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## Financial Security Scorecard: A State-by-State Analysis of Economic Pressures Facing Future Retirees

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## ABOUT THE AUTHORS

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## EXECUTIVE SUMMARY

As Americans increasingly worry about their retirement prospects, states play an important and growing role in retirement security policy. States already manage long-term care programs for the elderly through Medicaid. Concerned about the impact of future elder poverty on state and local budgets and their local economies, a number of states are exploring the creation of low-cost and low-risk retirement savings plans for private sector workers who lack access to pensions or 401(k)s on the job. Some states have developed programs to help older workers find work.

This report presents the **Financial Security Scorecard**, designed to inform state-level stakeholders and policymakers regarding the financial security outlook for future retirees and to help identify potential areas of focus for state-based policy interventions to improve retirement prospects. Specifically, the scorecard ranks each of the 50 states plus the District of Columbia (hereafter referred to as “states”) in three sources of potential economic pressures for future retirees, as measured through eight specific variables:

- potential retirement income (measured by private sector workplace retirement plan participation, estimated average 401(k) account balances, and effective tax rates on pension income),
- major retiree costs, focused on housing and health care costs for older households (measured by Medicare out-of-pocket costs, Medicaid generosity, and older households’ housing cost burden) and
- labor market conditions for older workers (measured by unemployment and median earnings among older workers).

This analysis enables policymakers to understand how their state fares relative to other states in terms of potential economic pressures for future retirees, and which areas of retirement security need the most attention. At the same time, the raw data underlying the scorecard indicate that in some areas, all states have room for improvement regardless of how they rank. The scorecard findings are as follows:

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

- No state ranks in the top group of states on all eight scorecard variables.
- For every state, at least one indicator of potential retirement income is lower, one measure of retiree costs is higher or one labor market variable is worse than in at least one other state.
- The data underlying the scorecard indicate key areas of trouble that affect most or all states. For instance, the highest ranking state for workplace retirement plan participation in 2012 had only 54 percent of private employees participating in a pension or 401(k). In addition, the number of states with more than 30 percent of older households experiencing a housing cost burden increased from 14 in 2000 to 31 in 2012.

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

- Scorecard measures on retirement income, retiree costs and labor markets for older workers are substantially correlated with states’ overall scores.
- In general, states that perform significantly worse than other states on any one of the three key dimensions of economic insecurity typically do not make up this lost ground with much better performance on the other dimensions.

**3. 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.

- This effect may dissipate as the labor market for older workers improves in all states alongside a growing economy.
- Nonetheless, the data indicate that short-term disruptions such as recessions can have serious longer-term consequences for the economic security of an aging population that has limited time to accumulate additional resources for retirement.

#### 4. States must remain vigilant over time.

- Most states experienced an increase or decrease in their score over time. Only a little over one

third—35 percent—of the 50 states and the District of Columbia maintained the same score from 2000 to 2012.

- Changes in state rankings occurred in all three scorecard categories—whether through faster-deteriorating savings, more quickly rising costs, and/or sharper labor market declines compared to other states.
- A state that did well relative to others on one or more of the key dimensions of economic security for an aging population in one year may very well find that it is falling behind other states in subsequent years.

## INTRODUCTION

For many Americans, retirement holds the promise of pursuing long held dreams. Others simply hope to be financially self-sufficient so that they can meet basic needs without relying on family members, charity or government assistance. However, it takes tremendous financial resources just to pay for the basic necessities of housing and health care in old age, never mind start a business or travel the world. The financial challenge of saving enough for that hoped-for retirement has become harder over time, especially after the Great Recession of 2007-2009. Households lost trillions of dollars of wealth amid the housing and stock market meltdown. They also struggled to pay their bills, much less save, as unemployment stayed high and wages remained low.

Americans increasingly worry about their retirement prospects. A survey by the Employee Benefit Research Institute conducted in 2013, for instance, found that nearly half of Americans felt “not at all confident” or “not too confident” that they would have enough money for retirement.<sup>1</sup> The percentage of respondents indicating that they were not at all confident in having enough money for retirement in 2013, 28 percent, was the highest share in the survey’s 23-year history.<sup>2</sup>

States play an important and growing role in retirement security policy. While the largest source of retirement income for the vast majority of Americans is the federal Social Security program, it provides a fraction of the amount that most people need. States have always handled long-term care programs for the elderly since there is no federal long-term care program. Notably, prior to the passage of the Social Security Act of 1935, 35 states had instituted old-age pensions.<sup>3</sup> Given the potential impact of impoverished retirees on state and local budgets, states are also initiating policies to increase retirement security among their working population.

A number of states, for example, have started to look at ways to improve retirement security for private sector workers, e.g. by creating low-cost and low-risk retirement savings plans.<sup>4</sup> In addition, some states have encouraged workforce development programs designed to give older workers the opportunity to find meaningful work.<sup>5</sup>

This report offers a state-by-state measure that could inform such policy interventions.<sup>6</sup> We constructed a state aging Financial Security Scorecard that measures performance in three sources of potential economic pressures for future retirees: 1) potential retirement income among private sector employees, 2) housing and health care costs for older households and 3) labor market opportunities for older workers. Our score card combines data on these three aspects—retirement income, retiree costs and labor market conditions—and ranks each of the 50 states plus the District of Columbia (hereafter referred to as “states”). This allows policymakers to see how their state fares relative to other states in terms of potential economic pressures for future retirees, and which areas of retirement security need the most attention.

We calculated scores for 2000, 2007 and 2012. We selected those years since 2012 is the last year for which we have data, and 2000 and 2007 are the last complete years before the most recent two recessions. For each year, based on rankings for the variables underlying each category, we assigned scores of 1 to 10 to each state in each category—retirement income, retiree costs, and labor markets—with 1 representing the lowest possible score, and 10 representing the highest possible score. Finally we averaged rankings across all variables in order to arrive at an overall state score. Detailed scoring methodology is discussed later in this report.

The resulting set of state overall scores and category scores for retirement income, retiree costs and labor markets show the following:

- **There is room for improvement in all states in one or more measure of financial security for future retirees.** The highest total score any state receives is 9; no state receives the highest score of 10 because no state ranks in the top group of states on all variables. For every state, at least one indicator related to retirement income, retiree costs or labor market conditions is worse than in at least one other state. Each state could hence do better for its aging population on one or more measure of future economic insecurity.



- **All three potential sources of economic insecurity for future retirees deserve policy attention.** Our measures on retirement income, retiree costs and labor markets for older workers are substantially correlated with states' overall scores. A state performing worse than other states on one of the three key dimensions of economic insecurity typically does not offset this worse performance with much better performance on the other dimensions. States have their work cut out on a number of economic measures that can determine the future financial security of an aging workforce.
- **Improving the future financial security of an aging population requires ensuring good employment options for older workers.** Our data show a stronger correlation between labor market conditions and states' overall score after the Great Recession in 2012 than in either 2000 or 2007. Older workers suffered more from higher unemployment and lower wages in lower-ranked states than they did in earlier years. This effect may dissipate as the labor market for older workers improves in all states alongside a growing economy. Nonetheless, the data highlight that short-term disruptions such as recessions can have serious longer-term consequences for the economic security of an aging population that has limited time to accumulate additional resources for retirement.
- **States need to remain vigilant over time.** Our analysis shows that only a little over one third—35 percent—of the 50 states and the District of Columbia maintained the same score from 2000 to 2012. Most states experienced an increase or decrease in their score over time. A decline, for instance, can follow from faster-deteriorating savings, more quickly rising costs and sharper labor market declines compared to other states. A state that did well relative to others on one or more of the key dimensions of economic

security for an aging population in one year may very well find that it is falling behind other states in subsequent years.

The data suggest that policymakers in all states have their work cut out for them when it comes to creating real financial security for their aging populations. Our summary of key data on retirement income, retiree costs and labor markets for older workers can help policymakers identify weak spots and set policy priorities. To the best of our knowledge, this is the first state-by-state data analysis that attempts to offer a comprehensive forward looking perspective on the potential economic pressures facing future retirees. This scorecard can help policymakers see which states are faring better with respect to key economic security dimensions and potentially learn from those states' policy approaches if they want to make policies in specific areas a priority.

## Organization of Report

The remainder of this report is organized as follows. In Section I, we outline the ranking and scoring methodology used in the scorecard. Section II presents the scorecard results for 2000, 2007 and 2012, including the overall scores and the category scores. In Section III, we first discuss the overall trends in 2012 state scores and then analyze results for the top and bottom performing states.<sup>7</sup> In Section IV, we briefly discuss summary statistics on the changes in states' scores from 2000 to 2012 and highlight the experience of states with the largest score changes to emphasize the factors that led to states changing relative positions during this period.<sup>8</sup> The Conclusion summarizes the findings and underscores the role of state policy action in improving the financial security of future retirees.

A detailed description of variables and data sources can be found in **Appendix A**. **Appendix B** contains scorecard results by state name in alphabetical order, as well as raw data and rankings for each variable.

## I. METHODOLOGY

We collected eight variables for each of the 50 states plus the District of Columbia (hereafter referred to as “states”) to include in the scorecard.<sup>9</sup> The variables fall into three broad categories in order to capture potential future economic pressures on retirees in a given state: future retirement income, costs to retirees for housing and health care, and labor market conditions for older workers. We then ranked states under each variable and converted these rankings into scores in order to generate category and overall scores for each state. In this section, we outline the variables and describe the ranking and scoring methods.

### Variables

First, we included three variables to capture current private sector workers’ potential **retirement income**:

- The percentage of private sector workers participating in a retirement plan at work.
- The average defined contribution account (e.g., 401(k)) balance.<sup>10</sup>
- The marginal tax rate on pension income.

We assumed that a greater workplace retirement plan participation rate, higher average account balance and lower effective pension income tax rate result in greater potential future retirement income for today’s aging workforce.

Second, we included three variables to measure key **retiree costs** related to health care and housing:

- The average out-of-pocket expenditures for Medicare patients as an indicator of health care costs for the Medicare-eligible population.
- The average Medicaid spending per elderly patient as a measure of Medicaid generosity.

- The share of older households with housing costs greater than 30 percent of their income as an indicator of housing cost burden.

Greater average Medicare spending by patients signifies higher health care costs to the Medicare-eligible population. Higher Medicaid expenditures per elderly beneficiary by the state proxy for Medicaid generosity, and consequently lower costs for Medicaid-eligible retirees. And, a greater share of elderly households spending more than 30 percent of their income on housing indicates higher housing costs.

And finally, we included two variables as indicators of **labor market** conditions for older adults:

- The unemployment rate of people 55 years old and older.
- Median hourly earnings for workers 55 years old and older.




Lower unemployment rates and higher hourly earnings signify greater opportunities for retirees—in particular younger retirees—to supplement their income with earnings.

We did not include average Social Security benefits because of our focus on potential income for future retirees. A better indicator of future Social Security benefits is earnings, and this is partially captured by one of the labor market variables—median earnings among workers age 55 and older.

