State Financial Security Scorecards
Economic Pressures Facing Future Retirees

Webinar
July 30, 2015
11:00 a.m. ET

NATIONAL INSTITUTE ON
Retirement Security
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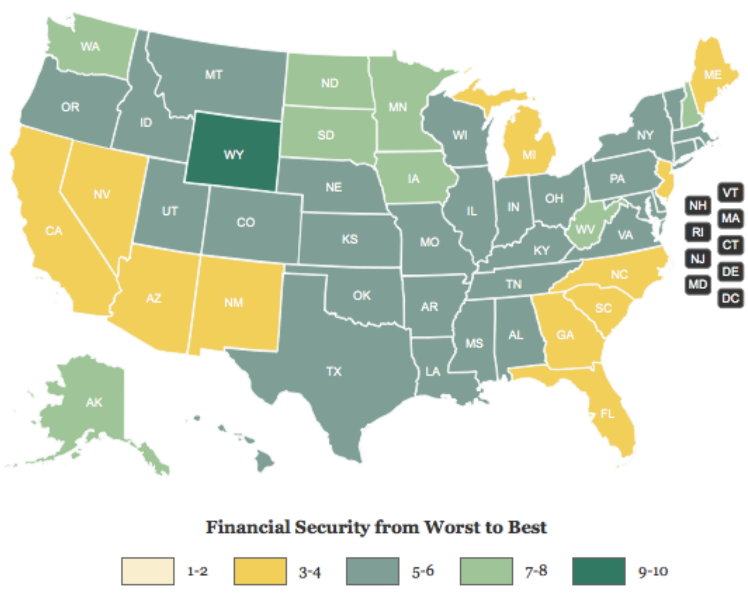
Agenda

- Logistics & Introductions
- Report Overview
- Conclusions
- Q&A



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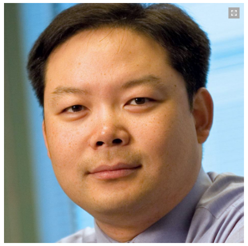
Speakers

Diane Oakley
Executive Director
National Institute on Retirement Security

Kathleeen Kennedy Townsend
Task Force on Retirement Security for All Marylanders Chair
Center on Retirement Initiatives at Georgetown University Founder
Former Maryland Lt. Governor
Rock Creek Group Managing Director



Hank Kim
Executive Director
National Conference on Public Employee Retirement Systems

Webinar Logistics

- Attendees in listen only mode.
- Research, supporting materials available at www.nirsonline.org.
- Questions welcome! Type question using "Question" function on your control panel, and we will answer.
- Encourage distribution of information - @nirsonline #retirementcrisis
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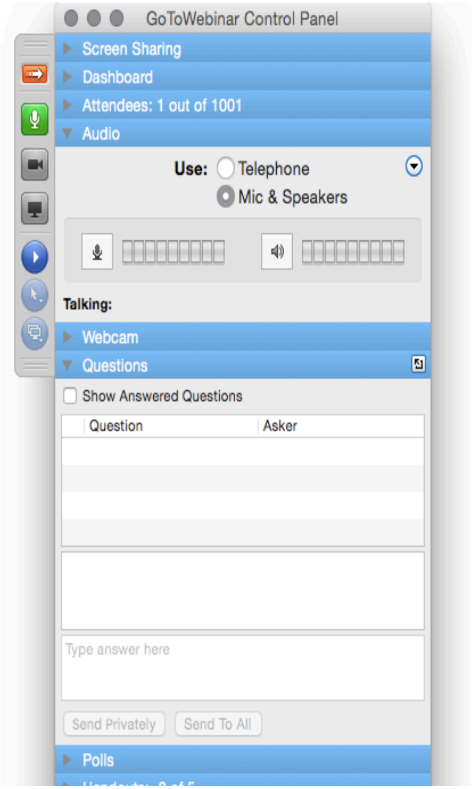
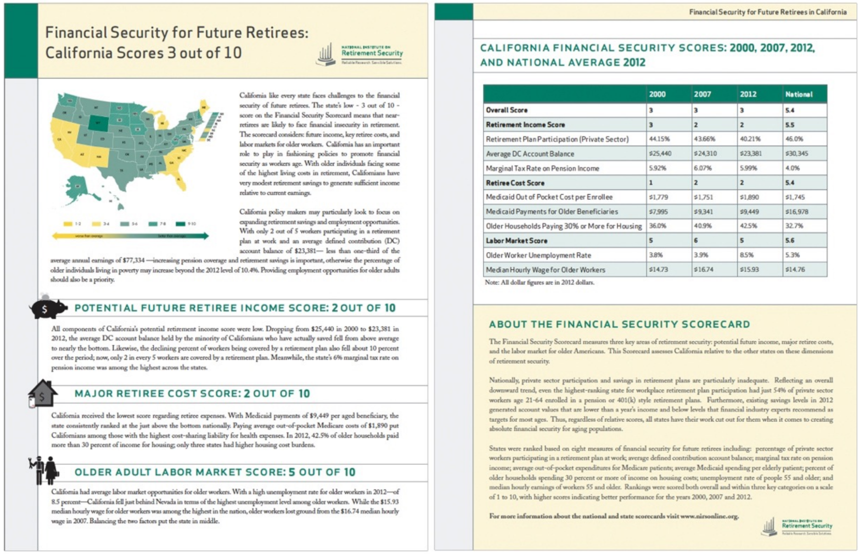


Why State Financial Security Scorecards?

- Summarizes financial security outlook for aging population based on key economic factors – income, costs and work.
- State-level safety net needs likely to increase as populations age.
- Informs policy discussion by highlighting areas in need of particular attention.



Financial Security for Future Retirees: California Scores 3 out of 10

California like every state faces challenges to the financial security of future retirees. The state's low - 3 out of 10 - score on the Financial Security Scorecard means that near-retirees are likely to face financial insecurity in retirement. The scorecard considers: future income, key retiree costs, and labor markets for older workers. California has an important role to play in fashioning policies to promote financial security as workers age. With older individuals facing some of the highest living costs in retirement, Californians have very modest retirement savings to generate sufficient income relative to current earnings.

