

Research Study
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A GENDER LENS ON PUBLIC-SECTOR DC SAVINGS BEHAVIORS

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SUMMARY

In this brief, the public-sector plan participant savings behaviors are analyzed by gender. Specifically, balances, contributions, and asset allocation by participants' gender are studied. One of the key findings is that men have larger account balances relative to women across all age groups. On average, women in their 30s hold \$0.69 for every \$1 that similarly aged men have in their accounts.

These differences are driven in part by two key forces:

- Men contribute more than women to their retirement accounts, both in terms of dollar contributions and as a percentage of salary.
 - The median dollar contribution for women in their 30s is \$1,686 whereas the median contribution for similarly aged men is \$2,391.
 - When considered as a percentage of salary, the median contribution rate (dollar contributions divided by salary) is similar for women and men in their 20s, at 2.2 percent and 2.1 percent for women and men, respectively. However, the gender gap between contribution rates widens with age. The median contribution rate for women in their 30s is 3.1 percent and the rate for similarly aged men is 3.6 percent. For participants in their 50s, the median contribution rate for women is 4.1 percent vs. 5.4 percent for men.
- Men take on greater equity risk in their retirement portfolios, having a higher allocation to equity funds relative to women across all age groups.
 - Men in their 40s have an average of 51 percent of their accounts allocated to equity funds, whereas women have an average allocation to equity funds of 37 percent.

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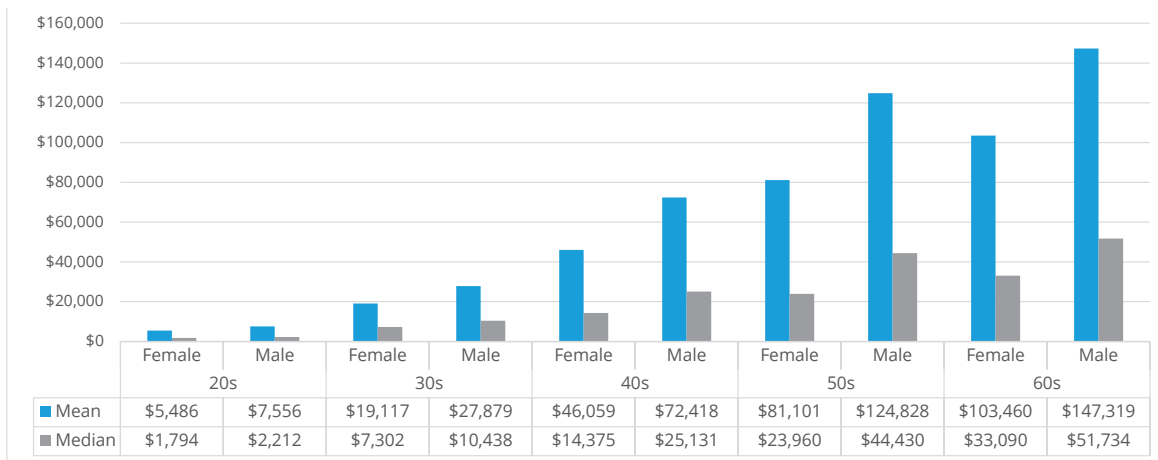
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ACCOUNT BALANCE

Many discussions have focused on differences in wage compensation between men and women, typically finding that men receive higher wages than women. Figure 1 shows that this difference is partially reflected in higher account balances for men relative to women across all age groups. For example, on average, for every dollar that men in their 30s have in retirement account balances, women have 69 cents.¹ A comparison of median account balances for women (\$7,302) relative to men (\$10,438) yields a ratio of 0.70. The fact that this gender gap is also present in a comparison of median account balances suggests the gender differences in retirement account balances are not driven entirely by a small number of individuals with abnormally large account balances. Figure 1 shows that this gender gap is at its greatest for younger employees but increases again for men and women in their 60s.