We ranked and scored states for all of our input variables for three select years: 2012, 2007 and 2000. We selected 2012 since that is the most recent year for which we can reasonably compile data. We also included data for 2007 and 2000 since those are the two complete years before the two most recent recessions.

**Table 1** presents key summary statistics for all eight variables for 2000, 2007 and 2012, including the average, maximum

**Table 1. SUMMARY STATISTICS FOR UNDERLYING SCORECARD VARIABLES**

Category	Variable		2000	2007	2012
<b>Potential Future Retirement Income</b> 	Workplace retirement plan participation rate among private sector employees	<b>Average</b>	<b>52.3%</b>	<b>49.2%</b>	<b>46.0%</b>
		Maximum	59.5%	58.3%	54.1%
		Minimum	41.4%	36.4%	32.1%
	Average defined contribution account balance	<b>Average</b>	<b>\$23,999</b>	<b>\$28,477</b>	<b>\$30,345</b>
		Maximum	\$38,611	\$42,229	\$45,641
		Minimum	\$14,428	\$16,982	\$19,768
	Marginal tax rate on pension income	<b>Average</b>	<b>4.0%</b>	<b>4.1%</b>	<b>4.0%</b>
		Maximum	7.9%	7.9%	7.9%
		Minimum	0.0%	0.0%	0.0%
<b>Retiree Costs</b> 	Average Medicare patient medical liabilities	<b>Average</b>	<b>\$1,483</b>	<b>\$1,647</b>	<b>\$1,745</b>
		Maximum	\$1,789	\$1,975	\$2,014
		Minimum	\$1,155	\$1,223	\$1,342
	Average Medicaid spending per elderly beneficiary	<b>Average</b>	<b>\$16,175</b>	<b>\$16,431</b>	<b>\$16,978</b>
		Maximum	\$30,368	\$30,688	\$29,177
		Minimum	\$1,246	\$4,929	\$2,407
	Share of older households with housing costs greater than 30 percent of income	<b>Average</b>	<b>28.5%</b>	<b>32.6%</b>	<b>32.7%</b>
		Maximum	39.4%	47.0%	48.1%
		Minimum	20.5%	19.5%	20.1%
<b>Labor Market Opportunities for Older Adults</b> 	Unemployment rate among older adults	<b>Average</b>	<b>2.5%</b>	<b>3.0%</b>	<b>5.3%</b>
		Maximum	4.3%	4.9%	9.8%
		Minimum	0.9%	1.4%	2.2%
	Median hourly earnings among older adults	<b>Average</b>	<b>\$13.58</b>	<b>\$14.49</b>	<b>\$14.76</b>
		Maximum	\$18.92	\$17.85	\$18.00
		Minimum	\$10.98	\$12.27	\$12.38

Note: All dollar figures in 2012 dollars. See Appendix A for a detailed discussion of deflators and variable definitions. Average data reflect unweighted averages of state data and are not national averages.



and minimum values. These summary statistics show that the values for each variable typically vary significantly across states. They also vary somewhat over time, with the exception of effective tax rates on pension income, which has an average of about four percent, a maximum of close to eight percent and a minimum of zero percent for all three years. The bottom line is that there is sufficient variation among states for every variable included in this scorecard to allow for meaningful rankings.

### Scoring and Ranking

We first ranked states from best to worst in each of the eight variables described above, and then averaged these rankings in each of the three topical categories—potential retirement income, retiree costs and labor market conditions—in order to assign each state a score from 1 to 10. Finally, we averaged rankings across all variables and assigned scores in the same manner in order to arrive at overall scores for each state. A high score signifies better relative performance and a lower score indicates worse relative performance in terms of the ability

of the current working-age population in each state to avoid future economic pressures. The category score methodology effectively places equal weight on each of the variables within a category. Similarly, the overall score methodology places equal weight on each of the eight variables underlying the three major categories.

We arrived at the scores as follows. First, for each variable, we ranked states from better to worse. The state with the best performance received a ranking of 1, and the state with the worst performance received a ranking of 51.

Occasionally, one state has the same observation, or value, as another state for the same variable. We treated these ties as follows. We gave the same rank to states with the same data. In those cases where a tie exists, we assigned the best possible rank to all states with the same value. We then jumped over the requisite number of ranking numbers to still assign a rank of 51 to the state with the worst performance on the particular variable in question.

Table 2. TRANSLATING AVERAGE VARIABLE RANKINGS INTO SCORES

Average ranking in category or across all variables	Assigned score
average ranking<=5.1	10
5.1<average ranking<=10.2	9
10.2<average ranking<=15.3	8
15.3<average ranking<=20.4	7
20.4<average ranking<=25.5	6
25.5<average ranking<=30.6	5
30.6<average ranking<=35.7	4
35.7<average ranking<=40.8	3
40.8<average ranking<=45.9	2
45.9<average ranking<=51.0	1

Note: The translation for average rankings into scores applies to all three category scores on retirement income, retiree costs and labor markets and to the overall score.

This is best explained with an example. Take, for instance, retirement plan participation rates. Assume there are five states—A, B, C, D, and E. They have participation rates of 51 percent, 50 percent, 50 percent, 50 percent and 49 percent, respectively. State A receives a rank of 1, states B, C and D each receive a rank of 2 and state E receives a rank of 5.

Next, we used the rankings of the individual variables to assign states a score for each of the three subcategories and an overall score. Unlike in the variable rankings, we calculated the category score and overall score—ranging from 1 to 10—so that a higher value reflects better performance and a lower value reflects worse performance.

We calculated the scores for all three subcategories and the overall score as shown in **Table 2**. States with an average ranking of 5.1 or less received a score of 10, states with an average ranking greater than 5.1 but equal to 10.2 or less received a score of 9 and so on, finally with states with an average ranking greater than 45.9 receiving a score of 1. In other words, scores represent the 51 total rankings streamlined

into 10 groups. However, because sometimes multiple states have the same value for a given variable and consequently share the same rank number, states are not evenly distributed across the scores 1 through 10.

A higher score thus indicates a state doing better along specific dimensions or on the overall measure than states with a lower score. **A score of 10, however, does not mean that the state in question manages to avoid major potential economic pressures for its future retiree population. It only means that this state presents lower potential economic pressures for future retirees than do other states.** Similarly, a score of 1 means that the state in question fares worse than other states, not that this state completely fails to meet some absolute standard.

The bottom line is that states with lower scores have more work cut out for them than states with higher scores if they want to reduce potential economic pressures facing future retirees. It also means that states with lower scores can possibly learn more about successful policy interventions from states with higher scores than they can from states with low scores.

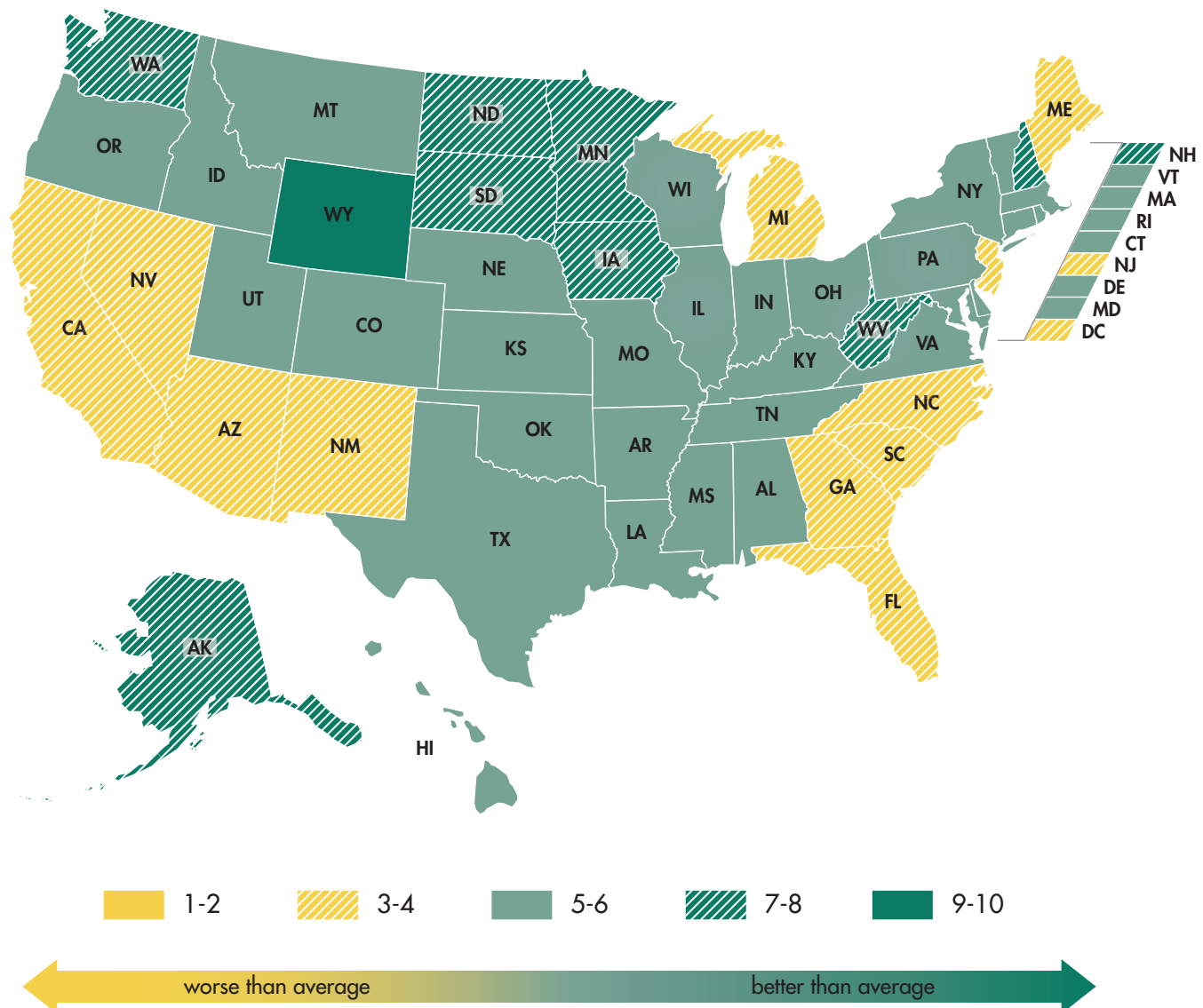
## II. FINANCIAL SECURITY SCORECARD

In this section we present the Financial Security Scorecard, showing how states fare in relation to each other in terms of potential economic pressures facing future retirees. **Figure 1** provides a map view of state scores in 2012. The scorecard showing overall scores in 2000, 2007 and 2012 appears in **Table 3**. Category scores for retiree income, retiree costs, and

labor market conditions for older workers are in **Tables 4, 5 and 6**, respectively. Our discussion of key trends follows in Section III and Section IV. The scores and underlying data, organized by state name in alphabetical order, can be found in Appendix B available in the online version of this report.