California policy makers may particularly look to focus on expanding retirement savings and employment opportunities. With only 2 out of 5 workers participating in a retirement plan at work and an average defined contribution (DC) account balance of $23,381— less than one-third of the average annual earnings of $77,334 —increasing pension coverage and retirement savings is important, otherwise the percentage of older individuals living in poverty may increase beyond the 2012 level of 10.4%. Providing employment opportunities for older adults should also be a priority.

POTENTIAL FUTURE RETIREE INCOME SCORE: 2 OUT OF 10

All components of California's potential retirement income score were low. Dropping from $25,440 in 2000 to $23,381 in 2012, the average DC account balance held by the minority of Californians who have actually saved fell from above average to nearly the bottom. Likewise, the declining percent of workers being covered by a retirement plan also fell about 10 percent over the period; now, only 2 in every 5 workers are covered by a retirement plan. Meanwhile, the state's 6% marginal tax rate on pension income was among the highest across the states.

MAJOR RETIREE COST SCORE: 2 OUT OF 10

California received the lowest score regarding retiree expenses. With Medicaid payments of $9,449 per aged beneficiary, the state consistently ranked at the just above the bottom nationally. Paying average out-of-pocket Medicare costs of $1,890 put Californians among those with the highest cost-sharing liability for health expenses. In 2012, 42.5% of older households paid more than 30 percent of income for housing; only three states had higher housing cost burdens.

OLDER ADULT LABOR MARKET SCORE: 5 OUT OF 10

California had average labor market opportunities for older workers. With a high unemployment rate for older workers in 2012—of 8.5 percent—California fell just behind Nevada in terms of the highest unemployment level among older workers. While the $15.93 median hourly wage for older workers was among the highest in the nation, older workers lost ground from the $16.74 median hourly wage in 2007. Balancing the two factors put the state in middle.

Financial Security for Future Retirees in California

CALIFORNIA FINANCIAL SECURITY SCORES: 2000, 2007, 2012, AND NATIONAL AVERAGE 2012

	2000	2007	2012	National
Overall Score	3	3	3	5.4
Retirement Income Score	3	2	2	5.5
Retirement Plan Participation (Private Sector)	44.15%	43.66%	40.21%	46.0%
Average DC Account Balance	$25,440	$24,310	$23,381	$30,345
Marginal Tax Rate on Pension Income	5.92%	6.07%	5.99%	4.0%
Retiree Cost Score	1	2	2	5.4
Medicaid Out of Pocket Cost per Enrollee	$1,779	$1,751	$1,890	$1,745
Medicaid Payments for Older Beneficiaries	$7,995	$9,341	$9,449	$16,978
Older Households Paying 30% or More for Housing	36.0%	40.9%	42.5%	32.7%
Labor Market Score	5	6	5	5.6
Older Worker Unemployment Rate	3.8%	3.9%	8.5%	5.3%
Median Hourly Wage for Older Workers	$14.73	$16.74	$15.93	$14.76

Note: All dollar figures are in 2012 dollars.

ABOUT THE FINANCIAL SECURITY SCORECARD

The Financial Security Scorecard measures three key areas of retirement security: potential future income, major retiree costs, and the labor market for older Americans. This Scorecard assesses California relative to the other states on these dimensions of retirement security.

Nationally, private sector participation and savings in retirement plans are particularly inadequate. Reflecting an overall downward trend, even the highest-ranking state for workplace retirement plan participation had just 54% of private sector workers age 21-64 enrolled in a pension or 401(k) style retirement plans. Furthermore, existing savings levels in 2012 generated account values that are lower than a year's income and below levels that financial industry experts recommend as targets for most ages. Thus, regardless of relative scores, all states have their work cut out for them when it comes to creating absolute financial security for aging populations.

States were ranked based on eight measures of financial security for future retirees including: percentage of private sector workers participating in a retirement plan at work; average defined contribution account balance; marginal tax rate on pension income; average out-of-pocket expenditures for Medicare patients; average Medicaid spending per elderly patient; percent of older households spending 30 percent or more of income on housing costs; unemployment rate of people 55 and older; and median hourly earnings of workers 55 and older. Rankings were scored both overall and within three key categories on a scale of 1 to 10, with higher scores indicating better performance for the years 2000, 2007 and 2012.

For more information about the national and state scorecards visit www.nirsonline.org.

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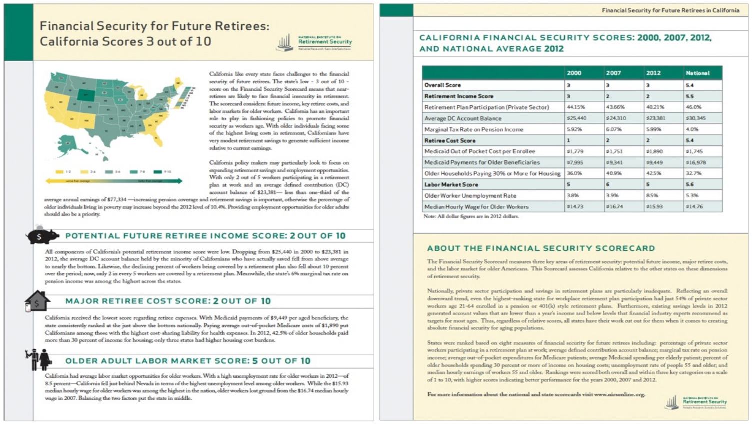
What's New in State Scorecards?

- Two page summary of economic outlook for retirement security in every state.
- Considers trends in retirement plan participation rates in each state.
- Evaluates average savings levels in "defined contribution" retirement accounts in relation to median income.
- Considers current poverty levels in each state.



