national estimate for state and local government employees after this adjustment still fell 4 percentage points short of the NCS benchmark; thus, this brief underestimates the extent of public sector retirement plan participation.

Pension income

Starting with the 2019 survey data release, IPUMS CPS ASEC included new retirement income variables, including INCPENS for the total amount of pension income. For previous years, we used relevant income amount and source variables to calculate retirement, disability, and survivor benefits from union, company, federal, military, state and local government, and railroad retirement pension funds. All dollar amounts were adjusted to 2020 values using the CPI99 variable and associated annual deflators provided by IPUMS.

Endnotes

1 According to the author's analysis of the Federal Reserve's Survey of Consumer Finances, U.S. households had $46.1 trillion in financial assets and $16.6 trillion in 401(k)-type retirement accounts and IRAs in 2019. Adding the Federal Reserve's estimate of $16.1 trillion in defined-benefit pension wealth, the financial asset total is $52 trillion and the retirement asset total is $32.7 trillion.

2 Lindsay Jacobs, Elizabeth Llanes, Kevin Moore, Jeffrey Thompson, and Alice Henriques Volz, "Wealth Concentration in the United States Using an Expanded Measure of Net Worth," Federal Reserve Bank of Boston Working Paper No. 21-6, April 2021, https://doi.org/10.29412/res.wp.2021.06; John Sabelhaus and Alice Henriques Volz, "Are Disappearing Employer Pensions Contributing to Rising Wealth Inequality?" FEDS Notes, Board of Governors of the Federal Reserve System, February 1, 2019.

3 Frank Porell and Beth Almeida, "The Pension Factor: Assessing the Role of Defined Benefit Plans in Reducing Elder Hardships," National Institute on Retirement Security, July 2009, p. 9, https://www.nirsonline.org/reports/the-pension-factor-assessing-the-role-of-defined-benefit-plans-in-reducing-elder-hardships/.

4 U.S. Census Bureau American Community Survey data obtained from IPUMS USA University of Minnesota, www.ipums.org; U.S. Bureau of Labor Statistics Current Population Survey/Annual Social and Economic Supplement data obtained from IPUMS-CPS, University of Minnesota, https://cps.ipums.org/cps/.

5 Author's analysis of IPUMS ACS 2020 5-year sample.

6 Steven Ruggles, Sarah Flood, Ronald Goeken, Megan Schouweiler and Matthew Sobek, IPUMS USA: Version 12.0 [dataset], Minneapolis, MN: IPUMS, 2022, https://doi.org/10.18128/D010.V12.0.

7 U.S. Bureau of Labor Statistics National Compensation Survey/Employee Benefits Survey, March 2022.

8 CalSTRS, "Annual Comprehensive Financial Report – For Fiscal Year Ended June 30, 2021," https://www.calstrs.com/files/b43a53a11/acfr2021.pdf; CalPERS, "2021 Annual Review of Funding Levels and Risks," p. 23, https://www.calpers.ca.gov/docs/forms-publications/annual-review-funding-2020.pdf.

9 State level active membership total compiled by author from State Association of County Retirement Systems (SACRS), https://sacrs.org/Systems.

10 The SECURE Act of 2020 and SECURE 2.0 provisions in the December 2022 federal omnibus spending bill successively loosened eligibility criteria for eligibility rules for employer sponsored retirement plans in order to include more part-time workers and workers with shorter job tenure. See https://www.govinfo.gov/content/pkg/PLAW-116publ94/html/PLAW-116publ94.htm; and https://www.jdsupra.com/legalnews/secure-2-0-act-of-2022-as-enacted-5325428/.

11 For a California head of household earning $150,000 a year, combined federal and state tax benefits represent a 40% subsidy for 401(k) contributions.

12 Nari Rhee, "How Defined Benefit Pensions Support a Quality Public Sector Workforce in Marin County," Marin Pension Brief Series #1, UC Berkeley Center for Labor Research and Education, October 2021, https://laborcenter.berkeley.edu/marin-pension-brief-no-1/.

13 Dan Doonan and William B. Fornia, "A Better Bang for the Buck 3.0," National Institute on Retirement Security, January 2022, https://www.nirsonline.org/reports/betterbang3/.

14 According to Bureau of Labor Statistics data for March 2019, 65% of private industry savings and thrift plan (e.g., 401(k)) participants were in plans with employer matching contribution policies, and half of these workers vast majority of employees were in plans with matching employer contributions on no more than 6% of employee contributions. See Table 32 and Table 33 in "National Compensation Survey: Retirement Plan Provisions in Private Industry in the United States, 2019," U.S. Bureau of Labor Statistics, April 2020, https://www.bls.gov/ebs/publications/pdf/bulletin-2792-april-2020-retirement-plan-provisions-for-private-industry-workers-in-the-united-states-2019.pdf.

15 Employee Benefit Research Institute, Workplace Retirement Plans: By the Numbers, January 19, 2023.

16 The remaining public pension benefits are primarily from federal government and military pensions.

17 The median Social Security claiming of age of 65 in 2021 can be inferred from Figure 2 on p. 8 of Congressional Research Service, "The Social Security Retirement Age," Congressional Research Service Report No. R44670, July 2022, https://crsreports.congress.gov/product/pdf/R/R44670.

18 Michael Madowitz, Anne Price, and Christian E. Weller, "Public Work Provides Economic Security for Black Families and Communities," Center for American Progress, October 23, 2020, https://www.americanprogress.org/article/public-work-provides-economic-security-black-families-communities/; Cherrie Bucknor, "Black Workers, Unions, and Inequality," Center for Economic and Policy Research, August 2016, https://cepr.net/images/stories/reports/black-workers-unions-2016-08.pdf.

19 The Elder Index™ [Public Dataset], Gerontology Institute, University of Massachusetts Boston, 2021, https://elderindex.org/. Actual benchmarks are by county; statewide thresholds are weighted averages.

20 Jacobs et al., op cit.; Sabelhaus and Volz, op cit.

21 National household wealth data from the Survey of Consumer Finances indicates a high degree of inequality between white households on the one hand Black and Latino households on the other. See Monique Morrissey, Siavash Radpour, and Barbara Schuster, "The Older Workers and Retirement Chartbook," November 9, 2022 (updated February 9, 2023), https://www.epi.org/publication/older-workers-retirement-chartbook/

22 Rhee, 2021, op cit.

23 National Institute on Retirement Security, "California: Key Findings – Pensionomics 2021: Measuring the Economic Impact of DB Pension Expenditures," 2021, https://www.nirsonline.org/reports/pensionomics21/.

24 "Economic Impacts of Benefit Payments," CalPERS, https://www.calpers.ca.gov/page/about/organization/facts-at-a-glance/economic-impacts-ca, accessed October 15, 2021. For methodology see "Economic Impacts of CalPERS Pensions in California, FY 2019-20," CalPERS, https://www.calpers.ca.gov/page/about/organization/facts-at-a-glance/economic-impacts-pensions-california.

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