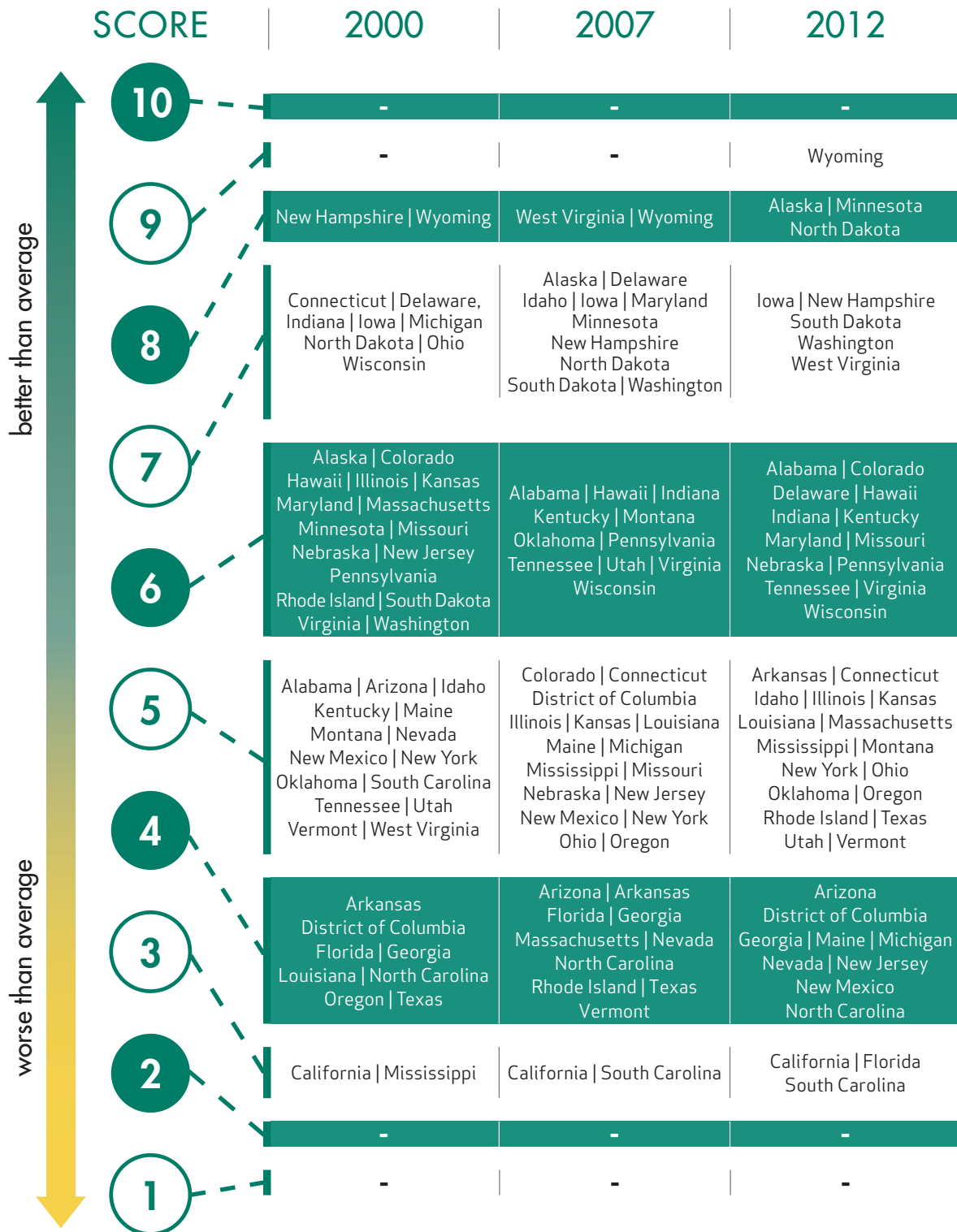
Figure 1. **FINANCIAL SECURITY FOR FUTURE RETIREES IN THE STATES, 2012**

Overall financial security scores based on potential economic pressures facing future retirees

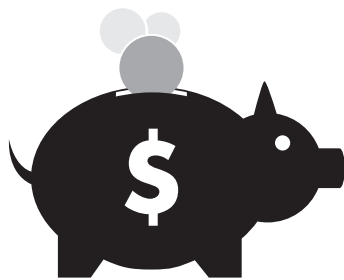


# Table 3. STATE FINANCIAL SECURITY SCORECARD

Overall scores based on potential economic pressures facing future retirees—retirement income, retiree costs and labor market conditions for older adults



Note: Each state's overall financial security score consists of an average of the scores for eight variables related to potential retirement income, retiree costs and labor market conditions for older adults.



**Table 4. RETIREMENT INCOME SCORES**

*Average of scores from workplace retirement plan participation rates, defined contribution account balances and marginal tax rates on pension income*

SCORE	2000	2007	2012
10	-	-	-
9	New Hampshire Pennsylvania	Washington	South Dakota
8	Connecticut   Delaware Illinois   Michigan New Jersey   Washington Wyoming	Illinois   Missouri Pennsylvania South Dakota	Alaska   Illinois Pennsylvania   Washington Wyoming
7	Florida   Indiana Maryland   Nevada   Ohio Wisconsin	Alaska   Iowa   Maryland Michigan   Minnesota Nevada   New Hampshire North Dakota West Virginia   Wisconsin Wyoming	District of Columbia   Iowa Maryland   Minnesota Nevada   New Hampshire North Dakota West Virginia   Wisconsin
6	Alaska   Arizona Colorado   Iowa   Kansas Massachusetts Minnesota   Missouri North Dakota South Dakota   Tennessee Virginia	Alabama   Delaware Indiana   Kentucky Louisiana   Mississippi Nebraska   Ohio Tennessee   Texas Virginia	Colorado   Delaware Indiana   Kentucky Louisiana   Michigan Mississippi   Missouri Nebraska   Rhode Island Texas   Virginia
5	Alabama   Hawaii Nebraska   New York Rhode Island   Texas	Connecticut District of Columbia Massachusetts New Jersey   New York, Oklahoma	Alabama   Connecticut Massachusetts New Jersey   New York Ohio   Oklahoma Tennessee
4	Georgia   Kentucky Louisiana   Mississippi Montana   North Carolina Oregon   South Carolina Vermont	Arkansas   Colorado, Florida   Georgia   Hawaii Idaho   Maine   Montana North Carolina   Oregon Rhode Island	Florida   Georgia   Hawaii Idaho   Kansas   Maine North Carolina   Vermont
3	Arkansas   California District of Columbia Idaho   Maine   Oklahoma Utah   West Virginia	Arizona   Kansas New Mexico South Carolina   Utah Vermont	Arizona   Arkansas Montana   Oregon South Carolina   Utah
2	New Mexico	California	California   New Mexico
1	-	-	-

better than average

worse than average

Note: States received a high score if their average defined contribution account balances and retirement account balances were relatively high and marginal tax rates were relatively low. See Tables B-5, B-6 and B-7 in Appendix B for state rankings of average real account balances, participation rates and marginal tax rates.



# Table 5. RETIREE COST SCORES

Average of scores from Medicare out-of-pocket spending, Medicaid generosity and housing cost burden



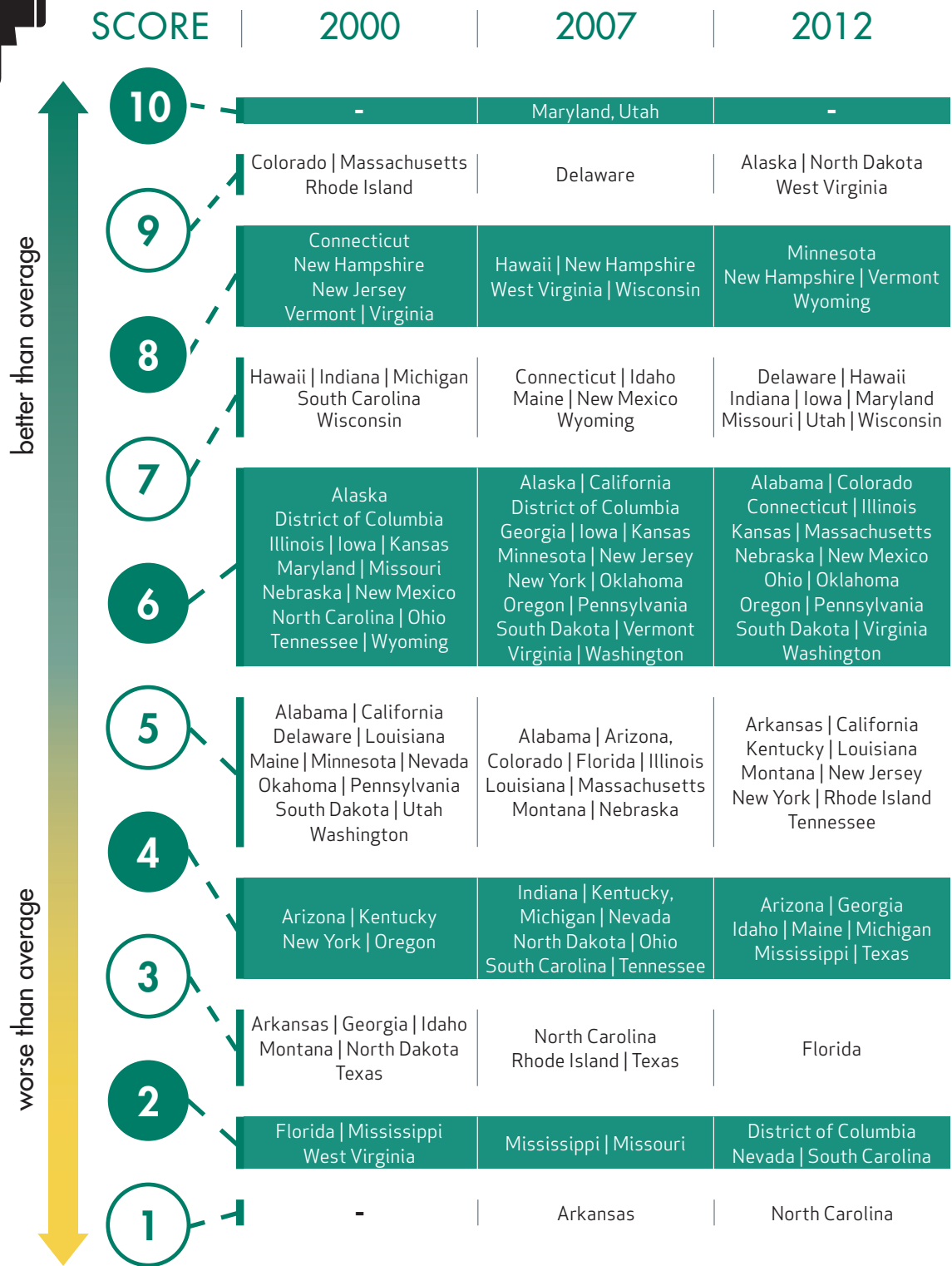
Note: States received a high score if Medicare out-of-pocket costs were relatively low, Medicaid generosity was relatively high and the housing cost burden was relatively high among older adults. See Tables B-8, B-9 and B-10 in Appendix B for state rankings of average real out-of-pocket Medicare spending, Medicaid spending per elderly beneficiary, and housing cost burden.