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Primary Findings

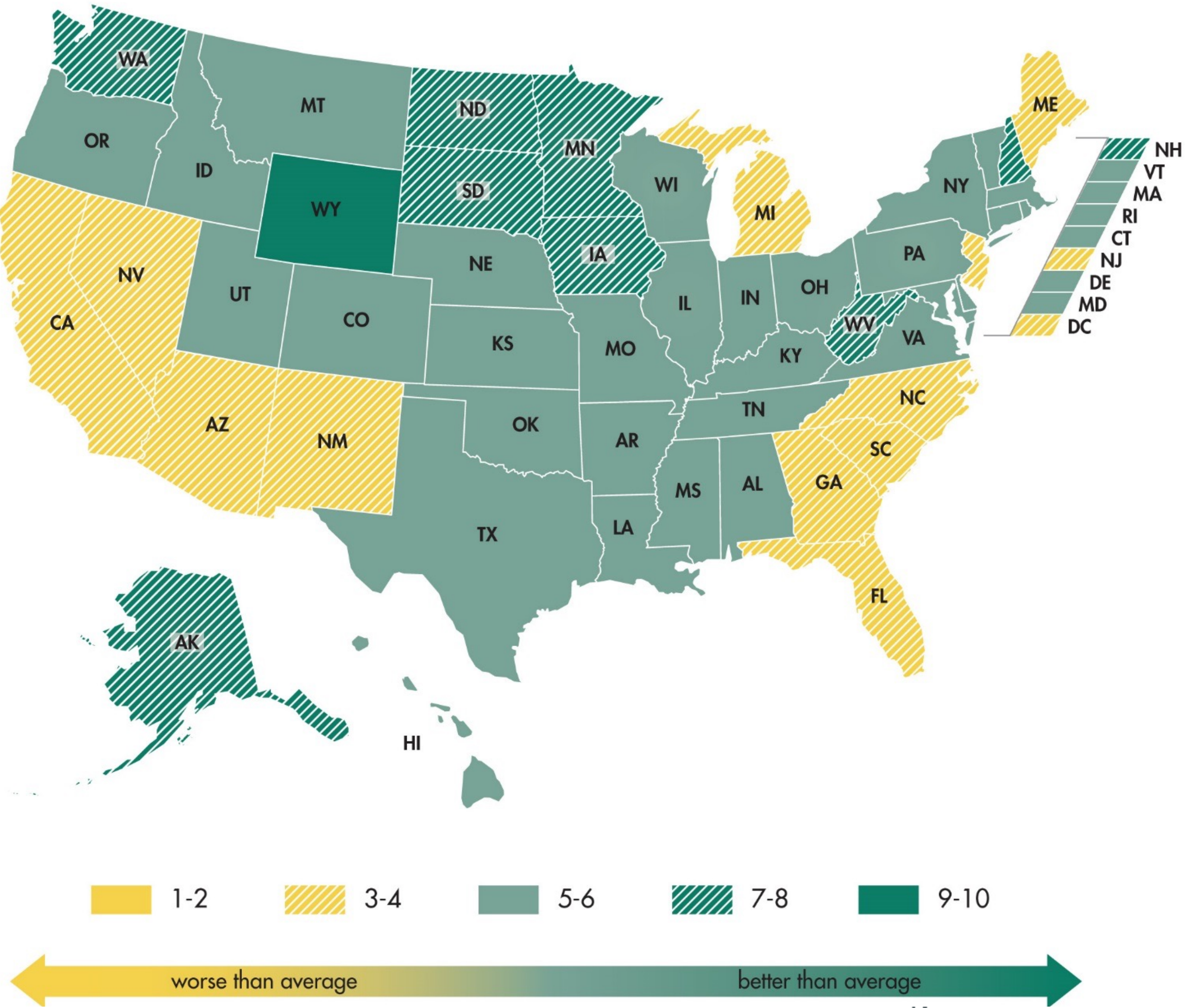
1. There is room for improvement in all states in one or more measure of financial security for future retirees.

2. All three potential sources of economic insecurity for future retirees deserve policy attention.

3. Scorecard identifies potential priorities for lowest performing states.

4. States must remain vigilant over time.

Overall Scores 2012



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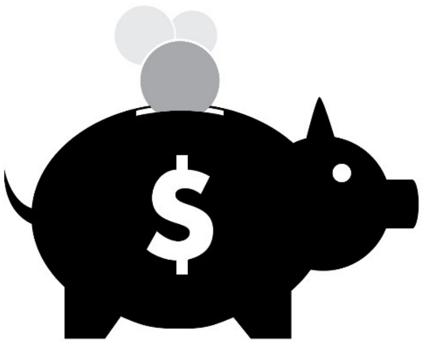
Methodology

- Summarize evaluation of 8 key economic variables using 2012 data in 3 key categories critical to financial security: *retirement savings and its potential to replace income*, *current retiree costs*, and *labor market conditions for older workers*.

- Translates Scorecard Rankings into an action narrative focused on creating a better future for all working citizens.

- Consider tends within state for data gathered for 2000, 2007 and 2012

Scorecard Categories/Variables



Retirement Income

- Private workplace retirement plan participation
- Average defined contribution account balance
- Marginal tax rate on pension income