Figure 1
Mean and Median Account Balance by Age and Gender



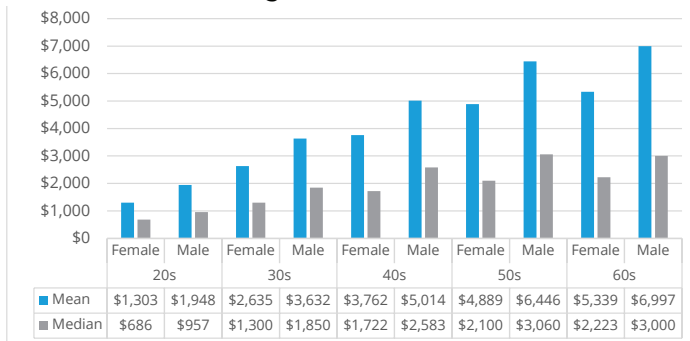
CONTRIBUTIONS

The differences in account balances between men and women appear to be at least partially the result of the differences in contributions between the two groups. Figure 2 shows mean and median employee dollar contributions for men vs. women across age groups, and Figure 3 compares total (employee plus employer) dollar contributions. The two figures demonstrate that men contribute more than women to their defined contribution (DC) retirement accounts across all age groups. For example, the mean total contribution for men in their 40s is \$5,635, whereas the mean total contribution for women of the same age is \$4,358. This gap is similarly sized for women and men closer to retirement; the mean total contribution for men in their 60s is \$7,194 vs. \$5,611 for women in their 60s.

The differences in dollar contributions may in part be driven by differences in salaries paid to men vs. women. To examine this, Figures 4 and 5 standardize contributions by salary and show the mean and median employee contribution rates (i.e., employee dollar contributions divided by employee salary).² The two figures show that men contribute a higher percentage of their salaries relative to women for all but the youngest employees. The median total contribution rate for women in their 20s is 2.2 percent, whereas the analogous rate for men is 2.1 percent. However, the median total contribution rate for men is larger than the median total contribution rate for women by 0.5 to 1.3 percentage points for older employees. While these differences in savings rates may be small, it is important to keep in mind that these contribution rates represent only a single year, meaning they are compounded over the course of the working career to determine participants' account balances at retirement age.

Figure 2

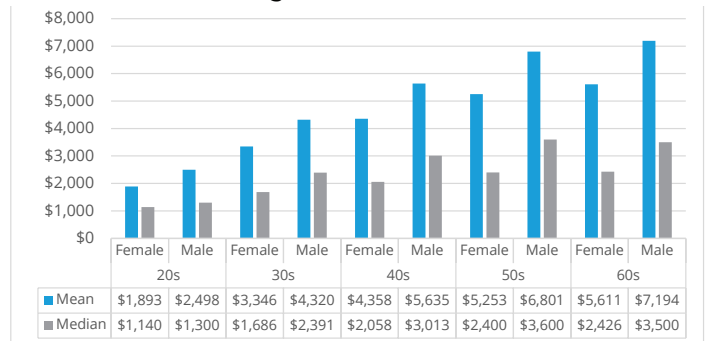
Mean and Median Employee Contributions by Age and Gender



Note: Excludes participants who did not make a contribution in 2021.

Figure 3

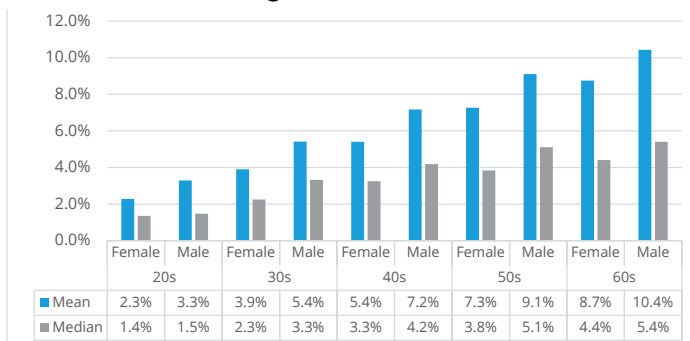
Mean and Median Total Contributions by Age and Gender



Note: Excludes participants who did not make a contribution in 2021.