**Table 6. LABOR MARKET SCORES**

*Average of scores from older adult unemployment rates and median weekly earnings.*



Note: States received a high score if older adult unemployment rates were relatively low and if earnings were relatively high. See Tables B-11 and B-12 in Appendix B for state rankings of unemployment rates and median weekly earnings among older workers.

### III. 2012 SCORECARD TRENDS

Tables 3, 4, 5 and 6, presented in Section II, detail states' overall scores and category scores. In this section, we first examine national summary data for 2012 and then explore the state-by-state scorecard results for the highest and lowest scoring states.

The most recent year, 2012, reflects the situation in states as they continue to recover from the fallout of the economic and financial crisis of 2007-2009, commonly known as the Great Recession. The country experienced continuously high unemployment, a slow housing market recovery and cutbacks in government spending during the first years that followed the Great Recession.<sup>11</sup> That is, the outlook for meaningful economic security for an aging population in 2012 was disconcerting.

It is critical to keep this context in mind since our scoring method only offers insights on how states fare with respect to each other, not on how they perform relative to an absolute standard of economic security for future retirees.<sup>12</sup>

#### Overview of the 2012 Scorecard

Table 7 presents national summary data on states' overall scores and category scores for retirement income, retiree costs and labor markets in 2000, 2007 and 2012. Two patterns stand out. **First, no single state had the best or close to best ranking on all eight input variables in 2012.** As a result, the highest score that year was 9 rather than 10 for both the overall and category scores. In terms of the overall score, only one state, Wyoming, even received a score of 9 in 2012. By the same token, no state performed near the bottom on all eight input variables that year. Good rankings on some measures offset poor rankings on other measures to generate a minimum overall score of 3 for three states and helped seventeen states to earn a middling score of 5 in 2012.

**Second, overall scores varied significantly in 2012, indicating that states had a decidedly mixed experience with respect to key indicators of potential economic pressures on future retirees.** We thus consider the correlation between

the overall scores on the one hand and category score and individual variable rankings on the other for key states, in order to gain insights on the major factors that affected state scores.

All three category scores—for retirement income, retiree costs and labor markets for older workers—show greater dispersion than the combined score in 2012. The highest value for all three category scores is 9, just as it is for the combined score. However, the lowest category scores are 2 for retirement income and 1 for retiree costs and labor market measures for older workers. That is, some states consistently perform worse than the vast majority of states across variables multiple variables in the retiree cost category and/or in the labor market category. In other words, states basically have few opportunities to offset a worse ranking than other states on one input variable with a better ranking on another input variable in order to improve their category score.

The variation among category scores can thus help inform public policy by showing which categories matter more than others for states' overall financial security scores. We measured the correlation coefficients between the three category scores and the overall score as an indication of potential correlation.<sup>13</sup> Correlation coefficients can measure from zero (no correlation) to one (perfect correlation). The calculations for 2012 show that all three category scores substantially correlate with the overall score since all correlation coefficients are above 0.5. The labor market score shows the highest correlation with the overall score with a coefficient of 0.78, followed by retirement income with 0.68 and retiree costs of 0.67.

One interpretation of these results is that a state that performs worse than other states on one dimension of aging financial security is also likely to perform worse on at least one other dimension. An examination of the correlation between category scores indicates that labor market scores and retiree cost scores correlate with each other, such that states with stronger labor markets tend to have lower costs for retirees as well. Furthermore, potential retirement income has little relationship with retiree costs—i.e., states that have lower

## Table 7. NATIONAL SUMMARY OF STATE AGING FINANCIAL SECURITY SCORES

	Overall Score	Category Scores		
		Retirement Income	Retiree Cost	Labor Market for Older Workers
2012				
Average score	5.4	5.5	5.4	5.6
Standard deviation of score	1.3	1.7	1.7	1.8
Most frequent score	5	6	6	6
No. of states with most frequent score	17	12	16	15
Maximum score	9	9	9	9
No. of states with maximum score	1	1	2	3
Minimum score	3	2	2	1
No. of states with minimum score	3	2	4	1
Correlation with overall score	--	0.68	0.67	0.78
2007				
Average score	5.5	5.5	5.4	5.5
Standard deviation of score	1.2	1.7	1.8	1.9
Most frequent score	5	6	5	6
No. of states with most frequent score	16	11	10	16
Maximum score	8	9	9	10
No. of states with maximum score	2	1	2	2
Minimum score	3	2	2	1
No. of states with minimum score	2	1	3	1
Correlation with overall score	--	0.59	0.66	0.50
2000				
Average score	5.5	5.5	5.4	5.5
Standard deviation of score	1.2	1.8	1.9	1.8
Most frequent score	6	6	6	6
No. of states with most frequent score	16	12	8	13
Maximum score	8	9	9	9
No. of states with maximum score	2	2	2	3
Minimum score	3	2	1	2
No. of states with minimum score	2	1	1	3
Correlation with overall score	--	0.72	0.58	0.53

Note: States received a score from 1 to 10, with 10 indicating better performance than lower scores.

potential future retirement income than other states because of lower private sector retirement plan participation rates and lower retirement account balances also tend to have higher retiree costs as indicated by Medicaid generosity and housing costs.<sup>14</sup> The bottom line is that, as a general rule in 2012, states with higher retiree costs also tended to have worse labor markets for older workers and lower potential future retirement income.

## High Scoring States in 2012

Looking at the category scores of states with high overall scores further helps to illustrate these points. In 2012, the four highest scoring states were Wyoming, which had an overall score of 9, and Alaska, Minnesota and North Dakota which had an overall score of 8 (Table 3, Sec. II). All four states had relatively strong labor markets and comparatively low retiree costs, scoring 9 and 8 in these categories, while their retirement income scores were somewhat lower—8 and 7 (Tables 4, 5 and 6, Sec. II). That is, all three states can improve the economic security of their aging populations by prioritizing potential future retirement income through more savings. North Dakota makes this point especially well since it has a retiree cost score and a labor market score of 9 in 2012, but only a score of 7 for potential future retirement income.<sup>15</sup> A key lesson is that states with high overall scores still have work to do to improve the economic security of their aging population in at least one issue area.

## Low Scoring States in 2012

Considering the data on states with the lowest overall scores, on the other hand, indicates that they have their work cut out for them, but that there are also possible priorities for policy interventions. There were 7 low-scoring states 2012: California, Florida and South Carolina which received an overall score of 3, and nine states with a score of 4 (Table 4). We focus here only on the three lowest scoring states.

The three states with the lowest scores in 2012—California, Florida and South Carolina—illustrate the value of considering state performance in the three key issue areas of retirement income, retiree cost, and labor markets in helping policymakers identify priorities for policy interventions. California, Florida

and South Carolina have the same relatively low overall scores in 2012, indicating that they have their work cut out in just getting to where other states were in 2012. However, the experiences of the three states on the three key dimensions vary substantially.

Take California, for instance. It has a lower potential future retirement income score (2) than all but one state (Table 5) and scores among the four states with the highest retiree costs (2) (Table 6), but receives a middle score (5) on labor market conditions for older workers (Table 7). Based on 2012 data, then, increasing retirement savings participation rates and lowering health care and housing costs for retirees to match other states could be a higher priority for California than improving labor market conditions for older workers, although work in that area remains too.

The data suggest a different conclusion for Florida. Florida has higher potential retirement income than a number of other states with a score of 4 (Table 5), but ranks among the four states with the highest retiree costs with a score of 2 (Table 6) and shows worse labor market conditions for older workers in 2012 than most other states with a score of 3 (Table 7). Lowering retiree costs and improving labor market conditions could more quickly improve the financial security prospects of future retirees in Florida than targeting retirement income.

Finally, the category scores suggest that for South Carolina, devising ways to improve potential future retirement income through more retirement savings and improved labor market conditions for older workers may be higher priorities than lowering retiree costs. South Carolina receives a low score of 3 for retirement income (Table 5) and a very low score of 2 for labor market conditions (Table 7), but a middling score of 5 for retiree costs (Table 6).

**To summarize, states with a low overall score likely need to address policies to improve all three areas—retirement income, retiree costs and labor markets—in order to significantly improve the financial security of their aging populations.** At the same time, our data suggest that there are some issue areas to which states with low overall scores should pay particularly close attention.

## REALITY CHECK: IN KEY AREAS OF RETIREMENT SECURITY, MOST OR ALL STATES FALL SHORT

While this scorecard gauges the relative performance of states in key dimensions of retirement security, its underlying data indicate that a large majority or all of the states have significant room for improvement in key areas. Stakeholders and policymakers should keep the following in mind as a “reality check” when interpreting scorecard findings.

### Across All States, Inadequate Private Sector Retirement Savings

The highest ranking state for workplace retirement plan participation in 2012, Iowa, had only 54 percent of private employees age 21-64 participating in a pension or 401(k) style retirement plan. Moreover, the top workplace retirement plan participation rate among states has declined since 2000, when Minnesota ranked first with 59 percent. (See Table B-5 in Appendix B.)

Our state-by-state estimates of average defined contribution account (e.g. 401(k)) balances also show that even among workers with workplace retirement accounts, savings levels are inadequate. Wisconsin ranked at the top in this variable in 2012, with approximately \$45,600 estimated average account balance among private sector workers with workplace retirement savings. (See Table B-6 in Appendix B.) This is less than their average annual pay of \$66,000 a year and considerably short of conservative financial industry recommended targets of 2-3 times salary for workers in their early 40s.\*

### Seniors Now Face Housing Cost Burden in Large Majority of States

In 2012, 31 states had at least 30 percent of senior older households with a significant housing cost burden—i.e., they paid more than 30 percent of their income towards housing expenses. This reflects a significant increase since 2000, when only 14 states fell into this category. (See Table B-10 in Appendix B.)

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\*The average age in this group was nearly 44. Average age and pay calculated by authors from 2013 CPS ASEC microdata. Retirement savings target from Fidelity, 2012 (Feb. 27), “How much do you need to retire?,” <https://www.fidelity.com/viewpoints/personal-finance/8X-retirementsavings>.

## IV. CHANGES IN STATE SCORES FROM 2000 TO 2012

In this section we identify trends in changes in state scores over time and then attempt to understand which factors contributed to those changes. We find that most states have changed scores over time, and that score increases and decreases tend to be idiosyncratic—that is, no common identifiable factor explains these changes.

**Tables 8 and 9** respectively present data on increases and decreases in overall and category scores between 2000 and 2012. Most states have changed scores over time. Our calculations based on the information in Table 3 indicate that only about one third—35 percent or 18 states—did not change scores from 2000 to 2012.<sup>16</sup> The largest score increase was two points (Table 8) and the largest score decrease was three points (Table 9) during this period.

These summary data suggest that state policymakers need to remain vigilant when it comes to the key factors that determine the economic security of their aging populations. States that lead one year in indicators of future economic security for their aging workforce may fall behind other states over time. The reasons may vary. For instance, a state may have been especially vulnerable to adverse changes in overall economic conditions and its labor market for older workers may consequently have deteriorated faster than in other states. Similarly, marked labor market deterioration in a state can precipitate a sharper decrease in the share of private sector workers with retirement plans compared to other states. And, faster increases in health care costs due to adverse policy decisions or sharper increases in housing costs compared to other states can result in declining scores.

