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## **Government Report Reveals Minorities are Significantly Less Prepared for Retirement than their White Counterparts**

*New data supports Ariel/Hewitt ground-breaking study*

WASHINGTON, DC – Despite overall high participation in the Thrift Savings Plan (TSP), the equivalent to a 401(k) retirement plan for federal employees, there are stark racial disparities in participation rates, salary deferral rates and TSP balance, according to a report released by the Office of Personnel Management (OPM). The study, which surveyed approximately 1.5 million federal employees, also found glaring differences in how men and women participate in TSP.

The OPM report highlights an ongoing issue that is beginning to gain momentum in both the public and private sectors. On Thursday, May 27, 2010, AARP and Ariel Education Initiative will host a retirement conference in Washington, DC, *African American & Hispanic Retirement Savings Behavior at the Workplace*. This timely conference will focus on the racial disparities that exist and offer expert opinions and solutions for eliminating the racial wealth gap.

In a letter to Sen. Herb Kohl of Wisconsin, chairman of the Senate Aging Committee, OPM noted that the results from the Ariel Education Initiative and Hewitt Associates study, *401(k) Plans in Living Color: A Study of 401(k) Savings Disparities Across Racial and Ethnic Groups*, prompted this review. “Ariel has been working to close the wealth gap for many years. We are grateful our study drew the attention of the federal government. We want to thank Sen. Kohl for his ongoing leadership and look forward to working with him and OPM to develop new strategies for eliminating these disparities and strengthening retirement security for all Americans,” said Mellody Hobson, President of Ariel Investments.

The study found minorities are less likely to participate in TSP than their white counterparts (82.5% compared to 87.8%), and when they do, minorities contribute about 25% less, resulting in smaller account balances at the time of retirement. Without a significant effort to improve participation and contribution levels, minority workers are in danger of retiring in poverty. Of note, while women participate in TSP at a slightly higher rate than men (86.4% compared to 85.8%) they lag in salary deferral rates, resulting in smaller account balances.

“Retirement security is a vital issue for all Americans, no matter their race or gender,” said Sen. Kohl. “Expanding pension coverage through products like the auto-IRA, auto-enrollment for 401(k) plans and adequate fee disclosure have the potential to close some of these gaps so every American can have a secure retirement after a lifetime of work. We are actively exploring ways to make sure they can be implemented effectively and broadly.”

The Ariel/Hewitt Study examined about 3 million employees from 57 of the nation’s Fortune 500 companies. The findings revealed that when all other factors, such as salary, age and job tenure are controlled, participation rates, contributions levels and account balances drastically vary by race and ethnicity. Furthermore, the study found that when minorities do participate, they are more likely to take out a loan or hardship withdrawal to the detriment of their savings.

“The findings of OPM’s analysis are consistent with the Ariel/Hewitt study, which shows significant differences across race and ethnicity in the way individuals save and invest in their 401(k) plans,” said Alison Borland,

Retirement Outsourcing Strategy leader for Hewitt Associates. “We believe the report serves as yet another call to action for employers and the government to find ways to ensure every American has the tools and resources needed to prepare for retirement. We applaud OPM for taking this critical first step, and we hope it will encourage other organization to review their own 401(k) data using this lens.”

*About Ariel Education Initiative*

*Ariel Education Initiative, the nonprofit affiliate of Ariel Investments, was founded in 1989 by John. W. Rogers, Jr. (Founder and Chairman of Ariel Investments, LLC) as a private operating foundation with a mission to strengthen the neighborhoods and cities in which we live and work. Ariel Investments is a Chicago-based money management firm and mutual fund company that serves individual investors through its no-load mutual funds and manages separate accounts for institutional clients.*

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