Written Statement

for the

U.S. Senate Special Committee on Aging

Hearing on

Bridging the Gender Gap: Eliminating Retirement Income Disparity for Women

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"Gender Disparities in Retirement Security"

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Introduction

Although the Social Security retirement benefit program was put in place more than seven decades ago and the Employee Retirement Income Security Act (ERISA) was enacted more than three decades ago, it appears there will still be substantial numbers of future retirees who will struggle with retirement security. One recent study by the Employee Benefit Research Institute (EBRI)[1] found that American retirees will have at least $45 billion less in retirement income in 2030 than what they will need to cover basic expenditures and any expense associated with an episode of care in a nursing home or from a home health care provider. The aggregate deficit in retiree income during the decade ending 2030 will be at least $400 billion.

While these numbers are troubling in aggregate, drilling down to see what the potential consequences of today's programs might be for certain segments of the retiree population in the future, especially single females, shows that achieving retirement security on a nearly universal basis will be a particularly daunting challenge.

This testimony begins by summarizing the sources of current retiree income, including Social Security and employment-based retirement plans, and then reviewing the current literature with respect to gender disparities in the percentage of workers with an employment-based retirement plan, the participation rates of those eligible to participate in a plan, and the contribution levels for those who have a plan allowing a contribution. The impact of the continuing evolution from defined benefit (pension) to defined contribution (401(k)-type) plans among private plan sponsors on future retirees' sources of income is demonstrated. This evolution transfers longevity risk to future retirees— and may have a disproportionate impact on women.

The last section of the testimony ties all of this together by showing the results of a simulation model that projects whether individuals will have sufficient money in retirement to pay for basic expenses plus the potential costs of long-term health care costs not typically covered by health insurance. The additional amounts needed to be saved to provide a specified level of retirement security are generated to show the values needed by birth cohorts, income quartiles, and gender.

Overview of Gender Disparities in Current Retiree Income Sources

Social Security

Based on numbers published by the Social Security Administration,[2] at the end of 2003, women's average monthly Social Security retirement benefit was $798, compared with $1,039 for their male counterparts. Given the gender-neutral calculation of retirement benefits[3] under Social Security, this disparity is largely due to the differences in average earnings prior to retirement[4] and the number of years the individual worked prior to receiving benefits. However, the current calculation method used for most workers provides that the full disparity between earnings and number of years worked prior to retirement is mitigated to a certain extent:

- The value of the worker's career earnings used to calculate the monthly benefits for most workers ignores any earnings greater than the maximum taxable wage base in that year. For example, in 2006 any earnings greater than $94,200 would be not be subject to Social Security payroll tax and thus would not be used in calculating the Social Security benefits for the individual.
- The value of the worker's career earnings used to calculate the monthly benefits for most workers only uses the 35 highest indexed values. This may be useful to mitigating the gender gap that otherwise would exist in two ways. First, the amount of earnings (below the maximum taxable wage base) is indexed for the increase in average national wages between the time of the earnings and the time the individual reaches age 60. As a result, if a worker leaves the work force early (perhaps to take care of children or an aged parent), the previous earnings will not be artificially lowered due to overall wage growth in the country. Secondly, the calculation process typically allows several years of low (or zero) wage years to be

ignored. For example, an individual entering the work force at age 21 and retiring at 65 could have left the work force for as many as nine full years without being penalized with respect to this calculation.

- The formula used to convert the workers' average indexed earnings to a monthly retirement benefit is heavily skewed toward lower-income workers. For example, if 2006 is the year in which the worker is first eligible for benefits, his or her initial monthly benefit at normal retirement age would be equal to the sum of:
  - 90 percent of the first $656 of average indexed monthly earnings, plus
  - 32 percent of the next $3,299 of average indexed monthly earnings, plus
  - 15 percent of any average indexed monthly earnings in excess of $3,955.
- In addition to retirement benefits based directly on one's own working history, an additional benefit may be available equal to 50 percent of the spouse's benefit less the benefit the worker would have been entitled to based on his or her own earnings.

Social Security plays a much larger role in total income for unmarried women over age 62 than for their male counterparts. Based on EBRI estimates from the March 2005 Current Population Survey (CPS), Social Security represents an average of 65.5 percent of total income for unmarried females over age 62 but only 56.1 percent for unmarried males over age 62. As seen in Figure 1, this is largely a function of income—when results are reported by income quartile, these differences decrease significantly. For individuals in the first (lowest) income quartile (total income of $9,199 or less), Social Security represents an average of 79 percent of total income for women versus 75 percent for men. This number decreases significantly for both genders in the fourth (highest) quartile (total income of $61,398 or more): Social Security represents an average of 26.8 percent of total income for males and 27.6 percent for females.

Private Pensions

Based on EBRI estimates from the March 2005 CPS, 34.6 percent of those age 65 or older had pension income in 2004.[5] The mean amount was $13,951 and the median was $9,600. Among males 44.7 percent had pension income, as opposed to 27.0 percent for females. The mean amount for males was $17,175 while females averaged only $10,035. There was an even larger disparity in the median amounts: $12,012 for males and $6,600 for females.

Gender Disparities in Retirement Program Participation Among Current Workers

Although there is a substantial amount of gender disparity among those already age 65 with respect to receiving pension income, it appears this disparity will decrease sharply and for some worker types will actually reverse. As a case in point, Copeland[6] analyzes 2004 employment-based participation levels from the March 2005 CPS and finds that among the 152.7 million Americans who worked in 2004, 81.2 million worked for an employer or union that sponsored a pension or retirement plan, and 63.9 million participated in the plan. This translates into a sponsorship rate (the percentage of workers working for an employer or union that sponsored a plan) of 53.2 percent (52.3 percent for males and 54.2 percent for females) and a participation level (fraction of the workforce who participates in a plan regardless of eligibility) of 41.9 percent (42.5 percent for males and 41.2 percent for females). However, this measure of the work force contains the unincorporated self-employed and those typically with a looser connection to the work force—individuals under age 21 and older than age 64. Therefore, a different measure of the work force is examined: wage and salary workers ages 21–64, representing individuals who have a stronger connection to the work force and work for someone else. For this group, the sponsorship rate increases to 59.5 percent (59.0 percent for males and 60.1 percent for females) and

the portion participating increases to 48.3 percent (49.4 percent for males and 47.2 percent for females). When separating these wage and salary workers into the public and private sectors, the percentages participating differ significantly. Slightly less than 76 percent (79.9 percent for males and 72.8 percent for females) of the public-sector workers participated in an employment-based retirement plan, compared with 43.0 percent (44.7 percent for males and 41.0 percent for females) of the private-sector workers.