The data also indicate that the biggest movements in category scores from 2000 to 2012 happened in the labor market category. Calculations based on the scores in Table 8 show

that the biggest labor market score increase was seven points during this period and the largest decline was five points. Only 25 percent of states (13 states) had a constant labor market score from 2000 to 2012; the remaining thirty-eight saw an increase or decrease in their labor market score.

We look at the states with the biggest score changes to understand which factors in particular contributed to those changes.

Nine states experienced an increase or decrease of two or more points in their overall scores from 2000 to 2012, but no common factor explains their changes. Alaska, Minnesota, Mississippi and West Virginia have seen an increase in their overall score by two points during this period. No clear pattern emerges in changes in the category scores for these four states. West Virginia, for example, saw significant increases in its retirement income and labor market scores, but saw a slight decrease in its retiree costs score. Minnesota, on the other hand, had no change in its retiree cost score, a minimal increase in its retirement income score, and a moderate increase in its labor market score. The other two states experienced moderate gains in all three categories. That is, score increases are idiosyncratic.

Five states saw a decline in overall scores by two points or more. Michigan's score fell by three points and Connecticut's, New Jersey's, Ohio's, and South Carolina's score dropped by two points, based on data in Table 4. Score decreases were similarly idiosyncratic, with category score changes somewhat weakly correlated with overall score changes. All states saw either no change or more likely a decrease in each category, with the exception of South Carolina. South Carolina improved its retiree cost score, but this improvement was outweighed by a large decrease in labor market score and a small decrease in retirement income score.



Table 8. **LARGEST SCORE INCREASES FROM 2000 TO 2012**

State	Overall score	Retirement income score	Retiree cost score	Labor market score
<b>Alaska</b>	2	2	2	3
<b>Minnesota</b>	2	1	0	3
<b>Mississippi</b>	2	2	3	2
<b>West Virginia</b>	2	4	-1	7
<b>Alabama</b>	1	0	2	1
<b>Arkansas</b>	1	0	3	2
<b>Kentucky</b>	1	2	0	1
<b>Louisiana</b>	1	2	1	0
<b>North Dakota</b>	1	1	0	6
<b>Oregon</b>	1	-1	1	2
<b>South Dakota</b>	1	3	-1	1
<b>Tennessee</b>	1	-1	4	-1
<b>Texas</b>	1	1	0	1
<b>Washington</b>	1	0	0	1
<b>Wyoming</b>	1	0	1	2
<b>Average</b>	1.3	1.1	1.0	2.1
<b>Standard deviation</b>	0.5	1.4	1.5	2.1
<b>Share unchanged</b>	0%	8%	10%	2%
<b>Largest increase</b>	2	4	4	7
<b>Largest decrease</b>	1	-1	-1	-1
<b>Correlation with overall score change</b>		0.51	0.00	0.50

Table 9. **LARGEST SCORE DECLINES FROM 2000 TO 2012**

State	Overall score	Retirement income score	Retiree cost score	Labor market score
Michigan	-3	-2	-1	-3
Connecticut	-2	-3	-1	-2
New Jersey	-2	-3	0	-3
Ohio	-2	-2	-1	0
South Carolina	-2	-1	2	-5
Arizona	-1	-3	1	0
Delaware	-1	-2	-1	2
Florida	-1	-3	0	1
Illinois	-1	0	-3	0
Indiana	-1	-1	0	0
Kansas	-1	-2	-1	0
Maine	-1	1	-2	-1
Massachusetts	-1	-1	0	-3
Nevada	-1	0	-1	-3
New Hampshire	-1	-2	-1	0
New Mexico	-1	0	0	0
Rhode Island	-1	1	0	-4
Wisconsin	-1	0	-3	0
Average	-1.3	-1.3	-0.7	-1.2
Standard deviation	0.6	1.4	1.2	1.9
Share unchanged	0%	8%	12%	16%
Largest increase	-1	1	2	2
Largest decrease	-3	-3	-3	-5
Correlation with overall score change		0.39	-0.16	0.46

## CONCLUSION

In this study, we summarized data on potential future retirement income, retiree costs and labor markets for older workers in each state to provide a sense of the economic pressures that aging populations face and how those economic pressures compare across states. The resulting scorecard on the financial security prospects facing future retirees can help policymakers see where their state is particularly weak compared to other states and possibly identify states from which they can learn on how to alleviate key economic pressures facing future retirees.

The overall and category scores presented in this report leave no doubt that all states have their work cut out for them. Some states tend to fare better than others, but weak spots exist in all states.

The following key trends stand out from the scorecard results. Labor market problems—relatively high unemployment or low wages for older workers—can quickly emerge and linger for a long period of time. Weak labor markets for older workers tend to exist in tandem with higher retiree costs as reflected by low Medicaid generosity, high out of pocket Medicare expenditures, and high housing costs. In addition, higher costs seem to correlate with lower potential retirement income, as indicated by estimated average retirement savings account balances, workplace retirement plan participation, and income tax rates on seniors.

These general trends do not hold in all cases at all times. Many states face distinct challenges, typically a combination of weaknesses relative to other states in two of the three dimensions of economic security—retirement income, retiree costs and labor markets. Policymakers in each state may wish to consider which policies, if any, have been implemented by states that fare better on those dimensions.

In addition, the data underlying the scorecard indicate key areas of trouble that affect most or all states. For instance, all states have low rates of private sector workplace retirement plan participation and average defined contribution account balances that fall significantly short of being on track towards adequate retirement income. And a supermajority of states have more than 30 percent of older households experiencing a housing cost burden.

In every state, an aging workforce faces an insecure economic future. Federal inaction and existing policy design leave much responsibility with state policymakers to address this insecurity. State policymakers may find the results of the Financial Security Scorecard helpful in identifying the most urgent priorities in addressing the looming financial security challenges of their aging populations.

## APPENDIX A: SCORECARD VARIABLES

In order to capture potential economic pressures on future retirees, we constructed this scorecard based on eight variables that fall into three broad categories: potential future retirement income, retiree costs related to housing and health care and labor market conditions for older adults. The main body of this report includes a description of our overall ranking and scoring methodology. Here we provide a detailed description of each of the eight variables, listed in Table A-1.

Table A-1. **Scorecard Categories and Underlying Variables**

Potential Future Retirement Income	Retiree Costs Related to Health Care and Housing	Labor Market Conditions for Older Adults
<ul style="list-style-type: none"><li>• Workplace retirement plan participation rate among private sector employees</li><li>• Average defined contribution account (e.g. 401(k)) balance</li><li>• Marginal state income tax rate on pension income</li></ul>	<ul style="list-style-type: none"><li>• Medicare out-of-pocket costs</li><li>• Medicaid generosity</li><li>• Housing cost burden among older adults</li></ul>	<ul style="list-style-type: none"><li>• Unemployment rate among older adults</li><li>• Median hourly earnings among older adults</li></ul>

To the extent possible, we selected variables in each category that can inform policy discussions over possible interventions to reduce future economic pressures on future retirees. For instance, we did not include data on current retirees' income, but included data on current workers' retirement savings. We further limited the selection of variables to data that were available for the most recent year, 2012 (or allowed for a reasonable approximation of the 2012 data), and for 2000 and 2007, the last complete years before national recessions. We also used datasets that we had a reasonable expectation of being available in future years, allowing for updates of this scorecard. Finally, we selected data that were available in each of the 50 states plus the District of Columbia (hereafter referred to as "states").

### Inflation adjustment

Several variables are reported in dollar amounts for three different years, 2000, 2007 and 2012. Increases in nominal dollar amounts over time may reflect only general price increases (inflation) rather than quality improvements or real growth in costs. We therefore adjusted dollar amounts for the impact of inflation by deflating these amounts by the Bureau of Economic Analysis' (BEA) Personal Consumer Expenditure index or the U.S. Bureau of Labor Statistics' (BLS's) Consumer Price Index for Urban Wage Earners and Clerical Workers.<sup>17</sup>

We report all dollar amounts in 2012 dollars. That is, we adjusted dollar values to reflect either the annual average price index for 2012 or the price index for the last quarter of 2012.

We used different deflators depending on what the dollar amounts represent. Because defined contribution account balances, for instance, represent account balances at the end of the year, we used the Personal Consumption Expenditure price index at the end

of a year (fourth quarter) for this variable. We also used the Consumer Price Index for Urban Wage Earners and Clerical Workers to deflate median hourly earnings to be consistent with common statistics. The dollar amounts for all other variables represent annual averages, so we deflated them by the annual average Personal Consumption Expenditure price index.

## **Potential future retirement income**

The first set of our variables captures the ease with which people save for retirement in each state. We included private sector workplace retirement plan participation rates, average retirement account balances and marginal income tax rates on pension income in this scorecard category.

### ***Workplace retirement plan participation***

We measured retirement plan participation as the percentage of private sector wage and salary workers ages 21-64 who participated in an employment-based retirement plan in the reference year. The data reflect the share of private sector workers who participated in a defined benefit pension, a defined contribution retirement savings plan or both at work. However, the data do not distinguish between defined benefit pensions and defined contribution plans. We obtained the summary data directly from Craig Copeland, Ph.D., Senior Analyst at the Employee Benefit Research Institute, in October 2013. Dr. Copeland calculated these data from the Current Population Survey Annual Social and Economic Supplement (CPS ASEC), a survey jointly run by the BLS and the U.S. Census Bureau. Dr. Copeland has published the summary data for the years spanning 2001-2011 in a series of issue briefs for the Employee Benefit Research Institute.<sup>18</sup>

We ranked retirement plan participation in each of the states and the District of Columbia from 1 to 51. The state with the highest participation rate in each of the three years—2000, 2007 and 2012—received a rank of 1 and the state with the lowest participation rate received a rank of 51. (See **Table B-5** in Appendix B.)

### ***Average defined contribution account balance calculation***

We calculated each state's average retirement account balance—money held in employment-based retirement savings accounts such as 401(k)s per account holder—by combining data from different sources.

We first apportioned the total money held in such savings accounts to each state. The Federal Reserve provides quarterly data for the money held in defined contribution accounts—i.e., 401(k) style employer-sponsored retirement savings accounts—in its Release Z.1, Financial Accounts of the United States.<sup>19</sup> We began with the fourth quarter balance reported in this data source for the U.S. We then allocated the national total defined contribution account balance to the states and the District of Columbia as follows. Each state's share of the total dollar amount was assumed to be proportional to each state's share of money withdrawn from tax-advantaged individual retirement accounts in a given year, based on IRS data.<sup>20</sup> Withdrawals are larger with larger account balances and among older households. Apportioning the total defined contribution account balances by each state's share of withdrawals from tax-advantaged individual retirement accounts hence accounts to some degree for state-by-state differences in age and lifetime earnings.