Figure 4

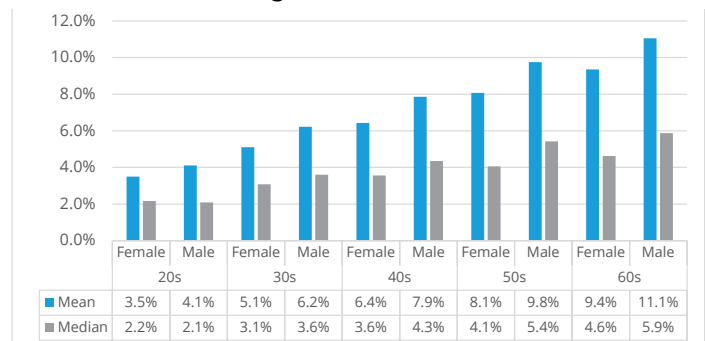
Mean and Median Employee Contribution Rate by Age and Gender



Note: Excludes participants who did not make a contribution in 2021 and those with salaries <\$10,000.

Figure 5

Mean and Median Total Contribution Rate by Age and Gender



Note: Excludes participants who did not make a contribution in 2021 and those with salaries <\$10,000.

ASSET ALLOCATION

Differences in average balances between men and women may also be driven by investment decisions in addition to the differences in the level of contributions to DC accounts. Figures 6–9 show the average asset-weighted allocations to equity, bond, stable-value, and target-date funds by gender and age group.

The biggest differences between men and women in terms of their asset allocation are shown in Figures 6 and 9. Men have a larger allocation to equity funds than women across all age groups, whereas women (younger women in particular) have a larger allocation to target-date funds (TDFs). Given the typically greater returns to equity funds relative to target-date funds (which have an allocation to equity funds that decreases with age), the results in Figures 6 and 9 suggest that larger balances among older men relative to older women partially reflect differences in asset allocation as well as differences in contribution behavior. However, TDFs are almost 100 percent allocated to equities for those in their 20s, when the difference is the largest between men and women in equities and TDFs, which could offset each other. This suggests that persistent differences in equity allocations in excess of the difference in target-date fund allocations as employees get older are a larger driver of gender gaps in account balances.³ This finding is consistent with previous research (also using the Public Retirement Research Lab [PRRL] Database) studying gender differences in asset allocation among public-sector employees.⁴