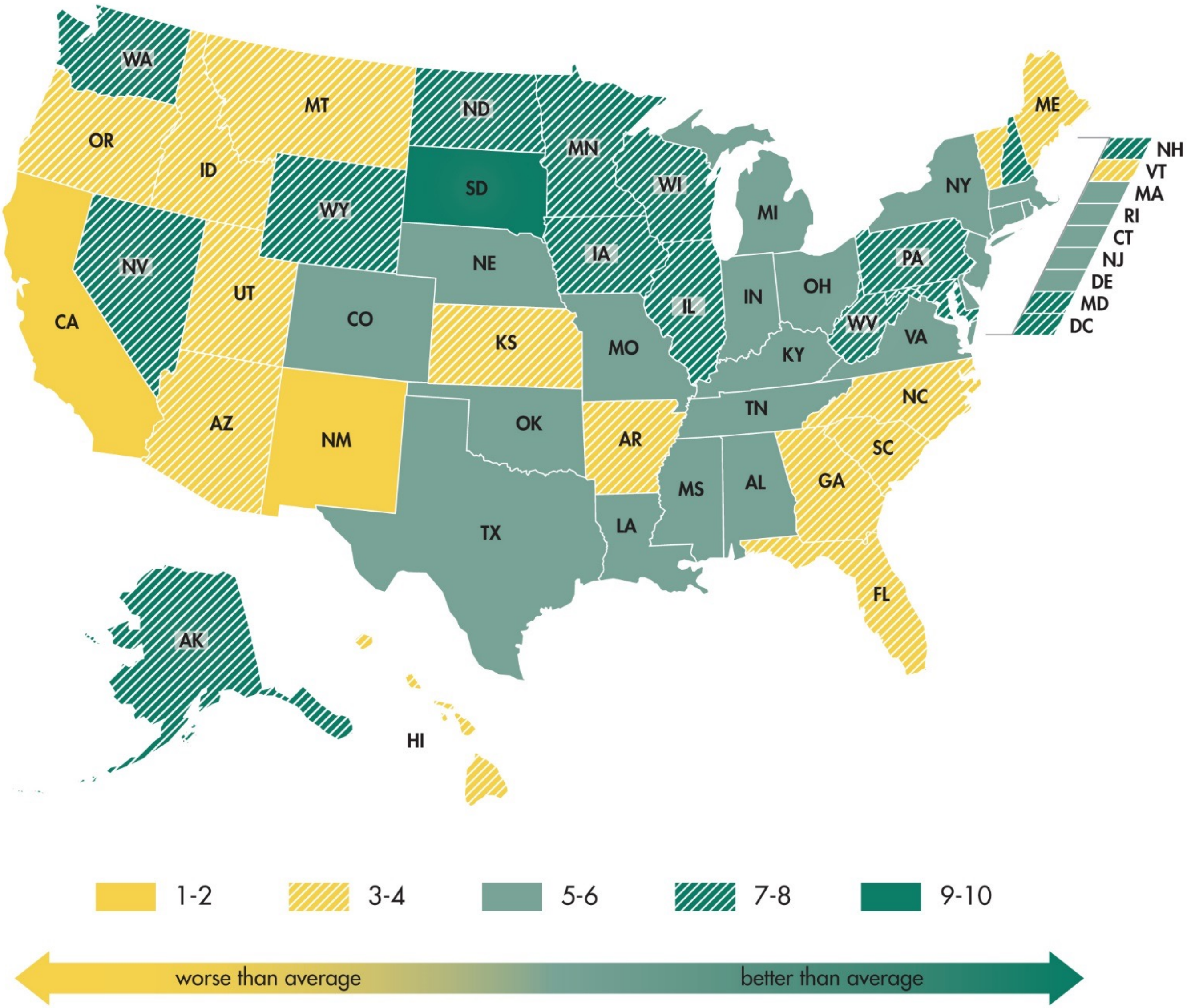
Retiree Costs

- Medicare out-of-pocket costs
- Medicaid generosity
- Housing cost burden

Labor Market

- Unemployment rate for people aged 55 years old and older.
- Median hourly earnings (real) for people aged 55 years old and older

Retirement Income Scores 2012



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Retirement Income

Participation, Savings and Taxes

IL

POTENTIAL FUTURE RETIREE INCOME SCORE: 8 OUT OF 10

The components of Illinois' potential retirement income score were mixed but tended toward a high score. Illinois ranked 2nd in the nation on the average value in defined contribution (DC) accounts, with a typical balance of $44,590 in 2012. Dropping from 53.4% in 2000 to just 46.4% of private sector employees participating in employer-sponsored retirement plans in 2012, the state fell below national pension coverage levels. Its 0.07% marginal state income tax rate on pension income put Illinois just behind the states with no tax on pension income.

CA

POTENTIAL FUTURE RETIREE INCOME SCORE: 2 OUT OF 10

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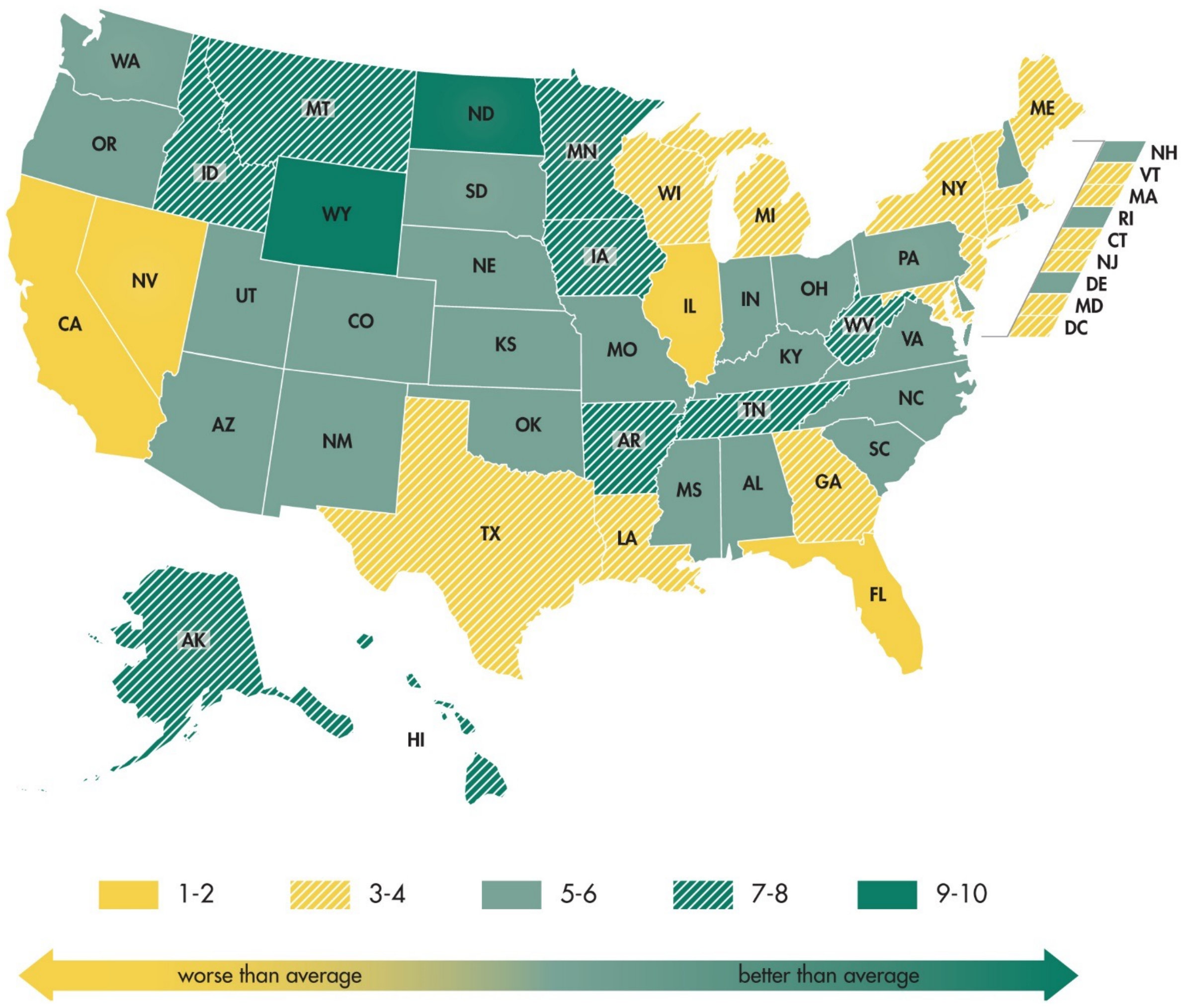
Retiree Cost Scores 2012



