

2021 Advisory Council on Employee Welfare and Pension Benefit Plans

Gaps in Retirement Savings Based on Race, Ethnicity and Gender

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In 1974, Congress declared that the “well-being and security of millions of employees and their dependents are directly affected by these [employee benefit] plans.”¹ ERISA has been effective in protecting accrued pension benefits, but the statute left retirement plan coverage and benefit levels to private agreement. The portion of the U.S. labor force actively participating in a private retirement plan has stagnated at about 50 percent, and many Americans do not accumulate sufficient resources to support a dignified retirement.

Building retirement savings today differs greatly from the situation workers faced in 1974. Changes in the nature of employment, shifts in benefit offerings, disparities in access to technology, and wage inequality have created an environment that makes retirement saving difficult for many. Employer-sponsored retirement plans have largely moved away from traditional pensions (defined benefit plans) to defined contribution programs, and to 401(k) plans in particular. Those plans offer individuals opportunity to build a nest egg for retirement, and provide some incentive to do so, but they leave much of the burden of financing retirement on the individual, along with responsibility for making wise saving and investment choices. To accumulate sufficient retirement resources under defined contribution plans, including 401(k) plans, participants must contribute consistently throughout their working years. Therefore, prolonged inability to save or inaction (whether due to lack of access to a plan, pay levels, communication failures, or other factors) can have a profound adverse effect. In addition, individuals whose compensation or career opportunities have been impacted by racism, sexism, or implicit bias may face acute disadvantage in amassing adequate retirement support. Data show that people of color, ethnic minorities, and women often find themselves with lower retirement savings compared to other workers in the same occupation.

The Council will examine the extent of and underlying causes for gaps in retirement security experienced by people of color, ethnic minorities, and women. The Council will consider the challenges these groups face achieving retirement security, and what actions might be taken to improve their situation. In this effort the Council expects to hear from academics, researchers, communication experts, government organizations, employers, labor organizations, advocacy groups and other interested parties. The Council plans to formulate specific recommendations that the Department of Labor could follow to reduce these gaps in retirement savings.

¹ ERISA § 2(a), 29 USC § 1001(a).