A more restrictive definition of the work force, which more closely resembles the types of workers who generally must be covered by ERISA for a retirement plan offered by a private-sector employer or union, is the work force of full-time, full-year wage and salary workers ages 21–64. Approximately 57 percent (55.4 percent for males and 58.2 percent for females) of these workers participated in a retirement plan.

These gaps were significantly larger in the late 1980s. For example, in 1987, 40.7 percent of female wage and salary workers ages 21-64 participated in an employment-based retirement plan compared with 51.0 percent for males. The gap decreased from just over 10 percentage points to under 4 percentage points. Furthermore, while all female wage and salary workers ages 21–64 were found to participate in a retirement plan at a lower level than males did, the percentage of full-time, full-year female workers who participated in a plan was higher than for males. In fact, across all of the worker status categories, females were more likely to participate in a retirement plan than males (Figure 2). Furthermore, when examining the participation by earnings level, the proportion of females participating in a plan was also higher than it was for males (Figure3). Consequently, it appears that females' lower probability of participation in the aggregate was a result of female workers' overall lower earnings and/or lower rates of full-time work in comparison with males (Figure 4).

Figure 5 shows the average employee contribution rate to salary reduction plans for nonagricultural wage and salary workers age 16 and over. On average, males contributed approximately 0.3 percentage points of compensation more than females in 1993. This difference decreased to approximately 0.1 percentage points of compensation in 1998 before increasing to 0.4 percentage points in 2003. It appears much of this differential is due to the propensity of those with larger incomes to contribute a larger percentage of compensation.

In a similar fashion, Copeland[7] shows the participation rate for salary reduction plans among those eligible is higher for males (84.3 percent) than females (79.1 percent). Again, these differences can be explained in large part by the gender income disparities.

Increasing Importance of Individual Account Plans for Future Retirement Income Security

The increasing importance of this shift from defined benefit to defined contribution retirement plans can be seen in Figures 6 and 7. Figure 6 provides the composition of estimated retirement wealth for males at Social Security normal retirement age, by birth cohort. Similar figures for females are provided in Figure 7. It is readily apparent from these graphs that both genders have an appreciable drop in the percentage of private retirement income that is attributable to defined benefit plans (other than cash balance). Females start with a slightly higher defined benefit concentration than men (49.7 percent vs. 39.0 percent for the 1936 cohort), and the difference remains fairly constant over time (37.2 percent vs. 26.4 percent for the 1964 cohort).

These results show a clear increase in the income retirees will receive that will have to be managed by the retiree. This makes the risk of longevity more central to retirees' expenditure decisions. Therefore, they will have to understand that life expectancies are merely averages, and that wide variation beyond the average is possible. Moreover, as the percentage of overall retirement income derived from defined benefit plans decreases, females desiring longevity insurance in the form of an annuity will face the disadvantage of having to purchase products priced using gender-distinct mortality tables instead of the implicit gender-neutral nature of the defined benefit annuity structure. Given the longer life

expectancies for females at retirement age, this can amount to an appreciable decrease in retirement income. [8]

Retirement Income Adequacy

While the previous material documented the component parts of the accumulation process, the real question from a public policy perspective may be whether current and future retirees will be able to afford an adequate standard of living in retirement. Significant work has been done by EBRI and others to evaluate how much workers will need in order to have the same after-tax and after-savings amount for consumption in retirement that they enjoyed prior to retirement.[9] Although this may be desirable from the standpoint of financial planning, it sets a goal that may be unrealistically high for many segments of the population. Another standard is used in this analysis to assess the current state of the retirement system.

Instead of attempting to determine what percentage of the population will be able to attain a specified replacement ratio,[10] this analysis attempts to model what percentage of retirees will have sufficient retirement wealth to pay for a basket of non-luxury goods in retirement for the remainder of their simulated life-paths.[11] The expenditures used in the model for the elderly consist of two components—deterministic (unchanging) and stochastic (variable) expense assumptions. The deterministic expenses include those expenses that the elderly incur from a basic need or want of daily life, while the stochastic expenses in this model are exclusively health-event related—e.g., an admission to a nursing home or the commencement of an episode of home health care—that occur only for a portion, if ever, during retirement, not on an annual basis.

Deterministic Retirement Expense Assumptions

The deterministic expenses are broken down into seven categories—food, apparel and services (dry cleaning, haircuts), transportation, entertainment, reading and education, housing, and basic health expenditures. Each of these expenses is estimated for the elderly (age 65 or older) by family size (single or couple) and family income (less than $15,000, $15,000 to $29,999, and $30,000, or more in 2002 dollars) of the family/individual.

The estimates are derived from the 2000 Consumer Expenditure Survey (CES) conducted by the Bureau of Labor Statistics of the U.S. Department of Labor. The survey targets the total noninstitutionalized population (urban and rural) of the United States and is the basic source of data for revising the items and weights in the market basket of consumer purchases to be priced for the Consumer Price Index. CES data provide detailed data on expenditures and income of consumers, as well as the demographic characteristics of those consumers. The survey does not provide state estimates, but it does provide regional estimates. Thus, the estimates are broken down into four regions—Northeast, Midwest, South, and West—to account for the differences in the cost of living across various parts of the country.[12] Consequently, an expense value is calculated using actual experience of the elderly for each region, family size, and income level by averaging the observed expenses for the elderly within each category meeting the above criteria. The housing expenses are further broken down by whether the elderly own or rent their home. The basic health expenditure category has additional data needs beyond the CES.[13]

The total deterministic expenses for elderly individual or family are then the sum of the value in all the expense categories for family size, family income level, and region of the individual or family. These expenses make up the basic annual (recurring) expenses for the individual or family. However, if the individual or family meet the income and asset tests for Medicaid, Medicaid is assumed to cover the basic health care expenses (both parts), not those of the individual or family. Furthermore, Part B premium relief for the low-income elderly (not qualifying for Medicaid) is also incorporated.

Stochastic Retirement Expenditures

The second component of health expenditures is the result of simulated health events that would require long-term care in a nursing home or home-based setting for the elderly. Neither of these simulated types of care would be reimbursed by Medicare because they would be for custodial (not rehabilitative) care.

For determining whether an individual has these expenses, the following process is undertaken. An individual reaching the Social Security normal retirement age has a probability of being in one of four possible assumed "health" conditions, based on the estimates of the use of each type of care from the surveys above and mortality:

- Not receiving either home health or nursing home care.
- Home health care patient.
- Nursing home care patient.
- Death.

The individual is randomly assigned to each of these four categories with the likelihood of falling into one of the four categories based upon the estimated probabilities of each event. If the individual does not need long-term care, no stochastic expenses are incurred. Each year, the individual will again face these probabilities (the probabilities of being in the different conditions will change as the individual becomes older after reaching age 75 then again at age 85). This continues until death or the need for long-term care.