Figure 6

Asset-Weighted Allocations to Equity by Age and Gender

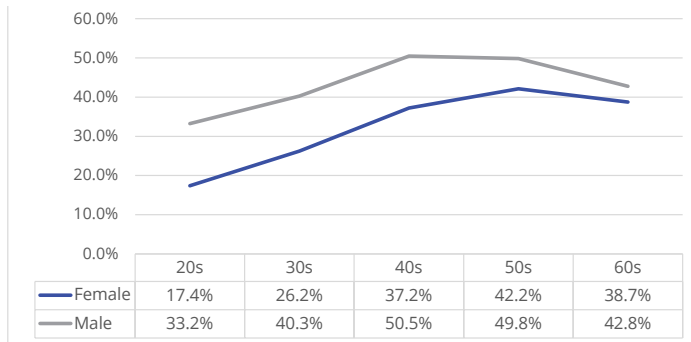


Figure 7

Asset-Weighted Allocations to Bonds by Age and Gender

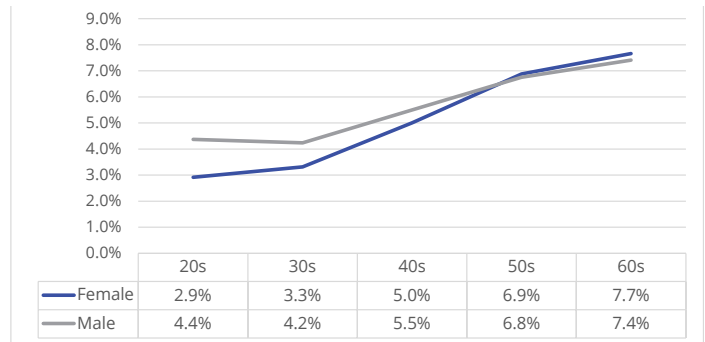


Figure 8

Asset-Weighted Allocations to Money and Stable Value by Age and Gender

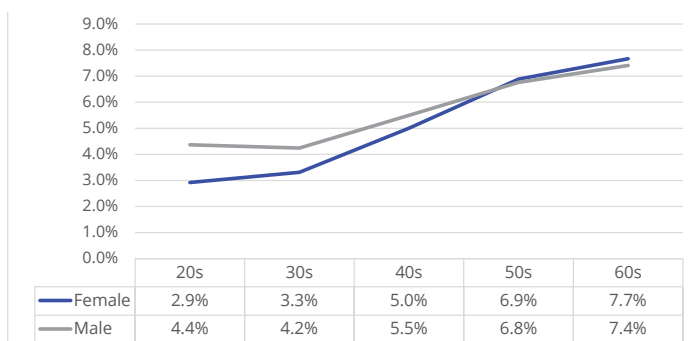
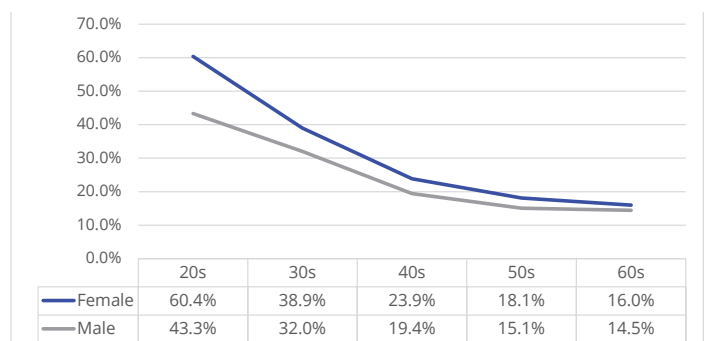


Figure 9

Asset-Weighted Allocations to Target-Date Funds by Age and Gender



CONCLUSION

This report examines the gender gap in retirement savings for public-sector employees. Across all age groups, the account balances for women are lower than those of men. These differences are driven in part by higher savings rates by men relative to women, as well as men taking on greater equity risk in their retirement accounts. Further research is needed to understand the drivers of the observed gender gap in retirement savings and its implications for the retirement readiness of public-sector workers.

ABOUT PRRL

The Public Retirement Research Lab is a retirement-industry-sponsored collaborative effort of the Employee Benefit Research Institute (EBRI) and the National Association of Government Defined Contribution Administrators (NAGDCA). The PRRL analyzes data from its Public Retirement Research Database, the first-ever database specific to public-sector defined contribution data, to produce unbiased, actionable research aimed at enhancing understanding of the design and utilization of public-sector defined contribution retirement plans to better inform public plan design, management, innovation, and legislation. To learn more, visit www.prml.org.

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ENDNOTES

- 1 The mean account balance for men in their 30s is \$27,879, and the mean account balance for women in their 30s is \$19,117; the ratio of these two balances is 0.69.
- 2 Salary information is not available for all participants in the PRRL database. In this study, salary information is only available for approximately 1,000,000 participants (39% of the sample). Accordingly, Figures 4 and 5 are based on this subsample of participants.
- 3 To clarify, target-date funds are an investment vehicle for which allocation to equities declines over time, with an initial allocation to equities that may be as high as 100 percent. Therefore, a 20-year-old man with a 100 percent allocation to an equity fund and a 20-year-old woman with a 100 percent allocation to a target-date fund likely have a very similar underlying exposure to stocks. However, in 10 years, the same two hypothetical individuals would have different exposures to stocks (assuming neither individual rebalances their portfolio) as the target-date fund lowers its allocation to equities along its glide path.
- 4 See Jack VanDerhei. "A Deeper Look at Asset Allocation: Plan Structure and Demography the Key to Effective Plan Design." PRRL Research Study, no. 3, (May 2021), available at https://www.ebri.org/docs/default-source/prrl/research-studies/03-rs_assetallocation_20may2021.pdf.