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Retiree Costs

Medicare, Medicaid and Housing

WY

MAJOR RETIREE COST SCORE: 9 OUT OF 10

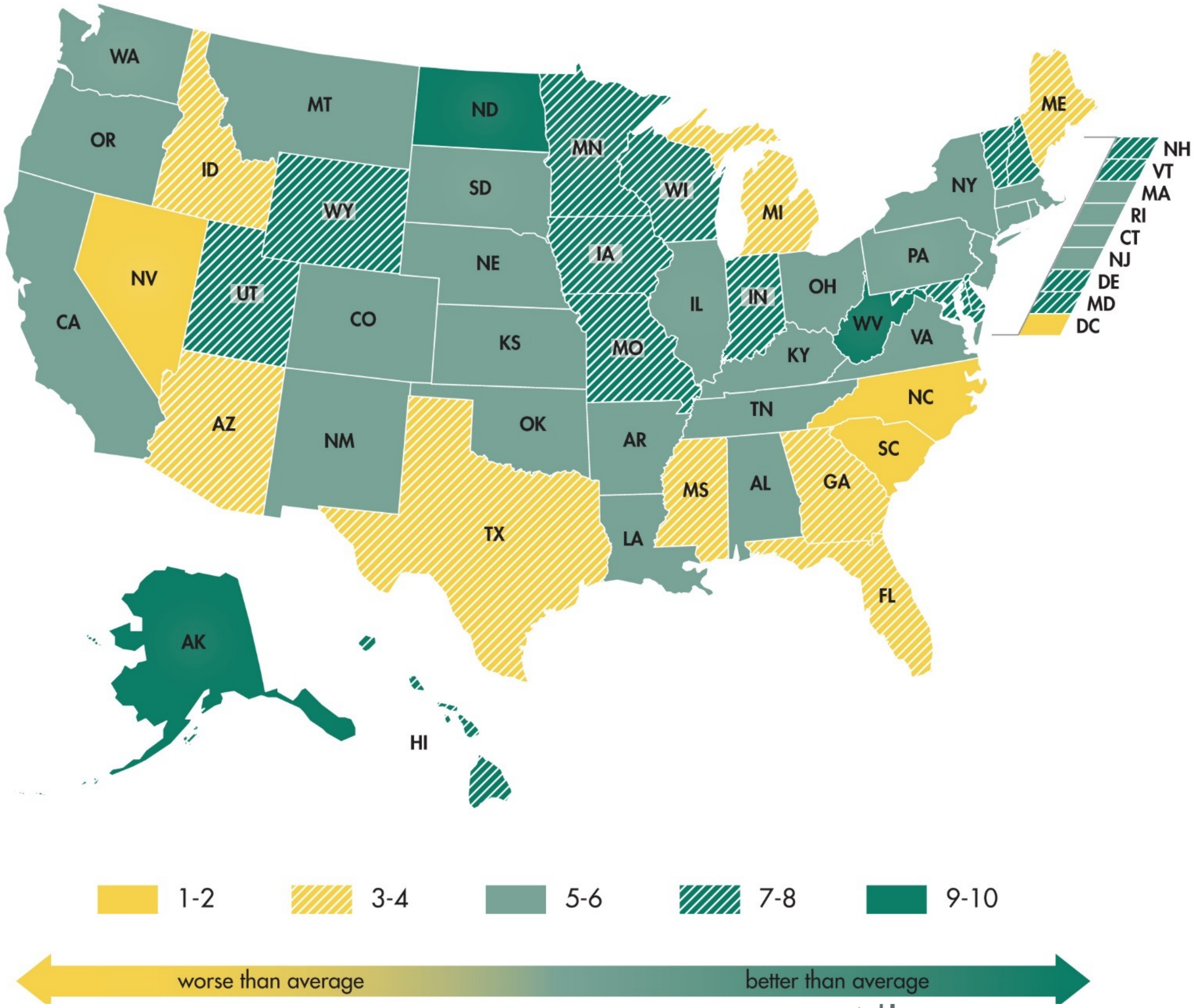
The components of Wyoming's retiree cost score all yielded an above average score. The state ranked second in the nation in terms of Medicaid generosity with average payments of $27,781 for older beneficiaries. The state also ranked second in the nation in terms of its housing cost burden for older households, with just 23 percent of older households paying 30 percent or more of their income towards housing costs. Rounding out its cost score, Wyoming ranked 14th in the nation in Medicare generosity, with an average cost-sharing liability of $1,643 in out-of-pocket costs for enrollees.

FL

MAJOR RETIREE COST SCORE: 2 OUT OF 10

Florida was one of four states to receive lowest score in cost of living for retirees. The state had the poorest Medicare generosity in the nation, as retirees in the state saw an average Medicare cost-sharing liability of $2,014 in out-of-pocket costs for enrollees. Florida also had the 12th highest housing cost burden for older households, with 37 percent of older households paying 30 percent or more of their income towards housing costs. Florida also ranked poorly in Medicaid generosity with average payments of $13,298 for older beneficiaries.

Labor Market Scores 2012



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Labor Market for Older Workers

Unemployment, Median Hourly Wage

NH

OLDER ADULT LABOR MARKET SCORE: 8 OUT OF 10

New Hampshire had a high older adult labor market score. In 2012, the state had the 14th lowest unemployment rate for older workers in the nation, at 4.4 percent, as compared with 5.3 percent nationally. The state also had the 12th highest median wage for older workers, at $15.00 per hour, versus $14.76 nationally.

SC

OLDER ADULT LABOR MARKET SCORE: 2 OUT OF 10

South Carolina was one of three states to receive the lowest older adult labor market score. The state had the fourth lowest median wage for older workers in 2012, at just $13.00 per hour, as compared with $14.76 nationally. The state also had a high unemployment rate for older workers, of 6.5 percent, versus 5.3 percent nationally.