For those who have a resulting status of home health care or nursing home care, the duration of care is simulated. After the duration of care for a nursing home stay or episode of home health care, the individual will have a probability of being discharged to one of the other three conditions. The stochastic expenses incurred are then determined by the length of the stay/number of days of care times the per diem charge estimated for the nursing home care and home health care, respectively, in each region.

For any person without the need for long-term care, this process repeats annually. The process repeats for individuals receiving home health care or nursing home care at the end of their duration of stay/care and subsequently if not receiving the specialized care again at their next birthday. Those who are simulated to die, of course, are not further simulated.

As with the basic health care expenses, the qualification of Medicaid by income and asset levels is considered to see how much of the stochastic expenses must be covered by the individual to determine the individual's final expenditures for the care. Only those expenditures attributable to the individual—not the Medicaid program—are considered as expenses to the individual and as a result are included any of the "deficit" calculations.

Total Retirement Expenses

The elderly individual or families' expenses are then the sum of their assumed deterministic expenses based upon their demographic characteristics plus any simulated stochastic expenses that they may have incurred. In each subsequent year of life, the total expenditures are again calculated in this manner. The base year's expenditure value estimates excluding the health care expenses are adjusted annually using the assumed general inflation rate of 3.3 percent from the 2001 OASDI Trustees Report, while the health care expenses are adjusted annually using the 4.0 percent medical consumer price index that corresponds to the June 2002–June 2003 level.[14, 15]

Comparison of Retirement Income and Retirement Expenses

The primary objective of this analysis is to combine the simulated retirement *income and wealth* with the simulated retiree *expenditures* to determine how much each family unit would need to save today (as percentage of their current wages) to maintain a prespecified "comfort level" (i.e., confidence level) that they will be able to able to afford the simulated expenses for the remainder of the lifetime of the family unit (i.e., death of second spouse in a family). These savings rates are reported by age cohort and

gender. Six five-year birth cohorts are simulated. The oldest group was born in the period 1936 to 1940 inclusive (currently ages 66 to 70), while the youngest group was born in the period 1961 to 1965 (currently ages 41 to 45), inclusive. In addition, the relative income was reported by estimating lifetime income quartiles (from 2002 though retirement age) for each of the combinations of birth cohort and gender.

It is important to note that within each of the groups modeled there will undoubtedly be significant percentages in the zero category, as well as those at levels far higher than most individuals could possibly save. These situations are accounted for in two ways: First, medians are reported for each of the groups; in other words, the numbers presented in Figures 8 and 9 provide a number representing the estimate for the 75th or 90th percentile when ranked by percentage of compensation. Second, the reported values are limited to 25 percent of compensation under the assumption that few, if any, family units would be able to contribute in excess of this percentage on a continuous basis until retirement age.

It is also important to note that these percentages merely represent savings that need to be generated *in addition to* what retirement income and/or wealth is simulated by the model. Therefore, if the family unit is already generating savings for retirement *beyond what is included* in defined benefit or defined contribution plans, IRAs, Social Security and/or net housing equity, that value needs to be deducted from the estimated percentages.

After the retirement income and wealth was simulated for each family unit, 1,000 observations were simulated (from retirement age until death of the individual for single males and single females or the second person to die for families), and the present value of the aggregated deficits at retirement age were computed. At that point, the observations were rank-ordered in terms of the present value of the deficits, and the 75th and 90th percentiles of the distribution were determined. Next, the future simulated retirement income accumulated to retirement age was determined, and the information used to determine the percentage of compensation that would need to be saved to have sufficient additional income to offset the present value of accumulated deficits for the 75th and 90th percentiles of the distribution.

Results

Figure 8 shows the median percentage of compensation that must be saved each year until retirement for a 75 percent chance that there will be adequate retirement income when combined with simulated retirement wealth, assuming current Social Security benefits and that housing equity is never liquidated. For example, both genders in the first two income quartiles for the oldest birth cohort are at the 25 percent of compensation threshold. For those in the highest income quartile for this birth cohort, the percentages of additional annual compensation needed to be saved are 23.8 percent for singe females and 13.9 percent for single males.

Figure 9 shows the additional savings required to provide retirement adequacy in 9 out of 10 simulated life paths. In this case, all the medians for both genders in the first three income quartiles are at the threshold. Those in the highest income quartile for this birth cohort all have requirements that would prove difficult if not impossible to implement: Single females are estimated to now need to save more than 25 percent of compensation and single males 22.1 percent of compensation. Given that most individuals would be unlikely to choose a situation that would provide them with adequate retirement income only 50 percent of the time, this analysis focuses only on the 75 percent and 90 percent confidence levels.[16]

Endnotes

[1] Jack L. VanDerhei and Craig Copeland, , "Can America Afford Tomorrow's Retirees: Results From the EBRI-ERF Retirement Security Projection Model," *EBRI Issue Brief* no.263, November 2003.

[2] http://socialsecurity.gov/pressoffice/factsheets/women.htm, last accessed 3/9/2006.

[3] Social Security provides both survivorship and disability benefits in addition to retirement benefits. See www.ssa.gov for additional details.

[4] SSA states that the median earnings of full-time women workers in 2002 was $30,203 compared with $39,429 for men; however, they also note that this disparity has closed substantially in the past four decades during which period today's retirees would have generated their working histories necessary to calculate Social Security benefits.

[5] Private pensions include survivor, disability, and retirement income pensions from corporate or union sponsors. In addition, *regular* payments from individual retirement accounts (IRAs), Keoghs, and 401(k)-type accounts are included in private pensions. Public pensions include payments from survivor, disability, and retirement income pensions from federal, U.S. military, and state or local sponsors. Other pension income includes survivor payments from U.S. railroad retirement, workers' compensation, Black Lung, regular payments from estates, trusts, annuities, or life insurance, and other survivor payments; disability payments from U.S. railroad retirement, accidental or disability insurance, Black Lung, workers' compensation, state temporary sickness, and other disability payments; and retirement payments from U.S. railroad, regular payments from annuities or paid-up insurance policies, and other retirement payments. These three sources of pension income are combined to determine the percentage of those 65 or older with pension income.

[6] This analysis is based on the U.S. Census Bureau's March 2005 Current Population Survey (CPS) and appeared in Craig Copeland, "Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2004," *EBRI Issue Brief* ,(October 2005).

[7] Craig Copeland, "Retirement Plan Participation and Retirees' Perception of Their Standard of Living, EBRI Issue Brief, January 2006.

[8] Sheila Campbell and Alicia H. Munnell, "Sex and 401(K) Plans," *Just The Facts On Retirement Issues* (No. 4, May 2002), Center for Retirement Research at Boston College.

[9] See Jack L. VanDerhei, "Measuring Retirement Income Adequacy, Part One: Traditional Replacement Ratios and Results for Workers at Large Companies," *EBRI Notes* no. 9, September 2004.

