



# PENSION PLAN TYPES AND SOCIAL SECURITY KNOWLEDGE: NEW SURVEY EVIDENCE

*Research conducted by Yang Li, University of Massachusetts Boston  
September 2021*

For decades, the Social Security Administration has sought to improve the public's understanding of its retirement and disability programs. One area relating to knowledge disparities that has received limited attention is the type of beneficiaries' pension plans. Pension type may serve as an intervention pathway to enhance Social Security (SS) knowledge as different pension types are associated with differing access to information and incentive to acquire financial knowledge. Using merged data from the Understanding America Study, this study investigates whether and to what extent levels of SS knowledge vary across segments of the population by pension status (DB only, DC only, both, none), and whether gender moderated the associations between pension and SS knowledge.

## **Social Security Knowledge and Financial Well-being**

Knowledge of the Social Security (SS) program, including when to claim benefits and eligibility for benefits, is shown to affect work, consumption and savings decisions before retirement, especially among women, and in turn impacts financial well-being in retirement. Although SS remains the primary source of income for many older adults, SS is one of the three pillars of the "three-legged stool" of retirement security, along with pensions, savings and investment. Research shows that SS knowledge contributes to labor force participation, especially among women, impacts savings behavior, and in turn shapes long-term financial well-being.

## **Pension Plans and Social Security Knowledge**

While a quarter of older adults rely on SS for at least 90% of their family income, many receive income from pension plans: DB, DC, or both. The variable sources of retirement income imply that individuals rely on SS for retirement security to different extents. Those who are eligible for SS benefits but have no pension rely mostly on SS benefits. Individuals with DB, DC, or both may seek to optimize retirement income across pension and SS benefits. These differences suggest that individuals with different pension plans may have differing access to information related to SS benefits and program rules and may not have the same incentive to acquire SS knowledge. Yet, little is known about the public's SS knowledge as it intersects with pension plans.

This study examines three research questions: (1) Do levels of SS knowledge vary across groups by pension status (DB, DC, both, none)? (2) Are plan types associated with SS knowledge (specific and overall knowledge), adjusting for controls? (3) Does gender moderate the associations between plan types and SS knowledge? The study used merged UAS surveys (UAS 94 and UAS 72) to combine information on SS knowledge and pension plans, as each survey offers unique information for the variables analyzed in this study.



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## Individuals with Retirement Plans, Especially DC Holders, Are More Likely to Understand Various Social Security Rules and Benefits

Relative to those with no pension, and controlling for other characteristics, those with a pension consistently had higher odds of correctly answering questions assessing Social Security knowledge. In particular, those with DC only had higher odds of correctly answering questions on disability benefits, age adjustment, claiming upon retirement, and spousal benefits. Those with DC in addition to DB had higher odds of correctly answering the question on spousal benefits. This is broadly in line with prior research suggesting that individuals with DC plans (regardless of DB status) tend to have higher financial literacy, as DC holders have greater incentive to acquire financial knowledge which would help them optimize returns from savings, pensions, and investment. Moreover, relative to respondents with no pension, having any pension was associated with higher overall SS knowledge. Women with no pension tend to have lower overall SS knowledge relative to women with DB only.

### Implications

- Individuals without any pension, especially women, are potential outreach targets for agency communication efforts to enhance SS knowledge and in turn financial well-being.
- Communications on specific aspects of the SS program may be tailored according to pension type: e.g. targeting DB holders with information on SS benefit calculations.
- Future research on pension providers and SS knowledge disparities may provide additional insight into the mechanisms through which pension holders acquire SS knowledge through the work environment (communication and customer service channels), given that some employers offering DC plans provide financial education and retirement planning materials not typically available from employers offering DB plans.

*The research reported herein was performed pursuant to a grant from the U.S. Social Security Administration (SSA) funded as part of the Retirement and Disability Consortium. The opinions and conclusions expressed are solely those of the author(s) and do not represent the opinions or policy of SSA or any agency of the Federal Government. Neither the United States Government nor any agency thereof, nor any of their employees, makes any warranty, express or implied, or assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of the contents of this report. Reference herein to any specific commercial product, process or service by trade name, trademark, manufacturer, or otherwise does not necessarily constitute or imply endorsement, recommendation or favoring by the United States Government or any agency thereof.*