Highest Scoring States, 2012

- **Wyoming**, **Alaska**, **Minnesota**, and **North Dakota.**
- Relatively strong labor markets (oil related), lower retiree costs.
- Still weak on potential retirement income. For example, North Dakotans had an average DC account balance of $27,700, which was less than half median earnings of $56,400.

Lowest Scoring States, 2012

- **California**
  - Very low potential retirement income—especially workplace retirement plan access--and very high retiree costs. Middle-ranking labor market.
- **Florida**
  - Very high retiree costs and low wages for older workers. Also State has low workplace retirement plan access.
- **South Carolina**
  - Very low potential retirement income and low labor market scores. Middle range retiree costs.

Reality Check: Areas of Concern in Most or All States: Income

- **No state does well on retirement plan coverage**.
  - Only 54 percent of private employees participated in a retirement plan in best performing state Iowa.
  - Average coverage rate declined to 46 percent in 2012 from 52.3 percent in 2000.

- **No state has retirement savings equal to median income**.
  - Highest estimated average DC balance among participating workers was $45,600 in Wisconsin. This was less than their average annual pay of $66,000.
  - Average DC account balance was $30,345.
  - Connecticut's average DC account balance of $27,975 was one-third of its median income.

Reality Check: Areas of Concern in Most or All States: Costs

- 31 states had more than 30 percent of older households experiencing a housing cost burden (paying >30% of income) in 2012, up from 14 in 2000.
- Average Medicare out of pocket expenses were $1,745, Florida has the highest Medicare out of pocket cost at $2,014 while Hawaii had the lowest of $1,342.
- State Medicaid spending on the elderly varied greatly from a high of $29,177 (NY) to a low of $2,407 (NM) while the average Medicaid spending was $16,978.

Reality Check: Areas of Concern in Most or All States: Labor

Improving the future financial security of an aging workforce requires ensuring good employment options for older workers.

- Older workers suffered more from higher unemployment and lower wages in lower-ranked states in 2012 than they did in earlier years.
- Working longer recommended to have more time to build savings.

Historical Data for 2000, 2007, 2012 for Each State

MARYLAND FINANCIAL SECURITY SCORES: 2000, 2007, 2012, AND NATIONAL AVERAGE 2012

	2000	2007	2012	National
Overall Score	6	7	6	5.4
Retirement Income Score	7	7	7	5.5
Retirement Plan Participation (Private Sector)	58.4%	51.5%	52.3%	46.0%
Average DC Account Balance	$23,869	$30,294	$32,094	$30,345
Marginal Tax Rate on Pension Income	3.87%	3.72%	3.77%	4.0%
Retiree Cost Score	6	4	4	5.4
Medicare Out of Pocket Cost per Enrollee	$1,481	$1,829	$1,970	$1,745
Medicaid Payments for Older Beneficiaries	$19,588	$21,908	$22,611	$16,978
Older Households Paying 30% or More for Housing	30.0%	36.4%	36.8%	32.7%
Labor Market Score	6	10	6	7
Older Worker Unemployment Rate	3.5%	2.0%	5.6%	5.3%
Median Hourly Wage for Older Workers	$15.99	$16.74	$16.00	$14.76

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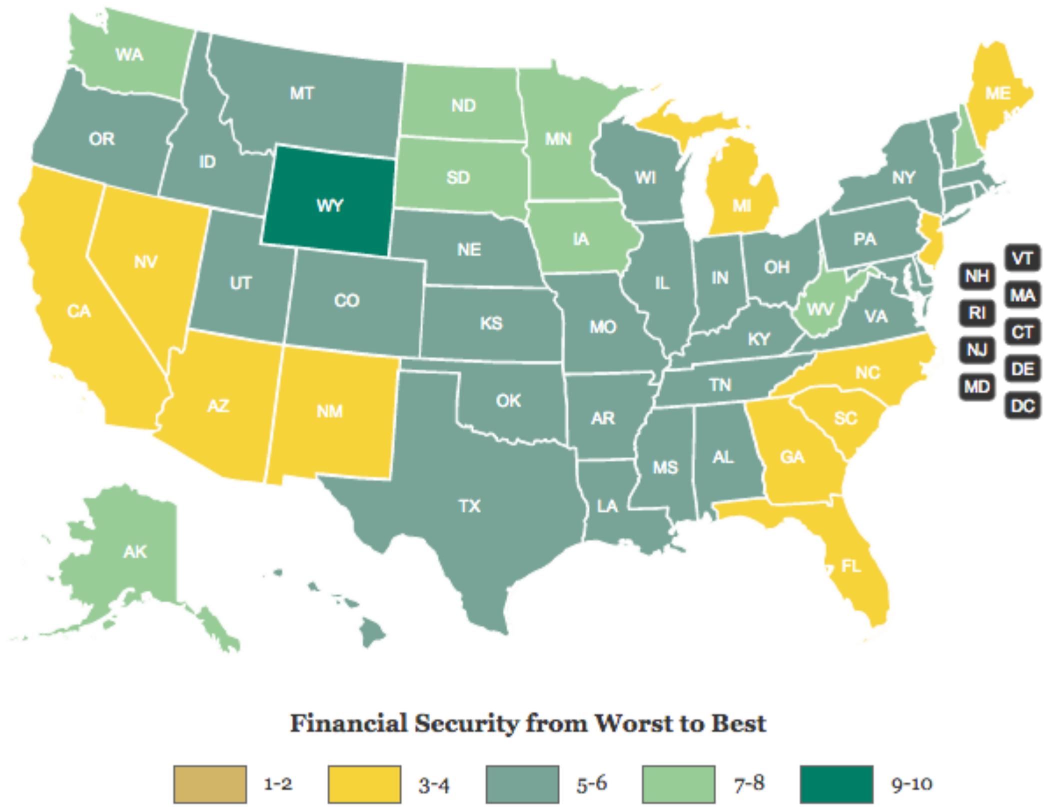
Interactive State Scorecard Map



NOTE: Guam, Puerto Rico and the U.S. Virgin Islands are not included in this study.