[10] Replacement ratios typically attempt to provide an indication of the percentage of income earned just prior to retirement that will be replaced in retirement. This typically involves a numerator that combines annuity payments from Social Security and defined benefit plans with an annuitized amount from defined contribution and IRAs. The denominator will be based on an average of final earnings just prior to retirement age.

[11] Unlike many other models, the model used in this analysis does NOT merely assume that a retiree will survive to his or her average life expectancy. Unfortunately, results generated under these assumptions would provide the amount necessary to pay for retirement expenditures only approximately 50 percent of the time. Instead, this model considers the entire distribution of possible future lifetimes on a gender-specific basis and allows the concept of longevity risk to be explicitly modeled.

[12] The Northeast region includes the states of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, and Pennsylvania. The Midwest region includes the states of Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, and Kansas. The South region includes the states of Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Kentucky, Tennessee, Alabama, Mississippi, Arkansas, Louisiana, Oklahoma, and Texas; while the West region includes the states of Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, Nevada, Washington, Oregon, California, Alaska, and Hawaii.

[13] For more detail see Jack L. VanDerhei and Craig Copeland, "Can America Afford Tomorrow's Retirees: Results From the EBRI-ERF Retirement Security Projection Model," *EBRI Issue Brief* no.263, November 2003.

[14] The 2003 OASDI Trustees report subsequently reduced the assumed general inflation rate to 3.0 percent. The actuaries at the Center for Medicare & Medicaid Services developed a personal health care chain-type index that is a composite index of health care prices in the overall health care economy, which they predict will rise at a 3.5 percent level annually from 2004–2008 and 3.9 percent annually from 2009–2012.

[15] While the medical consumer price index only accounts for the increases in prices of the health care services, it does not account for the changes in the number and/or intensity of services obtained. Thus, with increased longevity, the rate of health care expenditure growth will be significantly higher than the 4.0 percent medical inflation rate, as has been the case in recent years.

[16] For additional detail on how these findings differ by assumptions for the use of housing equity to pay retirement expenses as well as alternative approaches to Social Security reform, see Jack L. VanDerhei and Craig Copeland, "Can America Afford Tomorrow's Retirees: Results From the EBRI-ERF Retirement Security Projection Model," *EBRI Issue Brief* no.263, November 2003.

Figure 1

Importance of Social Security for Unmarried Individuals Age 62 and Older, 2003

Gender Distribution of Total Income Quartiles

	Male	Female
1st (lowest) Income Quartile	21.6%	78.4%
2nd	22.2%	77.8%
3rd	24.8%	75.2%
4th (highest) Income Quartile	40.2%	59.8%

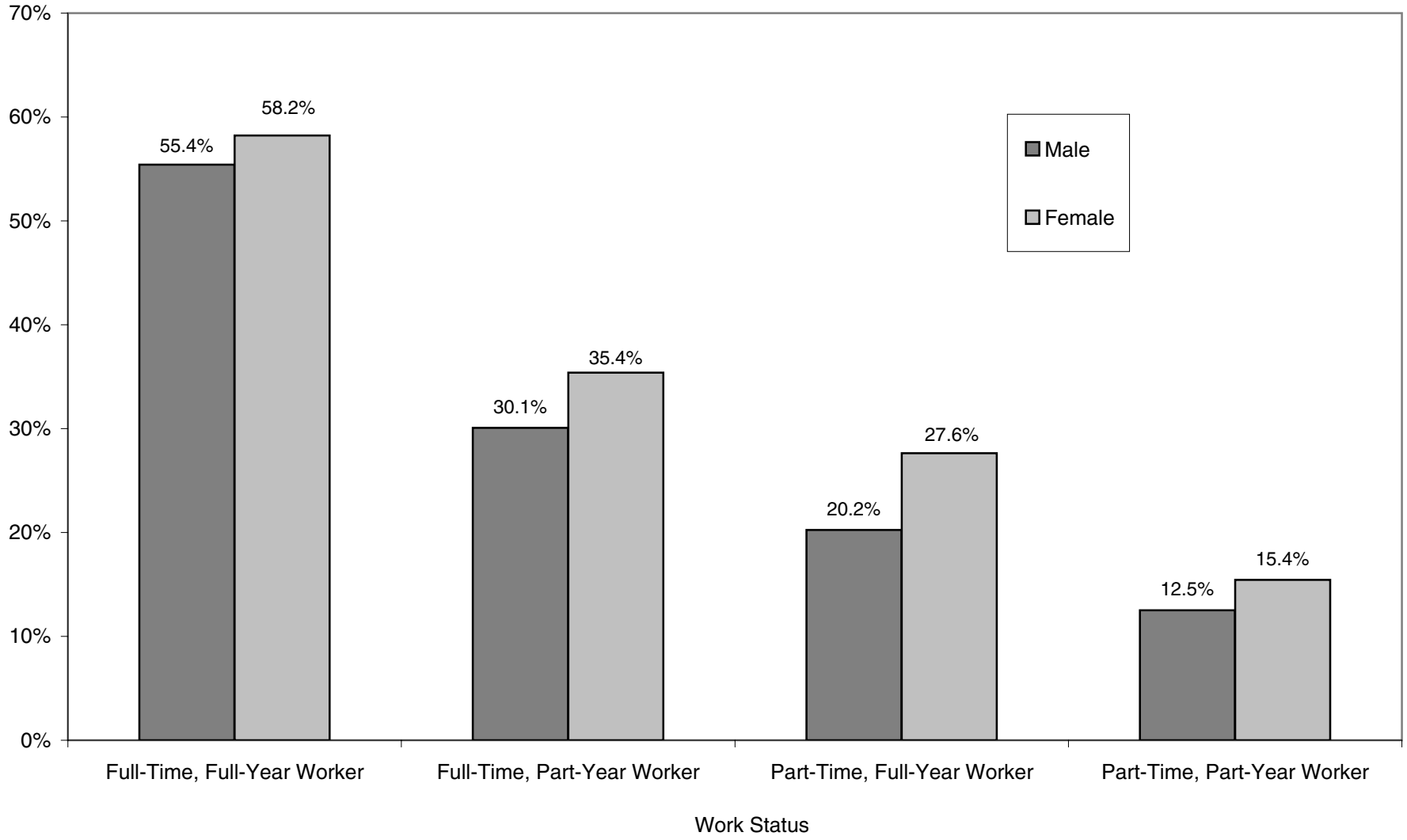
Percentage of Total Income Social Security Represents, by Total Income Quartiles

