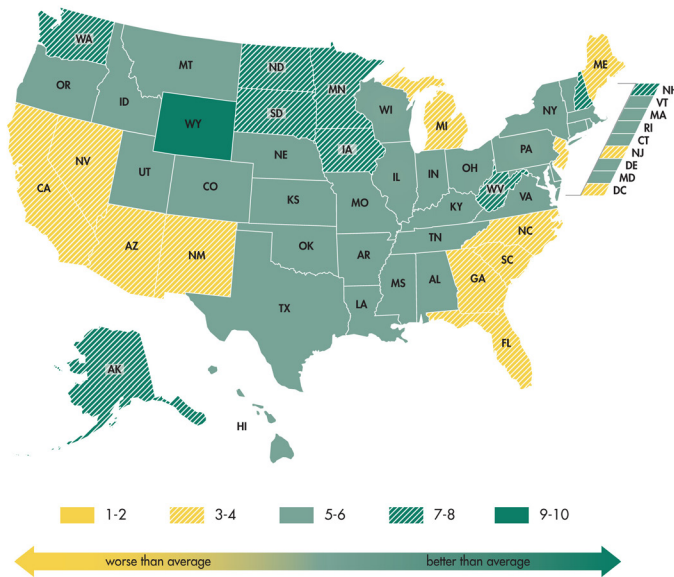


Financial Security for Future Retirees: Minnesota Scores 8 out of 10



Minnesota like every state faces challenges to the financial security of future retirees. The state's 8 out of 10 score on the Financial Security Scorecard means that the next generations have much lower potentials for financial insecurity in retirement than counterparts in many other states. The scorecard considers: future income, key retiree costs, and labor markets for older workers.

Minnesota policy makers may particularly look to focus on increasing retirement savings and reducing housing costs for retirees. Even though Minnesota has one of the highest pension coverage levels, participation has declined since 2000, when 6 out of every 10 workers participated in a plan. Financial industry experts recommend that workers in their 40s should have 2-3 times salary in retirement savings, yet the average defined contribution (DC) account balance held by Minnesotans of \$38,492

falls far below one times the average annual earnings level of \$61,847 in the state. By increasing pension coverage and savings, Minnesota may be able to reduce the level older individuals living in poverty to below the 2012 level of 7.9 percent.



POTENTIAL FUTURE RETIREE INCOME SCORE: 7 OUT OF 10

The components of Minnesota's retirement income score had both highs and lows, and resulted in an above-average score. With 54 percent of private sector employees participating in employer-sponsored retirement plans, the state had the second highest level of pension coverage. In 2012, Minnesota also ranked highly (4th in the nation) on average DC account balances, with a typical balance of \$38,492 in the account of those who had one. 2012. In contrast, Minnesota has the highest state marginal tax rate on pension income, at 7.94%.



MAJOR RETIREE COST SCORE: 8 OUT OF 10

Minnesota's higher score was due in part to the state having the second lowest level of out of pocket expenses for Medicare coupled with sizeable generosity with regard to Medicaid. Medicare enrollees spent an average of just \$1,477 in out-of-pocket costs. With average payments of \$24,455 for older beneficiaries, Minnesota ranked 6th in Medicaid generosity. The state had a slightly below average ranking for housing cost burden, as slightly more than one third of older households pay 30 percent or more of their income towards housing.



OLDER ADULT LABOR MARKET SCORE: 8 OUT OF 10

Minnesota scored in the upper range when measuring labor market opportunities for retirees. The \$17.00 median hourly wage for older workers in 2012 was the third highest in the nation. This combined favorably with Minnesota's slightly better than average unemployment rate for older workers (4.9 percent in 2012), which was well above the national average of 5.3 percent.

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

	2000	2007	2012	National
Overall Score	6	7	8	5.4
Retirement Income Score	6	7	7	5.5
Retirement Plan Participation (Private Sector)	59.46%	54.86%	53.62%	46.0%
Average DC Account Balance	\$23,952	\$35,260	\$38,492	\$30,345
Marginal Tax Rate on Pension Income	7.77%	7.93%	7.94%	4.0%
Retiree Cost Score	8	8	8	5.4
Medicare Out of Pocket Cost per Enrollee	\$1,254	\$1,490	\$1,477	\$1,745
Medicaid Payments for Older Beneficiaries	\$23,560	\$23,945	\$24,455	\$16,978
Older Households Paying 30% or More for Housing	26.4%	32.7%	34.1%	32.7%
Labor Market Score	5	6	8	5.6
Older Worker Unemployment Rate	2.8%	3.6%	4.9%	5.3%
Median Hourly Wage for Older Workers	\$13.39	\$16.68	\$17.00	\$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 Minnesota 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.