View on www.nirsonline.org

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Just One Click to Maryland/State Financial Security Scorecards

Financial Security for Future Retirees: Maryland Scores 6 out of 10

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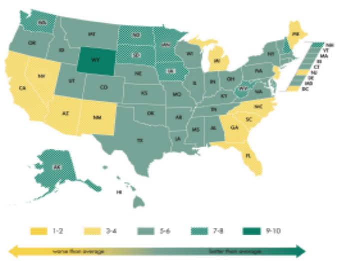

Maryland's next generation of retirees face a somewhat lower level of financial insecurity based on its overall financial security score of 6. Breaking down its rating into the three categories impacting financial security including retirement income, major retiree costs, and labor market conditions for older adults, the state's ranking is uneven. Maryland has an important role to play in fashioning retirement security policies that help support workers as they age.

Nearly 53% of workers in Maryland reported coverage in a retirement plan in 2012. Also, the $32, 094 average defined contribution (DC) account value, based only on those workers in Maryland with such accounts, was a higher than national average. At the same time, Maryland experience higher retiree costs especially for housing and out of pocket cost for Medicare covered health expenses. Additionally, its labor market conditions score was mixed. The state has work to do across the categories of retirement security to keep older households contributing to the economy and out of poverty. In 2012, only 7.6% of older individuals living in Maryland fell below poverty levels.

POTENTIAL FUTURE RETIREE INCOME SCORE: 7 OUT OF 10

Maryland's future retirees face a mixed picture when it comes to their income security. Maryland ranked 5th among the states in workplace retirement plan participation, with a 52.3% of private sector workers covered. The average balance DC retirement account in the state was $32, 094, the 19th highest in the country, but this amount is less than half of average income in the state of $ 72,469. Since financial industry experts recommend that workers in their 40s have 2-3 times their salary in retirement savings, current savings rates are unlikely to provide adequate retirement incomes, The state's 3.77%, marginal tax rate on pension income is just below the national average 4%.

MAJOR RETIREE COST SCORE: 4 OUT OF 10

Maryland scored among the states with higher retiree medical and housing costs. It ranked 39th nationally in average out-of-pocket expenditures among Medicare patients. However, its average Medicaid spending per elderly beneficiary of $22,611 was the 9th highest in the country. Housing costs are also squeezing many of Maryland's retirees. In 2012, 36.8% of Maryland's older households spent more than 30 percent of their income for housing. As a result, Maryland ranked 12th highest among the states in terms of the share of its elderly households that are housing cost-burdened.

OLDER ADULT LABOR MARKET SCORE: 7 OUT OF 10

Maryland received an above middle score on its labor market conditions for older adults. Maryland ranked 7th among the states in median earnings for older workers. However, it also had the 19th highest unemployment rate among older adults, at 5.6%, which was nearly double the rate in 2007.

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Conclusions

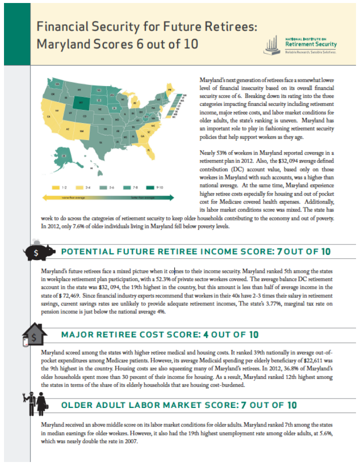
- Room for improvement in all states in one or more measures of financial security for future retirees, including reversing trends.

- All three potential sources of economic insecurity for future retirees deserve policy attention.

- State Financial Security Scorecard present an easy to understand picture of financial future for working families in the state and helps to identify potential priorities for improving future outcomes.

Using the State Scorecards

- California with it low FSS score was first state to take action to create state based Secure Retirement Program.
- Maryland Taskforce Report.
- NIRS testified in Washington state.



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Maryland's next generation of retirees face a somewhat lower level of financial insecurity based on its overall financial security score of 6. Breaking down its rating into the three categories impacting financial security including retirement income, major retiree costs, and labor market conditions for older adults, the state's ranking is uneven. Maryland has an important role to play in fashioning retirement security policies that help support workers as they age.

Nearly 53% of workers in Maryland reported coverage in a retirement plan in 2012. Also, the $32, 094 average defined contribution (DC) account value, based only on those workers in Maryland with such accounts, was a higher than national average. At the same time, Maryland experience higher retiree costs especially for housing and out of pocket cost for Medicare covered health expenses. Additionally, its labor market conditions score was mixed. The state has work to do across the categories of retirement security to keep older households contributing to the economy and out of poverty. In 2012, only 7.6% of older individuals living in Maryland fell below poverty levels.

POTENTIAL FUTURE RETIREE INCOME SCORE: 7 OUT OF 10

Maryland's future retirees face a mixed picture when it comes to their income security. Maryland ranked 5th among the states in workplace retirement plan participation, with a 52.3% of private sector workers covered. The average balance DC retirement account in the state was $32, 094, the 19th highest in the country, but this amount is less than half of average income in the state of $ 72,469. Since financial industry experts recommend that workers in their 40s have 2-3 times their salary in retirement savings, current savings rates are unlikely to provide adequate retirement incomes, The state's 3.77%, marginal tax rate on pension income is just below the national average 4%.

MAJOR RETIREE COST SCORE: 4 OUT OF 10

Maryland scored among the states with higher retiree medical and housing costs. It ranked 39th nationally in average out-of-pocket expenditures among Medicare patients. However, its average Medicaid spending per elderly beneficiary of $22,611 was the 9th highest in the country. Housing costs are also squeezing many of Maryland's retirees. In 2012, 36.8% of Maryland's older households spent more than 30 percent of their income for housing. As a result, Maryland ranked 12th highest among the states in terms of the share of its elderly households that are housing cost-burdened.

OLDER ADULT LABOR MARKET SCORE: 7 OUT OF 10

Maryland received an above middle score on its labor market conditions for older adults. Maryland ranked 7th among the states in median earnings for older workers. However, it also had the 19th highest unemployment rate among older adults, at 5.6%, which was nearly double the rate in 2007.