	Mean	5th	25th	Median	75th	95th
All						
Total	63.2%	0.0%	32.7%	72.6%	100.0%	100.0%
Male	56.1%	0.0%	22.5%	55.9%	99.2%	100.0%
Female	65.5%	0.0%	37.1%	79.0%	100.0%	100.0%
First Quartile						
Total	78.3%	0.0%	79.1%	100.0%	100.0%	100.0%
Male	75.4%	0.0%	57.4%	100.0%	100.0%	100.0%
Female	79.0%	0.0%	83.8%	99.9%	100.0%	100.0%
Second Quartile						
Total	86.8%	23.5%	83.9%	99.7%	100.0%	100.0%
Male	84.9%	0.0%	83.9%	99.9%	100.0%	100.0%
Female	87.3%	34.5%	83.8%	99.6%	100.0%	100.0%
Third Quartile						
Total	62.9%	0.0%	47.3%	65.8%	86.5%	100.0%
Male	64.0%	0.0%	49.2%	66.0%	91.2%	100.0%
Female	62.6%	0.0%	46.7%	65.7%	85.3%	100.0%
Fourth Quartile						
Total	27.3%	0.0%	4.7%	26.8%	42.8%	64.2%
Male	26.8%	0.0%	6.1%	25.8%	43.2%	62.0%
Female	27.6%	0.0%	3.1%	27.1%	42.6%	65.2%

Source: EBRI estimates from the March 2005 Current Population Survey.

Figure 2

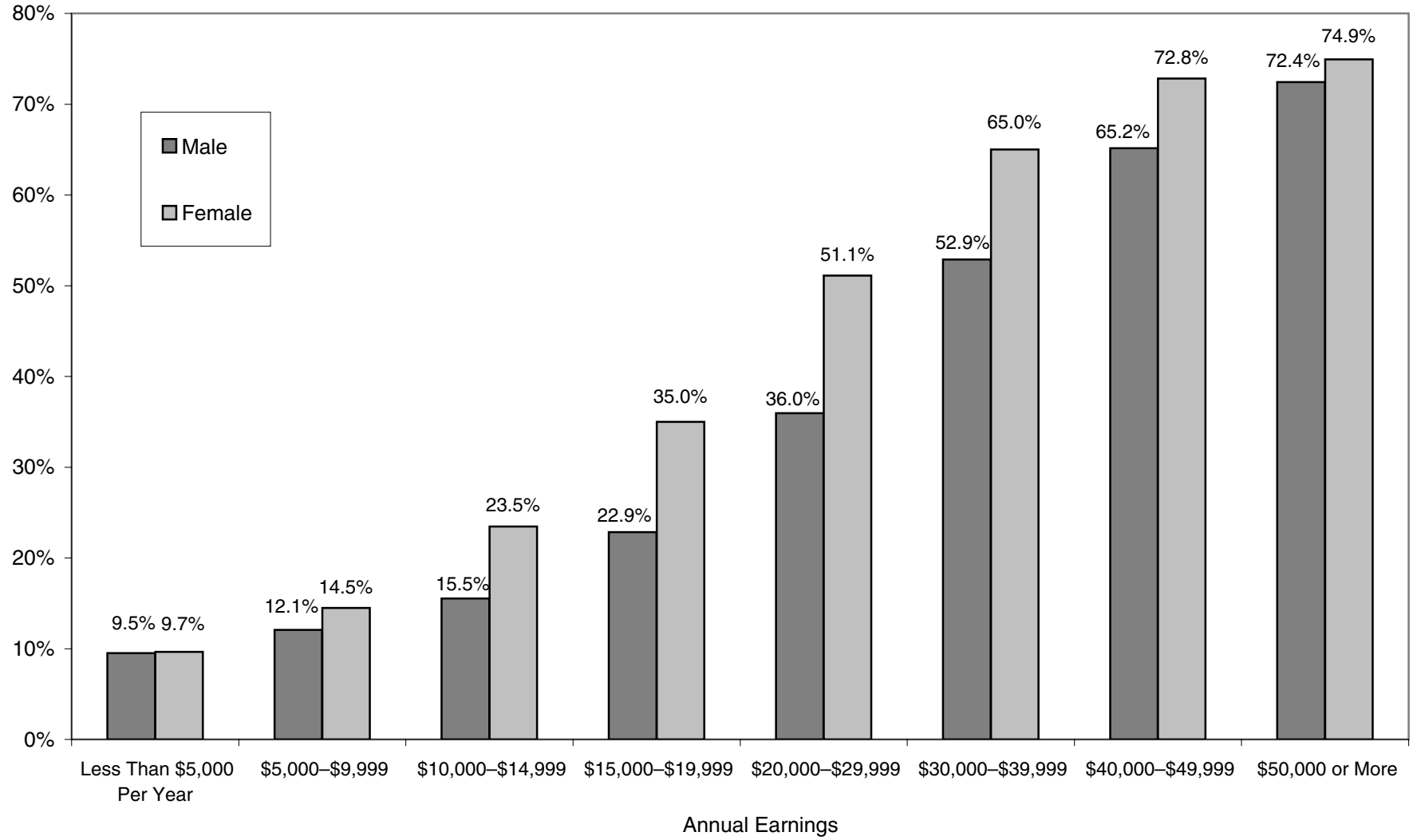
Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Work Status and Gender, 2004



Source: Employee Benefit Research Institute estimates from 2005 March Current Population Survey.

Figure 3

Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Annual Earnings and Gender, 2004



Source: Employee Benefit Research Institute estimates from 2005 March Current Population Survey.