We then divided the resulting estimate of each state's share of the total money by the number of private sector workers with a retirement plan in each state. The denominator—the number of private sector workers age 21-64 in each state who participate in a retirement plan at work—was calculated as follows. The CPS ASEC tabulations obtained from Dr. Copeland include the total number of private sector workers age 21-64 as well as the share of private sector workers age 21-64 with an employer-sponsored retirement plan. We multiplied these two numbers to arrive at the number of private sector workers with an employer-sponsored retirement plan in each state.

This calculation is an approximation of the average defined contribution account balances. There are important caveats to keep in mind. These caveats will likely not impact each state's ranking of average account balances, but they can result in a systematic

overstating or understating of all average account balances. Most importantly, the definitions of the three key components of our calculation—total money held in defined contribution accounts (balances), people with employment based retirement savings (savers) and withdrawals from individual retirement accounts (withdrawals) do not perfectly overlap.

All three measures include people saving with employment based defined contribution retirement savings accounts, but all three measures also include some additional parts that do not overlap between these three measures. First, the account balances and withdrawals reflect Individual Retirement Arrangements (IRAs) that are not employer-sponsored, while the number of savers does not include those who only have a retirement savings account such as an IRA outside of work. We assumed that the proportion of people with IRAs but without employment based retirement savings plans, relative to those savers with employment based savings, stays constant across the states. We assumed that no state has a lot of people saving with IRAs and few people saving in 401(k)s, for instance. That is, we may systematically overstate the average defined contribution account balance.

But second, the share of people with retirement savings at work includes people who participate in a defined benefit pension in addition to those who participate in a retirement savings plan. We assumed that the proportion between people who have only a defined benefit pension and those who have a retirement savings account is constant across all states. The overwhelming majority of people with a defined benefit pension also participate in a workplace retirement savings plan, so that the potential for error is relatively small here. This part of our calculation, though, leads us to likely understate the average account balance in each state. The two factors offset each other, so that our calculation likely comes close to each state's average account balance held in defined contribution retirement savings accounts.

We compared each state's share of withdrawals from tax advantaged individual retirement accounts to each state's share of people participating in employer-sponsored retirement accounts for the same year in 2000 and 2007. The two shares tend to be very similar for all states and all years, except for Florida, which has a large retiree population. Also, higher-income states such as Massachusetts and New Jersey have larger withdrawal shares relative to their population shares than is the case for lower-income states such as Alabama and Mississippi.<sup>21</sup> The bottom line is that dividing total defined contribution balances by each state's respective share of withdrawals from tax-advantaged individual retirement accounts appears to control for private sector retirement plan participation, age and income. We feel confident that our calculation indeed reflects average defined contribution account balances in each state.

We ranked states from highest average account balance to lowest average account balance. The state with the highest account balance receives a rank of 1 and the state with the lowest account balance receives a rank of 51. (See **Table B-6** in Appendix B.)

### ***State income tax***

Marginal income tax rates on pension income should reflect a state's tax treatment of retiree income in general. And, lower marginal pension income tax rates should translate into higher after-tax retiree income.<sup>22</sup>

We measured the tax treatment of retiree income using the average marginal state pension income tax rates published by the National Bureau of Economic Research (NBER).<sup>23</sup> According to the NBER's description of the model,

The TAXSIM model used for these computations accounts for all the major and most minor features of the tax code, including minimum and maximum taxes, credits, phaseouts, and itemization status.

The calculation for each cell [state] is done by first finding the sum of the income tax liabilities owed by all taxpayers in that state for the year. Then we increase the selected income by 1% for each taxpayer and recalculate the tax. The ratio of the additional tax to the additional income (multiplied by 100) is shown....<sup>24</sup>



We ranked states from lowest pension income tax rate to highest pension income tax rate. The state with the lowest marginal pension income tax rate received a ranking of 1 and the state with the highest effective pension income tax rate received a ranking of 51. (See **Table B-7** in Appendix B.)

## **Retiree costs related to health care and housing**

The second category of variables includes potentially large cost items for retirees: health care and housing. We specifically included average out-of-pocket expenditures to Medicare eligible patients, average Medicaid spending per aged beneficiary and the elder housing cost burden in each state.

### ***Medicare out-of-pocket costs***

State-by-state differences in out-of-pocket medical expenditures likely reflect differences in health care costs, which may reflect price differences, quality differences or both price and quality differences, and differences in supplemental insurance for the Medicare eligible population.<sup>25</sup> We measured Medicare out-of-pocket costs as the average annual cost sharing liability, in dollars, for Medicare enrollees.<sup>26</sup> Per the *Medicare & Medicaid Statistical Supplement* glossary, cost-sharing is "The generic term that includes copayments, coinsurance, deductibles, and out-of-pocket payments for balanced billing on unassigned claims. Excludes monthly premiums for SMI [Supplementary Medical Insurance] coverage, voluntary HI [Hospital Insurance] coverage, and supplemental insurance."<sup>27</sup> We averaged this total annual cost sharing liability over all Medicare enrollees with some cost sharing liability.

Out-of-pocket cost data for 2012 was not yet available as of November 2013. We approximated 2012 out-of-pocket expenditures by letting 2011 costs grow by the average price increase as measured by the BEA's Personal Consumption Expenditure index.

We ranked states from lowest average out-of-pocket expenditures to highest average out-of-pocket expenditures. The state with the lowest average out-of-pocket expenditures received a ranking number of 1 and the state with the highest average out-of-pocket expenditures received a ranking number of 51. (See **Table B-8** in Appendix B.)

### ***Medicaid generosity***

Medicare does not cover all medical care and it does not cover all older people. Many older retirees rely on Medicaid for some or all health insurance coverage. We consequently included a measure for each state's average Medicaid generosity for the aged population. We calculated the average Medicaid spending for people 65 years and older, who are eligible for Medicaid, in each state. We use Medicaid spending as proxy for each state's Medicaid generosity.

A few points about these data are in order. First, Medicaid spending refers to spending in the fiscal year, which runs from September to October, and thus does not perfectly overlap with the calendar year. Second, the data do not include all people 65 and older covered by Medicaid since "persons initially enrolled and classified as disabled may remain so classified even when they reach age 65."<sup>28</sup> Third, the most recent data are for 2010. We inflate those observations to 2012 values by increases in the Personal Consumption Expenditure index. Finally, some data for some years and states are missing. We used data for Hawaii from the most recent fiscal year available (1999) for fiscal year 2000. Similarly, we used data for Colorado, Idaho, and Missouri from 2009 as observations for 2010. We adjusted earlier year data to subsequent years by inflating Medicaid spending by increases in the overall Personal Consumption Expenditure index.

We ranked states from highest average Medicaid spending to lowest average Medicaid spending. The state with the highest average Medicaid spending received a ranking number of 1 and the state with the lowest average Medicaid spending received a ranking number of 51. (See **Table B-9** in Appendix B.)

### ***Housing cost burden among older adults***

We measured the housing cost burden among older adults as the percentage of households headed by individuals age 65 or older that paid more than 30 percent of their income for monthly housing costs. The Census Bureau's American Community Survey and decennial Census tabulate this data separately for homeowners and renters at the state level.<sup>29</sup> Home ownership costs include mortgage payments, real estate taxes and insurance, utilities, fuels, and various related fees. Gross rent consists of contract rent and utilities. For each state, we weighted the two measures by the number of homeowners and the number of renters to estimate the percentage of older households that paid more than 30 percent of their income for housing costs.

We ranked states from the smallest share of households with housing costs greater than 30 percent to the highest share. The state with the lowest share received a ranking number of 1 and the state with the highest share received a ranking number of 51. (See **Table B-10** in Appendix B.)

### **Labor market conditions for older adults**

We finally included data on labor market conditions for people 55 years and older. We specifically consider the unemployment rate and the median hourly wages for this age group in each state.

#### ***Unemployment rates***

We calculated the unemployment rate for individuals age 55 and older in each state for the relevant years—2000, 2007 and 2012—based on data from the BLS.<sup>30</sup>

We should note that data for Connecticut for 2000 is missing. We assigned Connecticut the average rank between its rank for 1999 (25th) and 2001 (18th), rounded up to the nearest whole number. That is, we gave Connecticut the 22nd spot for 2000.

We ranked states from the lowest unemployment rate to the highest unemployment rate. The state with the lowest unemployment rate received a ranking number of 1 and the state with the highest unemployment rate received a ranking number of 51. (See **Table B-11** in Appendix B.)

#### ***Median hourly wages***

We calculated the median hourly wage for individuals age 55 and older in each state.<sup>31</sup> In this case, the median is the data point that splits all non-zero observations exactly into half. Half of all individuals with recorded hourly wages have higher wages than the median, while the other half has lower wages. We then adjusted observations for 2000 and 2007 to 2012 dollar values with the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

We ranked states from the highest median hourly wage to the lowest wage. The state with the highest median wage received a ranking number of 1 and the state with the lowest wage received a ranking number of 51. (See **Table B-12** in Appendix B.)

## APPENDIX B: SUPPLEMENTAL TABLES

**Table B-1. Overall State Scores**

*Average score based on all variable rankings*

State	Year		
	2000	2007	2012
Alabama	5	6	6
Alaska	6	7	8
Arizona	5	4	4
Arkansas	4	4	5
California	3	3	3
Colorado	6	5	6
Connecticut	7	5	5
Delaware	7	7	6
District of Columbia	4	5	4
Florida	4	4	3
Georgia	4	4	4
Hawaii	6	6	6
Idaho	5	7	5
Illinois	6	5	5
Indiana	7	6	6
Iowa	7	7	7
Kansas	6	5	5
Kentucky	5	6	6
Louisiana	4	5	5
Maine	5	5	4
Maryland	6	7	6
Massachusetts	6	4	5
Michigan	7	5	4
Minnesota	6	7	8
Mississippi	3	5	5
Missouri	6	5	6
Montana	5	6	5
Nebraska	6	5	6
Nevada	5	4	4
New Hampshire	8	7	7
New Jersey	6	5	4
New Mexico	5	5	4
New York	5	5	5
North Carolina	4	4	4
North Dakota	7	7	8
Ohio	7	5	5
Oklahoma	5	6	5
Oregon	4	5	5
Pennsylvania	6	6	6
Rhode Island	6	4	5
South Carolina	5	3	3
South Dakota	6	7	7
Tennessee	5	6	6
Texas	4	4	5
Utah	5	6	5
Vermont	5	4	5
Virginia	6	6	6
Washington	6	7	7
West Virginia	5	8	7
Wisconsin	7	6	6
Wyoming	8	8	9

Note: States received a score from 1 to 10, with 10 indicating better performance than lower scores.

