



Gaps in Retirement Savings Based on Race, Ethnicity and Gender

U.S. Department of Labor's Advisory Council on Employee Welfare and Pension Benefit Plans (ERISA Advisory Council)

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Main causes of gaps in retirement savings*:

1) From employment:

- Number of years of employment;
- Intensity/duration of daily employment;
- Typology of employment contract;
- Employees' remuneration and career (and potential discrimination);
- Educational background/financial literacy;
- Sector/industry of work;
- Rules/habits concerning the social protection in some professions

As retirement savings are mainly –if not exclusively- based on employment, these variables represent the main, inherent cause of retirement gaps

* Source: Advice on practices to reduce the gender gap in pension, from EIOPA's OCCUPATIONAL PENSIONS STAKEHOLDER GROUP, 24 June 2020 EIOPA-OPSG – 19-16

Main causes of gaps in retirement savings*:

2) From pension/retirement systems:

- Career breaks' compensations and/or insurance solutions;
- Retirement savings' redistribution;
- Capability to address loss of purchasing power over the years (ex: indexation);
- Differences in retirement age and actuarial calculation of pension benefits (annuitisation)
- Differentiated compensation level in workplace retirement plans (case of non-contributory periods);
- Treatment of spouses/survivors;

The fundamental question of pension coverage might be addressed by reforming some aspects of the employment arrangements, and/or by acting on the regulation on the retirement system itself.

* Source: Advice on practices to reduce the gender gap in pension, from EIOPA's OCCUPATIONAL PENSIONS STAKEHOLDER GROUP, 24 June 2020 EIOPA-OPSG – 19-16

Possible remedies applicable to retirement systems (*but not sufficient if the employment gaps will be not solved as well*):

- Increase the coverage/access to retirement plans to weak/low income persons (through compulsion or incentives for employees and/or employers; auto-enrolment; enlarging scope of sectors; relax eligibility criteria for pension plans);
- Favour a regular and higher payment of contributions into pension plans (allow additional contributions from spouses; subsidies for maternity and caretaking);
- Better accommodate the pension systems to career patterns (ex. flexible contributions; portability of pension plans; lower administrative fees for small pension pots);
- Improve investment returns for low-income people (overcome risk aversion; behavioural bias; education on importance of pension accumulation over the years);

* *Source: Advice on practices to reduce the gender gap in pension, from EIOPA's OCCUPATIONAL PENSIONS STAKEHOLDER GROUP, 24 June 2020 EIOPA-OPSG – 19-16 and Towards Improved Retirement Savings Outcomes for Women, OECD paper of 10 March 2021*

Possible remedies applicable to retirement systems (*but not sufficient if the employment gaps will be not solved as well*):

- Transfer of pension entitlements between partners in a household (split retirement benefits of the spouse/split of benefits upon divorce);
- Actuarial elements (ex: unisex mortality tables; equalize retirement age between genders; subsidies to compensate women for higher life expectations);
- Survivors' pensions (compulsory or as a default option; death insurance);
- Pension entitlements during parental leave (notional contributions; risk-sharing plans; employers or government contributions);
- Other initiatives (family allowances or extension of retirement plans to spouses or civil partners of self-employed persons);

* *Source: Advice on practices to reduce the gender gap in pension, from EIOPA's OCCUPATIONAL PENSIONS STAKEHOLDER GROUP, 24 June 2020 EIOPA-OPSG – 19-16 Towards Improved Retirement Savings Outcomes for Women, OECD paper of 10 March 2021*

THANK YOU FOR YOUR ATTENTION!

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