Figure 4

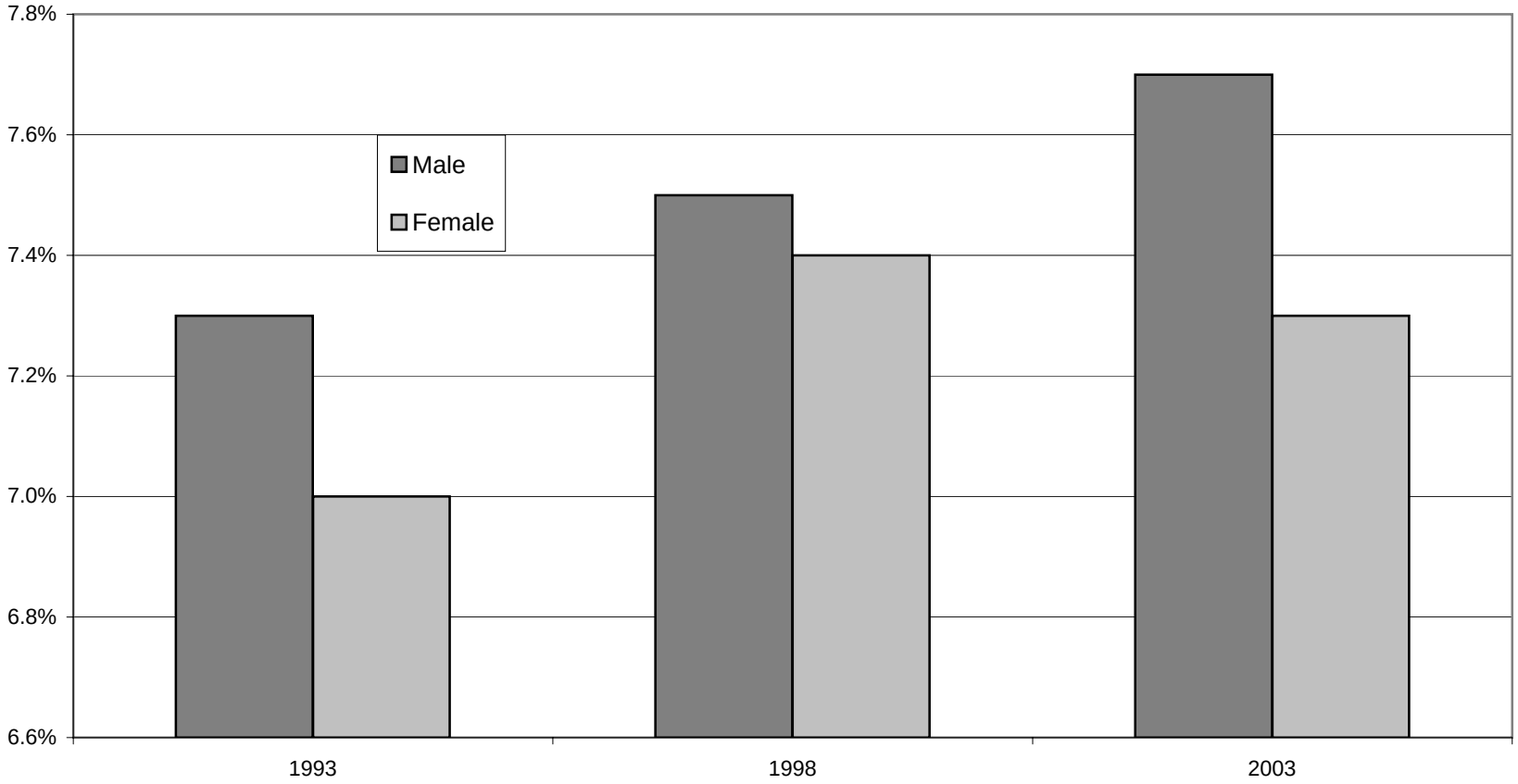
Distribution of Workers, by Earnings and Work Status, by Gender

	Overall	Men	Women
Annual Earnings			
Less than $5,000	12.1%	9.6%	14.9%
$5,000–$9,999	8.2%	6.0%	10.5%
$10,000–$14,999	8.8%	7.2%	10.7%
$15,000–$19,999	8.5%	7.5%	9.6%
$20,000–$29,999	17.0%	15.6%	18.5%
$30,000–$39,999	14.0%	14.1%	13.8%
$40,000–$49,999	9.6%	10.7%	8.4%
$50,000 or more	21.9%	29.3%	13.6%
Work Status			
Full-time, full-year	66.6%	73.6%	58.8%
Full-time, part-year	13.1%	13.2%	12.9%
Part-time, full-year	10.2%	6.2%	14.7%
Part-time, part-year	10.1%	7.0%	13.6%

Source: EBRI estimates from the March 2005 Current Population Survey.

Figure 5

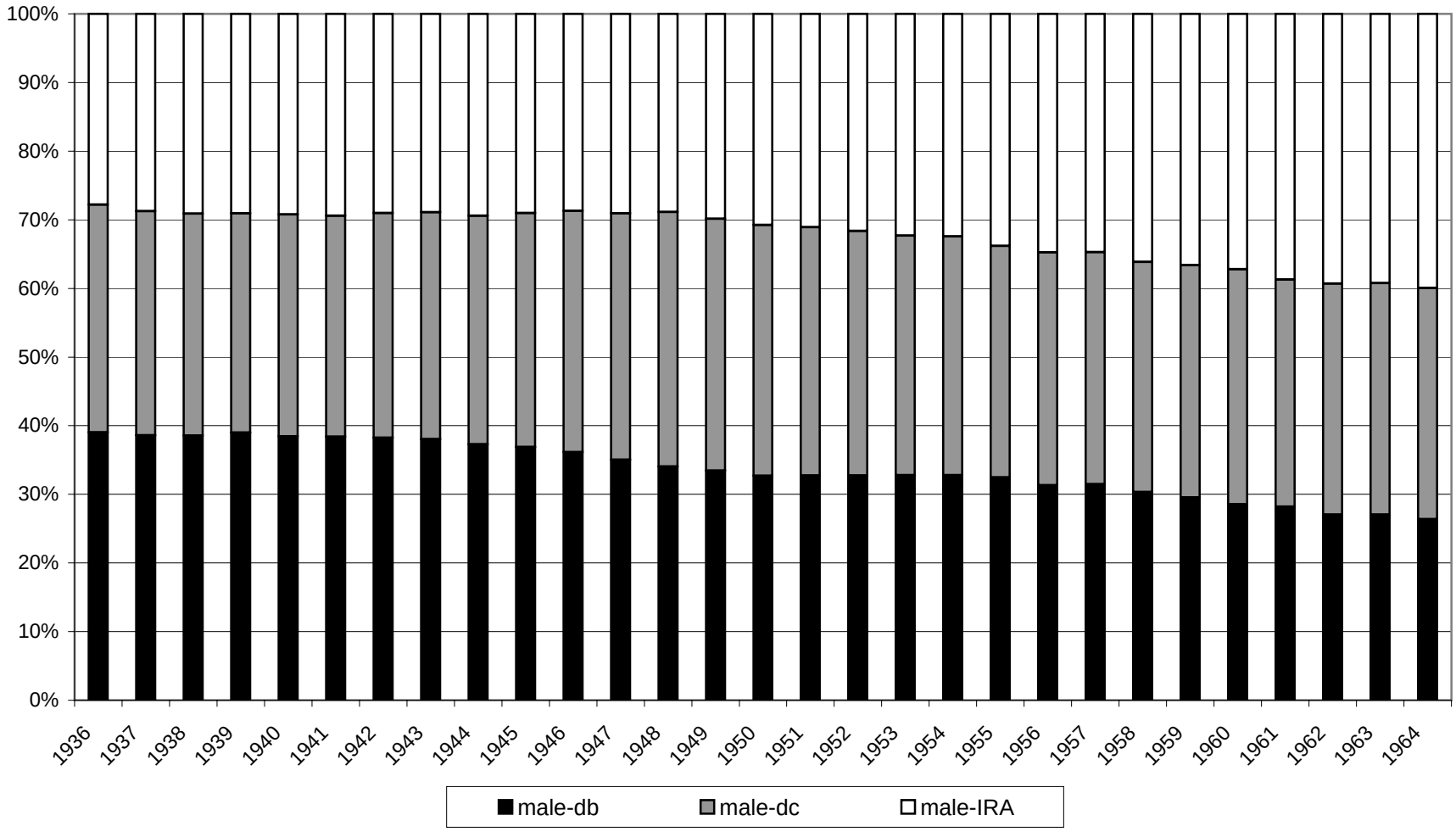
Average Employee Contribution Rate to Salary Reduction Plans, Nonagricultural Wage and Salary Workers Age 16 and Over



Source: Employee Benefit Research Institute estimates of the April 1993 Current Population Survey employee benefit supplement and the 1996 and 2001 Panel of the Survey of Income and Program Participation Topical Module 7.