**Table B-2. Retirement Income Scores**

Average of scores from retirement income variables (workplace retirement plan participation rates, average account balances and marginal tax rates)

State	Year		
	2000	2007	2012
Alabama	5	6	5
Alaska	6	7	8
Arizona	6	3	3
Arkansas	3	4	3
California	3	2	2
Colorado	6	4	6
Connecticut	8	5	5
Delaware	8	6	6
District of Columbia	3	5	7
Florida	7	4	4
Georgia	4	4	4
Hawaii	5	4	4
Idaho	3	4	4
Illinois	8	8	8
Indiana	7	6	6
Iowa	6	7	7
Kansas	6	3	4
Kentucky	4	6	6
Louisiana	4	6	6
Maine	3	4	4
Maryland	7	7	7
Massachusetts	6	5	5
Michigan	8	7	6
Minnesota	6	7	7
Mississippi	4	6	6
Missouri	6	8	6
Montana	4	4	3
Nebraska	5	6	6
Nevada	7	7	7
New Hampshire	9	7	7
New Jersey	8	5	5
New Mexico	2	3	2
New York	5	5	5
North Carolina	4	4	4
North Dakota	6	7	7
Ohio	7	6	5
Oklahoma	3	5	5
Oregon	4	4	3
Pennsylvania	9	8	8
Rhode Island	5	4	6
South Carolina	4	3	3
South Dakota	6	8	9
Tennessee	6	6	5
Texas	5	6	6
Utah	3	3	3
Vermont	4	3	4
Virginia	6	6	6
Washington	8	9	8
West Virginia	3	7	7
Wisconsin	7	7	7
Wyoming	8	7	8

Note: States received a score from 1 to 10, with 10 indicating better performance than lower scores. States received a high score if private sector workplace retirement plan participation and defined contribution retirement account balances were relatively high and average marginal tax rates were relatively low. See Tables B-5, B-6 and B-7 for state rankings of these variables.

**Table B-3. Retiree Cost Scores**

Average of scores from retiree cost variables (Medicare out-of-pocket spending, Medicaid generosity and housing cost burden)

State	Year		
	2000	2007	2012
Alabama	4	5	6
Alaska	6	8	8
Arizona	5	5	6
Arkansas	5	7	8
California	1	2	2
Colorado	6	6	6
Connecticut	5	4	4
Delaware	7	6	6
District of Columbia	4	4	4
Florida	2	2	2
Georgia	3	4	4
Hawaii	6	7	7
Idaho	8	9	7
Illinois	5	2	2
Indiana	6	6	6
Iowa	9	8	8
Kansas	7	7	6
Kentucky	6	6	6
Louisiana	3	4	4
Maine	6	6	4
Maryland	6	4	4
Massachusetts	4	4	4
Michigan	5	3	4
Minnesota	8	8	8
Mississippi	3	5	6
Missouri	6	5	5
Montana	8	8	8
Nebraska	7	6	6
Nevada	3	3	2
New Hampshire	6	5	5
New Jersey	3	3	3
New Mexico	6	7	6
New York	4	4	4
North Carolina	4	5	5
North Dakota	9	8	9
Ohio	7	5	6
Oklahoma	6	6	6
Oregon	5	6	6
Pennsylvania	4	5	5
Rhode Island	5	5	5
South Carolina	3	4	5
South Dakota	7	7	6
Tennessee	3	6	7
Texas	4	3	4
Utah	8	7	6
Vermont	4	4	4
Virginia	5	5	6
Washington	5	6	5
West Virginia	8	8	7
Wisconsin	7	3	4
Wyoming	8	9	9

Note: States received a score from 1 to 10, with 10 indicating better performance than lower scores. States received a high score if Medicare out-of-pocket costs were relatively low, Medicaid generosity was relatively high and the housing cost burden was relatively low. See Tables B-8, B-9 and B-10 for state rankings of these variables.

**Table B-4. Labor Market Scores**

Average of scores from labor market variables (unemployment rate and median weekly earnings among older adults)

State	Year		
	2000	2007	2012
Alabama	5	5	6
Alaska	6	6	9
Arizona	4	5	4
Arkansas	3	1	5
California	5	6	5
Colorado	9	5	6
Connecticut	8	7	6
Delaware	5	9	7
District of Columbia	6	6	2
Florida	2	5	3
Georgia	3	6	4
Hawaii	7	8	7
Idaho	3	7	4
Illinois	6	5	6
Indiana	7	4	7
Iowa	6	6	7
Kansas	6	6	6
Kentucky	4	4	5
Louisiana	5	5	5
Maine	5	7	4
Maryland	6	10	7
Massachusetts	9	5	6
Michigan	7	4	4
Minnesota	5	6	8
Mississippi	2	2	4
Missouri	6	2	7
Montana	3	5	5
Nebraska	6	5	6
Nevada	5	4	2
New Hampshire	8	8	8
New Jersey	8	6	5
New Mexico	6	7	6
New York	4	6	5
North Carolina	6	3	1
North Dakota	3	4	9
Ohio	6	4	6
Oklahoma	5	6	6
Oregon	4	6	6
Pennsylvania	5	6	6
Rhode Island	9	3	5
South Carolina	7	4	2
South Dakota	5	6	6
Tennessee	6	4	5
Texas	3	3	4
Utah	5	10	7
Vermont	8	6	8
Virginia	8	6	6
Washington	5	6	6
West Virginia	2	8	9
Wisconsin	7	8	7
Wyoming	6	7	8

Note: States received a score from 1 to 10, with 10 indicating better performance than lower scores. States received a high score if unemployment rates were relatively low and if median earnings were relatively high for older workers. See Tables B-11 and B-12 for state rankings of these variables.



**Table B-5. Private Sector Workplace Retirement Plan Participation Rates**

Share of private sector employees  
participating in employer-sponsored  
retirement plans (in percent)

Rankings

State	Year			Year		
	2000	2007	2012	2000	2007	2012
Alabama	53.63%	52.13%	46.54%	21	13	26
Alaska	52.88%	49.00%	49.02%	24	32	16
Arizona	47.38%	38.48%	37.86%	45	50	47
Arkansas	46.34%	46.83%	39.22%	48	38	46
California	44.15%	43.66%	40.21%	50	47	44
Colorado	49.60%	44.30%	46.62%	37	45	25
Connecticut	56.06%	54.67%	50.66%	13	5	9
Delaware	56.37%	51.35%	46.01%	12	18	29
District of Columbia	56.48%	50.12%	53.32%	10	25	3
Florida	41.40%	36.41%	33.97%	51	51	50
Georgia	52.30%	47.05%	45.09%	27	35	32
Hawaii	52.38%	52.63%	50.20%	26	10	11
Idaho	49.21%	49.70%	45.26%	38	28	30
Illinois	53.41%	49.09%	46.39%	22	31	27
Indiana	56.71%	54.02%	49.58%	8	7	14
Iowa	56.74%	58.25%	54.08%	7	1	1
Kansas	54.61%	49.61%	48.89%	17	29	17
Kentucky	49.00%	47.40%	43.14%	39	34	39
Louisiana	47.67%	40.44%	39.51%	44	49	45
Maine	51.58%	50.07%	48.29%	31	26	20
Maryland	58.40%	51.49%	52.32%	3	16	5
Massachusetts	54.96%	52.17%	49.79%	16	12	12
Michigan	57.42%	51.35%	44.99%	6	18	35
Minnesota	59.46%	54.86%	53.62%	1	4	2
Mississippi	48.73%	45.92%	41.39%	41	40	43
Missouri	54.42%	53.78%	45.05%	18	9	34
Montana	47.74%	49.72%	43.80%	42	27	37
Nebraska	55.44%	50.30%	48.44%	15	23	19
Nevada	46.97%	43.90%	34.01%	46	46	49
New Hampshire	56.63%	54.08%	51.13%	9	6	8
New Jersey	53.73%	47.43%	46.29%	20	33	28
New Mexico	48.80%	45.40%	32.09%	40	41	51
New York	50.23%	44.52%	45.19%	36	43	31
North Carolina	51.85%	44.39%	41.55%	29	44	42
North Dakota	57.57%	57.67%	52.05%	5	3	6
Ohio	55.88%	54.00%	47.02%	14	8	24
Oklahoma	46.29%	50.22%	42.87%	49	24	40
Oregon	47.73%	50.94%	44.84%	43	20	36
Pennsylvania	58.27%	51.48%	49.66%	4	17	13
Rhode Island	54.20%	47.05%	47.55%	19	35	23
South Carolina	52.83%	45.34%	45.08%	25	42	33
South Dakota	53.02%	50.50%	47.94%	23	22	21
Tennessee	52.12%	47.05%	42.50%	28	35	41
Texas	46.58%	41.98%	37.58%	47	48	48
Utah	50.90%	46.27%	43.39%	35	39	38
Vermont	50.91%	50.52%	49.04%	34	21	15
Virginia	56.38%	51.66%	50.52%	11	15	10
Washington	51.14%	52.09%	47.76%	33	14	22
West Virginia	51.33%	52.44%	51.91%	32	11	7
Wisconsin	59.20%	57.72%	52.79%	2	2	4
Wyoming	51.72%	49.24%	48.75%	30	30	18

Note: States' private sector workplace retirement plan participation rates among employees age 21-64 ranked from highest to lowest. States with the same retirement savings participation rates were given the same lowest possible ranking. Participation rate data from analysis of CPS ASEC data by C. Copeland. See Section II for ranking methodology and Appendix A for further details on this variable.

**Table B-6. Average Defined Contribution Retirement Account Balances**

State	Real average account balance per account holder			Rankings		
	Year			Year		
	2000	2007	2012	2000	2007	2012
Alabama	\$17,626	\$25,841	\$29,430	47	37	30
Alaska	\$20,159	\$30,593	\$32,582	41	17	16
Arizona	\$29,625	\$22,395	\$23,826	4	46	44
Arkansas	\$20,617	\$27,486	\$29,421	40	29	31
California	\$25,440	\$24,310	\$23,381	19	42	45
Colorado	\$25,161	\$26,865	\$28,301	21	33	32
Connecticut	\$34,618	\$22,210	\$26,975	2	47	34
Delaware	\$27,092	\$27,638	\$32,681	12	28	15
District of Columbia	\$16,303	\$33,355	\$34,639	50	9	12
Florida	\$38,611	\$24,768	\$23,859	1	40	43
Georgia	\$18,817	\$20,071	\$21,922	45	49	49
Hawaii	\$26,531	\$25,271	\$25,445	16	39	41
Idaho	\$21,978	\$28,673	\$31,128	34	25	23
Illinois	\$27,403	\$42,229	\$44,590	10	1	2
Indiana	\$22,270	\$24,158	\$26,971	32	43	35
Iowa	\$22,017	\$28,985	\$31,762	33	23	21
Kansas	\$27,580	\$16,982	\$23,373	9	51	46
Kentucky	\$18,458	\$30,389	\$32,499	46	18	17
Louisiana	\$20,938	\$34,473	\$33,533	39	6	14
Maine	\$21,802	\$27,792	\$25,747	37	27	40
Maryland	\$23,869	\$30,294	\$32,094	24	19	19
Massachusetts	\$26,125	\$24,342	\$22,485	18	41	47
Michigan	\$25,317	\$29,906	\$30,021	20	20	27
Minnesota	\$23,952	\$35,260	\$38,492	22	3	4
Mississippi	\$14,428	\$31,535	\$31,417	51	14	22
Missouri	\$23,873	\$34,914	\$37,390	23	5	6
Montana	\$23,459	\$27,278	\$25,306	28	31	42
Nebraska	\$23,347	\$33,778	\$35,590	31	7	9
Nevada	\$26,739	\$31,715	\$35,983	14	13	8
New Hampshire	\$27,288	\$22,058	\$26,285	11	48	37
New Jersey	\$29,097	\$26,959	\$29,777	5	32	28
New Mexico	\$16,929	\$22,434	\$22,402	49	45	48
New York	\$26,423	\$31,378	\$30,811	17	15	26
North Carolina	\$23,402	\$33,657	\$38,330	30	8	5
North Dakota	\$19,807	\$25,656	\$26,180	42	38	38
Ohio	\$26,825	\$26,510	\$27,499	13	34	33
Oklahoma	\$23,651	\$27,455	\$29,577	27	30	29
Oregon	\$26,553	\$29,754	\$31,037	15	22	24
Pennsylvania	\$28,226	\$34,926	\$40,719	8	4	3
Rhode Island	\$23,717	\$29,795	\$30,846	26	21	25
South Carolina	\$21,943	\$24,022	\$20,630	35	44	50
South Dakota	\$21,671	\$31,963	\$36,326	38	11	7
Tennessee	\$18,974	\$26,118	\$25,785	44	36	39
Texas	\$23,439	\$28,297	\$32,028	29	26	20
Utah	\$19,200	\$26,334	\$26,756	43	35	36
Vermont	\$23,724	\$18,475	\$19,768	25	50	51
Virginia	\$21,922	\$31,082	\$32,278	36	16	18
Washington	\$32,394	\$31,821	\$35,344	3	12	10
West Virginia	\$17,063	\$32,679	\$35,178	48	10	11
Wisconsin	\$28,560	\$38,723	\$45,641	7	2	1
Wyoming	\$28,978	\$28,479	\$33,552	6	24	13