Financial Security for Future Retirees in Maryland

MARYLAND FINANCIAL SECURITY SCORES: 2000, 2007, 2012, AND NATIONAL AVERAGE 2012

	2000	2007	2012	National
Overall Score	6	7	6	5.4
Retirement Income Score	7	7	7	5.5
Retirement Plan Participation (Private Sector)	58.4%	51.5%	52.3%	46.0%
Average DC Account Balance	$23,869	$30,294	$32,094	$30,345
Marginal Tax Rate on Pension Income	3.87%	3.72%	3.77%	4.0%
Retiree Cost Score	6	4	4	5.4
Medicaid Out of Pocket Cost per Enrollee	$1,481	$1,829	$1,970	$1,745
Medicaid Payments for Older Beneficiaries	$19,588	$21,908	$22,611	$16,978
Older Households Paying 30% or More for Housing	30.0%	36.4%	36.8%	32.7%
Labor Market Score	6	10	6	7
Older Worker Unemployment Rate	3.5%	2.0%	5.6%	5.3%
Median Hourly Wage for Older Workers	$15.99	$16.74	$16.00	$14.76

Note: All dollar figures are in 2012 dollars.

ABOUT THE FINANCIAL SECURITY SCORECARD

The Financial Security Scorecard measures three key areas of retirement security: potential future income, major retiree costs, and the labor market for older Americans. This Scorecard assesses Indiana relative to the other states on these dimensions of retirement security.

Nationally, private sector participation and savings in retirement plans are particularly inadequate. Reflecting an overall downward trend, even the highest-ranking state for workplace retirement plan participation had just 54% of private sector workers age 21-64 enrolled in a pension or 401(k) style retirement plan. Furthermore, existing savings levels in 2012 generated account values that are lower than a year's income and below levels that financial industry experts recommend as targets for most ages. Thus, regardless of relative scores, all states have their work cut out for them when it comes to creating absolute financial security for aging populations.

States were ranked based on eight measures of financial security for future retirees including: percentage of private sector workers participating in a retirement plan at work; average defined contribution account balance; marginal tax rate on pension income; average out-of-pocket expenditures for Medicare patients; average Medicaid spending per elderly patient; percent of older households spending 30 percent or more of income on housing costs; unemployment rate of people 55 and older; and median hourly earnings of workers 55 and older. Rankings were scored both overall and within three key categories on a scale of 1 to 10, with higher scores indicating better performance for the years 2000, 2007 and 2012.

For more information about the national and state scorecards visit www.nirsonline.org.

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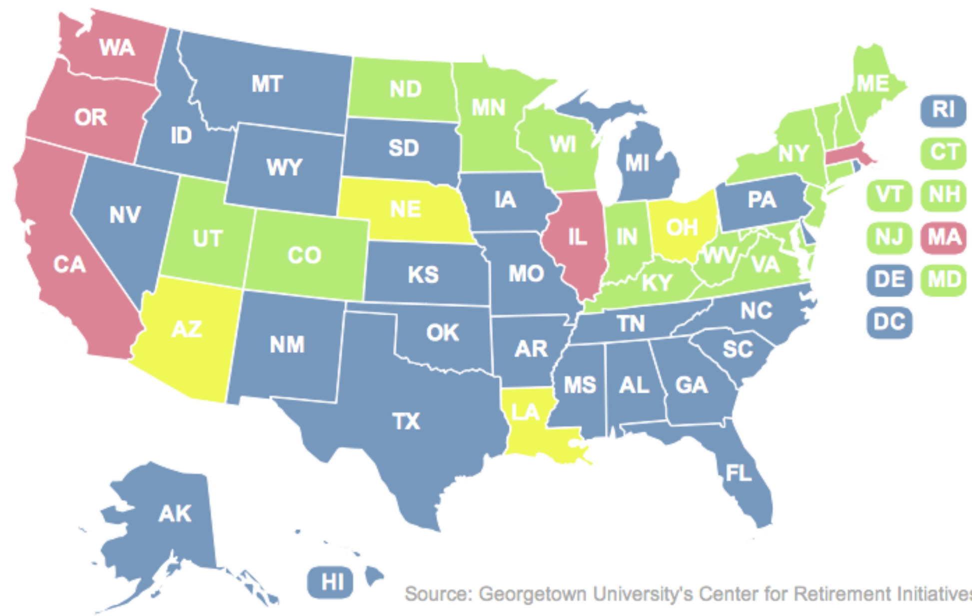
State Activity to Build Greater Financial Security

Laws Enacted:

- Massachusetts
- California
- Illinois
- Washington
- Oregon



Source: Georgetown University's Center for Retirement Initiatives

= legislative proposal and/or study in 2015
= laws enacted (2012-present)
= recent state efforts (2012-2014)

State Activity to Build Greater Financial Security

- Reasonable retirement benefits
- Automatic enrollment – no hassle & no bureaucracy
- Affordable
- Portable
- Professionally managed
- Low fees

	California Secure Choice Retirement Savings Program	Illinois Secure Choice Savings Program	Oregon Retirement Savings Program	Massachusetts Retirement Plan for Non-Profits	Washington Small Business Retirement Marketplace
Implement if ERISA Applies	No	No	No	Yes	Yes
Administrative Entity	Board	Board	Board	Agency	Agency
Employers Affected	5 or more employees	25 or more employees	Not Specified	20 or fewer employees	100 or fewer employees
Employer Participation	Mandatory	Mandatory	Mandatory	Voluntary	Voluntary
Automatic Enrollment	Yes	Yes	Yes	No	Business owners may auto enroll as IRS rules allow – no state requirement
Investment of Assets	Collective, common, and pooled investment of assets.	Moneys in the fund will be held as pooled investments to achieve cost savings through efficiencies and economies of scale.	Pooled accounts established under the plan for investment; accounts are professionally managed.	Depends on Type of Plan	Depends on Type of Plan

Benefits of Pooled Investments

- Multi generational risk allocation
  - Multi generational pooling means that individual does not have to decrease risk close to retirement. Younger generations in pool can absorb the risk, older individual can enjoy higher returns associated with greater risk.
- Professionally Managed
  - More easily resists the buy high, sell low phenomena
- Access to More Asset Classes
  - More balanced portfolio because asset classes that don't require "daily liquidity" can be included
- Fees
  - Lower fees because spread over thousands of people

President: DOL to Propose Regs on State Retirement Efforts

- Department of Labor (DOL) to propose regulation to support the States activity to promote access to automatic workplace retirement savings for America's middle class workers by the end of 2015.
- Inadequate retirement savings places greater stress public efforts to guarantee a level of economic security for older Americans.
- This DOL step will help state legislators seeking to create broader savings opportunities.

Questions?

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