Figure 6

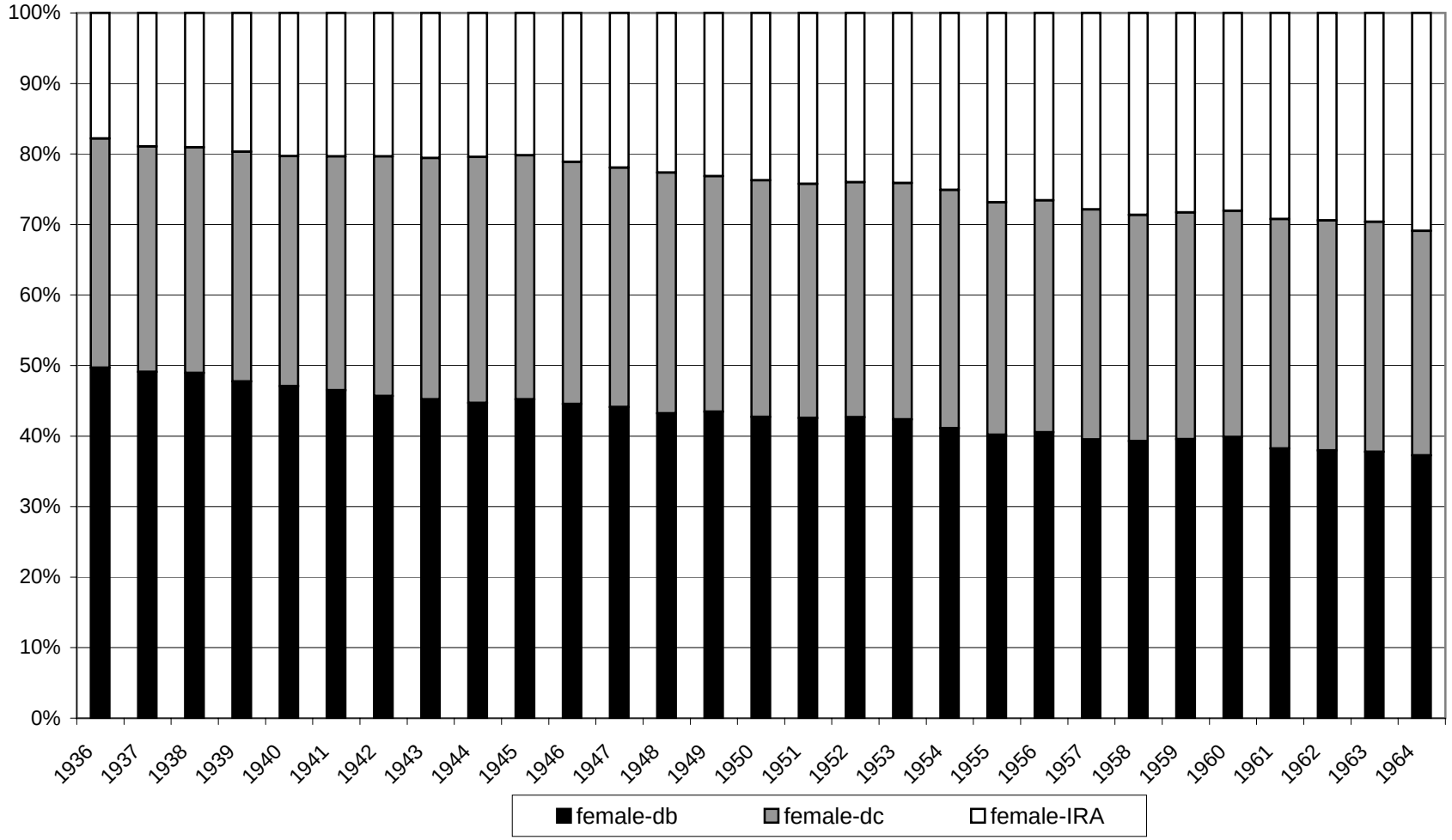
Composition of Estimated Retirement Wealth for Males at Social Security Normal Retirement Age Under Baseline Assumptions, by Birth Cohort



Source: Employee Benefit Research Institute, Retirement Income Projection Model.

Figure 7

Composition of Estimated Retirement Wealth for Males at Social Security Normal Retirement Age Under Baseline Assumptions, by Birth Cohort

