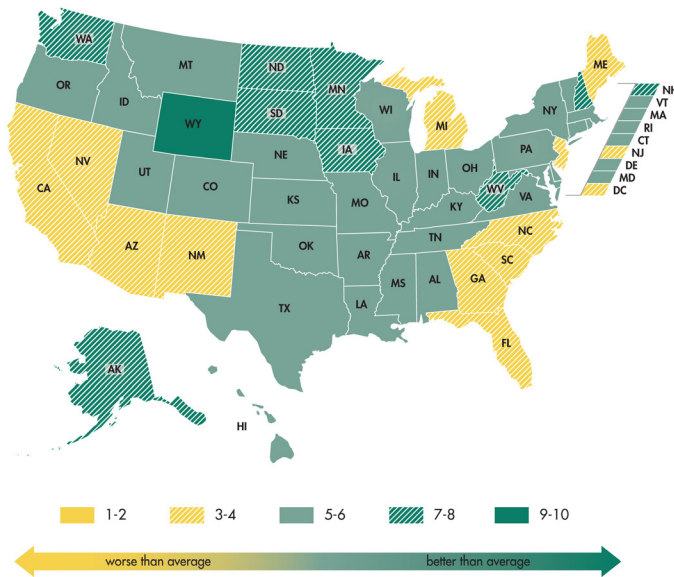


# Financial Security for Future Retirees: Pennsylvania Scores 6 out of 10



Pennsylvania like every state faces challenges to the financial security of future retirees. The state's 6 out of 10 score on the Financial Security Scorecard means that the next generation has a lower potential for financial insecurity in retirement than counterparts in many other states; however, there is still room for improvement. The scorecard considers: future income, key retiree costs, and labor markets for older workers.

Even with its relatively higher ranking, Pennsylvania still has an important role to play fashioning financial security as workers age. Workers need help to maintain their standard of living with an adequate income stream over their retirement years. Only one-half of Pennsylvania workers participate in a retirement plan at work. Those who have saved for retirement in defined contribution (DC) account have an average balance of \$40,719; this means

that workers have saved far less than even one-times the \$61,240 average annual earnings of working Pennsylvanians in 2012. Financial industry experts recommend that workers by their 40s should have 2-3 times salary in retirement savings set aside. Increasing retirement plan coverage and savings for retirement is important otherwise the percentage of older Pennsylvanians living in poverty in the future may exceed the 2012 level of 8.3 percent.



## POTENTIAL FUTURE RETIREE INCOME SCORE: 8 OUT OF 10

Each of the components of Pennsylvania's retirement income score yielded an above-average score. With 50 percent of private sector employees participating in an employer-sponsored retirement plan in 2012, Pennsylvania had the 13th highest coverage rate in the nation. However, since 2000 the percent of workers covered in a retirement plan has dropped from 58 percent. The \$40,719 saved in the average DC account held by Pennsylvanians was well above \$30,345 in retirement savings nationally, ranking the state third in the nation in this regard. Pennsylvania also had a relatively low 3.08 percent marginal tax rate on pension income.



## MAJOR RETIREE COST SCORE: 5 OUT OF 10

The components of Pennsylvania's retiree cost score were mixed and yielded an average score. The state ranked well in terms of Medicaid generosity with average payments of \$19,183 for older beneficiaries. However, the state ranked poorly in Medicare generosity, with an average cost-sharing liability of \$1,887 in out-of-pocket costs for enrollees. Pennsylvania also ranked poorly in terms of housing cost burden for older households, with 34 percent of older households paying 30 percent or more of their income towards housing costs.



## OLDER ADULT LABOR MARKET SCORE: 6 OUT OF 10

Pennsylvania ranked relatively highly in terms of older adult labor market opportunities. The state had a relatively high median wage for older workers at \$15.00 per hour, as compared with \$14.76 nationally. However, Pennsylvania also had a relatively high unemployment rate for older workers, at 6.4 percent, versus 5.3 percent nationally.

## PENNSYLVANIA FINANCIAL SECURITY SCORES: 2000, 2007, 2012, AND NATIONAL AVERAGE 2012

	2000	2007	2012	National
<b>Overall Score</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>5.4</b>
<b>Retirement Income Score</b>	<b>9</b>	<b>8</b>	<b>8</b>	<b>5.5</b>
Retirement Plan Participation (Private Sector)	58.27%	51.48%	49.66%	46.0%
Average DC Account Balance	\$28,226	\$34,926	\$40,719	\$30,345
Marginal Tax Rate on Pension Income	2.92%	3.11%	3.08%	4.0%
<b>Retiree Cost Score</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>5.4</b>
Medicare Out of Pocket Cost per Enrollee	\$1,640	\$1,770	\$1,887	\$1,745
Medicaid Payments for Older Beneficiaries	\$17,239	\$18,372	\$19,183	\$16,978
Older Households Paying 30% or More for Housing	29.9%	35.0%	34.2%	32.7%
<b>Labor Market Score</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>5.6</b>
Older Worker Unemployment Rate	2.4%	2.7%	6.4%	5.3%
Median Hourly Wage for Older Workers	\$13.30	\$14.02	\$15.00	\$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 Pennsylvania 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](http://www.nirsonline.org).