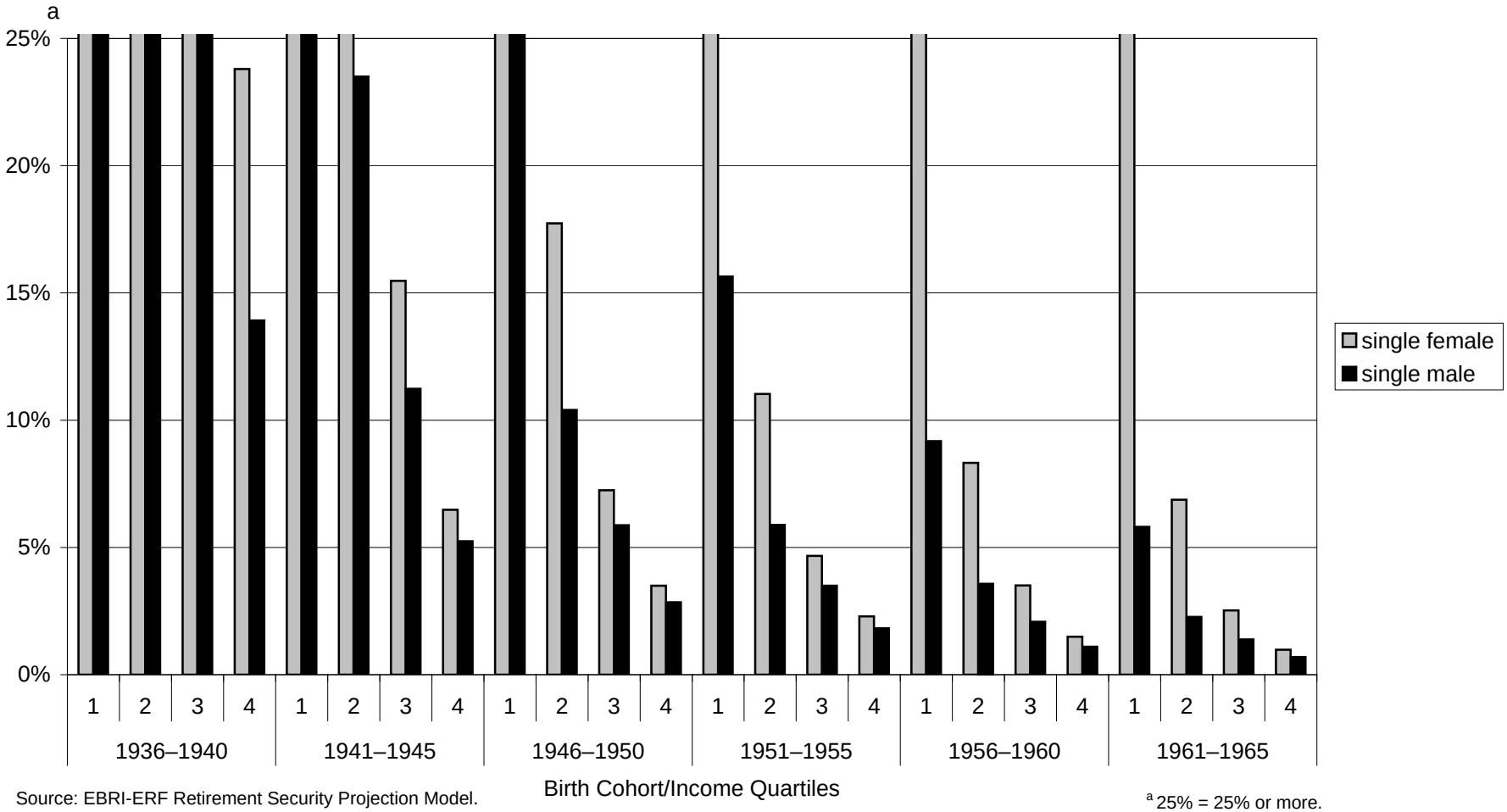


Source: Employee Benefit Research Institute, Retirement Income Projection Model.

Figure 8

Percentage of Added Compensation That Must Be Saved Annually Until Retirement For a 75% Chance of Covering Basic Retirement Expenses

(assumes current Social Security and housing equity is never liquidated)



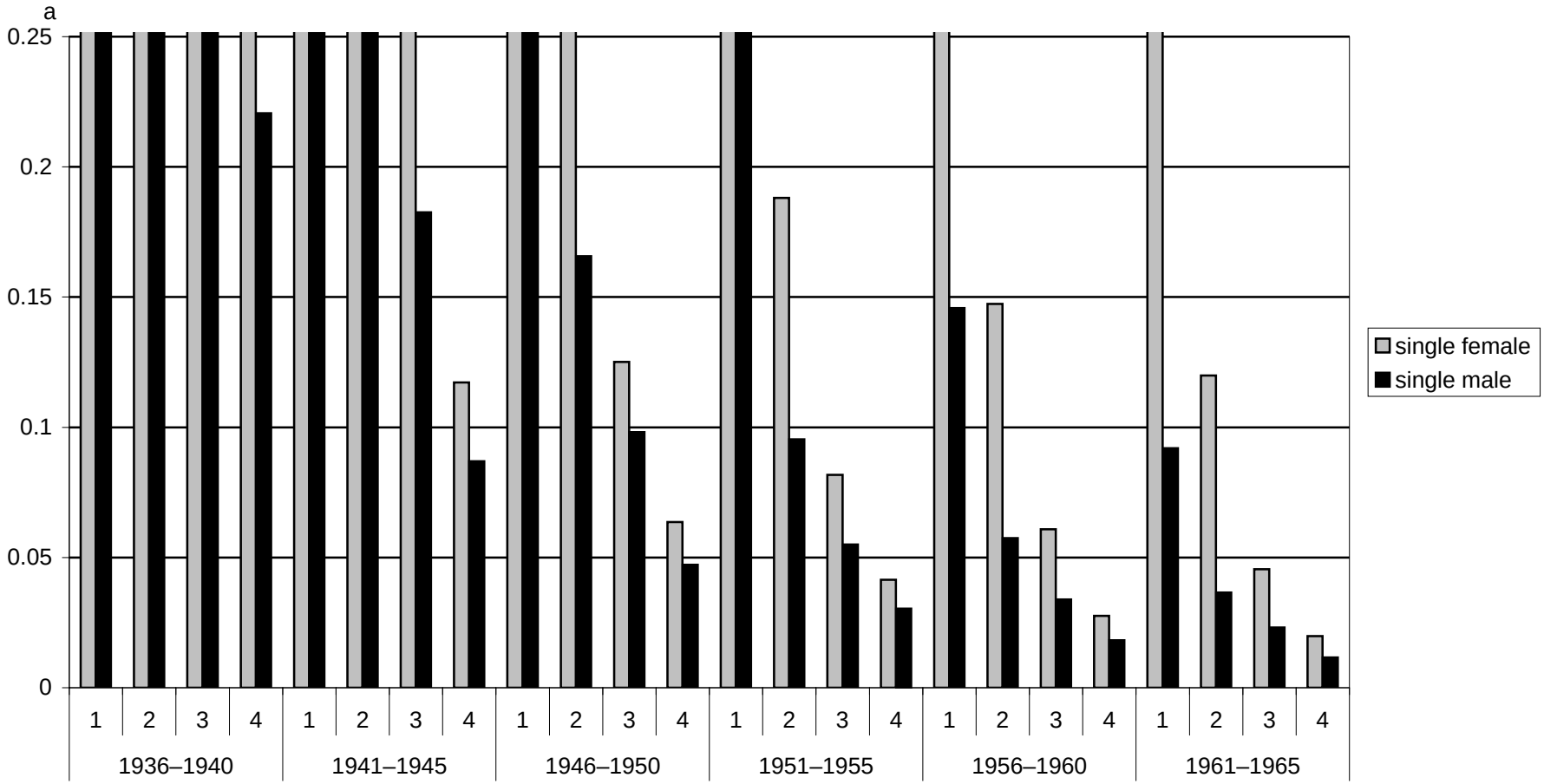
Source: EBRI-ERF Retirement Security Projection Model.

[a] 25% = 25% or more.

Figure 9

Percentage of Added Compensation That Must Be Saved Annually Until Retirement For a 90% Chance of Covering Basic Retirement Expenses

(assumes current Social Security and housing equity is never liquidated)



Source: EBRI-ERF Retirement Security Projection Model.

[a] 25% = 25% or more.