Note: States' average defined contribution retirement account balances ranked from highest to lowest. Average account balances are authors' estimates based on data from the Board of Governors of the Federal Reserve, data from the Internal Revenue Service and CPS ASEC data analyzed by Copeland, various years. Nominal dollar amounts are deflated to 2012 values by the Personal Consumption Expenditure price index. See Section II for ranking methodology and Appendix A for further details on this variable.

**Table B-7. Marginal State Income Tax Rates on Pension Income**

State	Effective marginal tax rates			Rankings		
	Year			Year		
	2000	2007	2012	2000	2007	2012
Alabama	3.80	4.05	4.09	22	22	25
Alaska	0.00	0.00	0.00	1	1	1
Arizona	3.31	3.27	3.29	19	16	18
Arkansas	4.54	5.30	5.29	27	33	34
California	5.92	6.07	5.99	40	40	39
Colorado	2.76	3.26	3.29	15	15	18
Connecticut	4.34	5.39	6.04	25	35	40
Delaware	3.66	4.25	4.53	21	24	27
District of Columbia	7.89	7.09	6.68	51	48	44
Florida	0.00	0.00	0.00	1	1	1
Georgia	4.73	4.22	3.23	30	23	16
Hawaii	7.25	7.03	7.18	47	46	49
Idaho	7.36	7.20	6.91	48	49	46
Illinois	0.03	0.04	0.07	10	10	10
Indiana	3.44	3.45	3.48	20	19	20
Iowa	4.72	5.05	5.03	29	28	31
Kansas	5.88	6.04	5.98	38	39	36
Kentucky	1.63	2.09	2.24	11	12	12
Louisiana	2.72	3.74	3.23	14	21	16
Maine	6.59	7.05	6.96	44	47	47
Maryland	3.87	3.72	3.77	23	20	23
Massachusetts	5.87	5.33	5.27	37	34	32
Michigan	2.35	2.32	2.52	13	13	14
Minnesota	7.77	7.93	7.94	50	51	51
Mississippi	1.89	1.98	1.99	12	11	11
Missouri	4.90	4.91	3.83	31	27	24
Montana	5.61	5.91	5.98	34	37	36
Nebraska	5.90	6.29	6.36	39	41	43
Nevada	0.00	0.00	0.00	1	1	1
New Hampshire	0.00	0.00	0.00	1	1	1
New Jersey	3.09	3.41	3.55	17	18	21
New Mexico	6.49	5.19	4.83	43	30	30
New York	4.10	4.77	4.71	24	26	29
North Carolina	6.66	6.95	7.00	45	45	48
North Dakota	3.22	3.32	2.34	18	17	13
Ohio	4.57	4.69	4.25	28	25	26
Oklahoma	5.78	5.15	3.67	36	29	22
Oregon	7.58	7.68	7.67	49	50	50
Pennsylvania	2.92	3.11	3.08	16	14	15
Rhode Island	5.62	5.75	4.63	35	36	28
South Carolina	4.94	5.29	5.27	32	31	32
South Dakota	0.00	0.00	0.00	1	1	1
Tennessee	0.00	0.00	0.00	1	1	1
Texas	0.00	0.00	0.00	1	1	1
Utah	6.44	6.42	6.11	42	43	41
Vermont	6.28	6.39	5.98	41	42	38
Virginia	4.53	5.29	5.31	26	31	35
Washington	0.00	0.00	0.00	1	1	1
West Virginia	5.48	5.97	6.23	33	38	42
Wisconsin	6.92	6.93	6.69	46	44	45
Wyoming	0.00	0.00	0.00	1	1	1

Note: States' marginal income tax rates on pension income ranked from the lowest to the highest tax rate. Data from National Bureau of Economic Research, 2013. See Section II for ranking methodology and Appendix A for further details on this variable.

**Table B-8. Medicare Out-of-Pocket Costs**

Real average cost-sharing liability for  
Medicare patients with any liability

State	Year		
	2000	2007	2012
Alabama	\$1,685	\$1,625	\$1,673
Alaska	\$1,361	\$1,463	\$1,614
Arizona	\$1,422	\$1,579	\$1,648
Arkansas	\$1,426	\$1,577	\$1,645
California	\$1,779	\$1,751	\$1,890
Colorado	\$1,385	\$1,562	\$1,594
Connecticut	\$1,621	\$1,863	\$1,910
Delaware	\$1,519	\$1,675	\$1,748
District of Columbia	\$1,789	\$1,975	\$2,011
Florida	\$1,773	\$1,938	\$2,014
Georgia	\$1,526	\$1,632	\$1,770
Hawaii	\$1,155	\$1,223	\$1,342
Idaho	\$1,365	\$1,400	\$1,580
Illinois	\$1,535	\$1,842	\$1,917
Indiana	\$1,570	\$1,752	\$1,900
Iowa	\$1,297	\$1,510	\$1,672
Kansas	\$1,539	\$1,669	\$1,723
Kentucky	\$1,558	\$1,673	\$1,789
Louisiana	\$1,727	\$1,860	\$1,998
Maine	\$1,368	\$1,552	\$1,649
Maryland	\$1,481	\$1,829	\$1,970
Massachusetts	\$1,686	\$1,796	\$1,852
Michigan	\$1,607	\$1,844	\$1,906
Minnesota	\$1,254	\$1,490	\$1,477
Mississippi	\$1,613	\$1,742	\$1,858
Missouri	\$1,519	\$1,751	\$1,795
Montana	\$1,282	\$1,468	\$1,553
Nebraska	\$1,449	\$1,723	\$1,842
Nevada	\$1,534	\$1,721	\$1,877
New Hampshire	\$1,367	\$1,645	\$1,754
New Jersey	\$1,691	\$1,934	\$2,009
New Mexico	\$1,275	\$1,478	\$1,502
New York	\$1,723	\$1,870	\$1,925
North Carolina	\$1,521	\$1,622	\$1,689
North Dakota	\$1,245	\$1,498	\$1,621
Ohio	\$1,510	\$1,758	\$1,903
Oklahoma	\$1,441	\$1,598	\$1,671
Oregon	\$1,178	\$1,373	\$1,524
Pennsylvania	\$1,640	\$1,770	\$1,887
Rhode Island	\$1,609	\$1,640	\$1,711
South Carolina	\$1,616	\$1,619	\$1,703
South Dakota	\$1,274	\$1,519	\$1,702
Tennessee	\$1,655	\$1,679	\$1,752
Texas	\$1,617	\$1,822	\$1,904
Utah	\$1,242	\$1,518	\$1,619
Vermont	\$1,334	\$1,537	\$1,615
Virginia	\$1,438	\$1,546	\$1,641
Washington	\$1,324	\$1,514	\$1,613
West Virginia	\$1,395	\$1,499	\$1,728
Wisconsin	\$1,322	\$1,590	\$1,662
Wyoming	\$1,380	\$1,507	\$1,643

Rankings

Year		
2000	2007	2012
44	25	21
13	4	9
20	20	16
21	19	15
50	36	39
18	18	7
41	47	44
27	31	28
51	51	50
49	50	51
30	26	31
1	1	1
14	3	6
32	44	45
35	38	40
9	11	20
33	29	26
34	30	32
48	46	48
16	17	17
25	43	47
45	41	35
36	45	43
5	7	2
38	35	36
28	36	33
8	5	5
24	34	34
31	33	37
15	28	30
46	49	49
7	6	3
47	48	46
29	24	22
4	8	12
26	39	41
23	22	19
2	2	4
42	40	38
37	27	25
39	23	24
6	14	23
43	32	29
40	42	42
3	13	11
12	15	10
22	16	13
11	12	8
19	9	27
10	21	18
17	10	14

Notes: States' real average cost-sharing liability (i.e., out-of-pocket costs) for Medicare patients with any liability ranked from lowest to highest. Data from Centers for Medicare and Medicaid Services. Data for 2012 were not available. We inflated data for 2011 by the increase in the Personal Consumption Expenditure price index from the Bureau of Economic Analysis to estimate 2012 values. Nominal dollar amounts are deflated to 2012 dollars by the Personal Consumption Expenditure price index. See Section II for ranking methodology and Appendix A for further details on this variable.

**Table B-9. Medicaid Generosity for Older Patients**

State	Real value of Medicaid payments per aged beneficiary			Rankings		
	Year			Year		
	2000	2007	2012	2000	2007	2012
Alabama	\$13,395	\$12,374	\$12,210	32	40	41
Alaska	\$16,365	\$23,181	\$26,001	25	9	5
Arizona	\$14,813	\$4,929	\$15,704	29	51	27
Arkansas	\$10,993	\$15,026	\$17,459	44	25	23
California	\$7,995	\$9,341	\$9,449	50	50	50
Colorado	\$16,169	\$15,895	\$17,340	26	24	25
Connecticut	\$30,368	\$30,633	\$27,244	1	2	4
Delaware	\$20,363	\$20,923	\$21,259	11	14	12
District of Columbia	\$25,496	\$25,163	\$21,424	3	3	10
Florida	\$12,450	\$12,945	\$13,298	37	33	37
Georgia	\$11,221	\$11,110	\$11,173	43	46	45
Hawaii	\$11,468	\$13,364	\$16,303	41	28	26
Idaho	\$18,125	\$16,661	\$17,425	18	21	24
Illinois	\$16,814	\$12,167	\$11,678	23	42	44
Indiana	\$19,229	\$17,755	\$20,060	14	18	16
Iowa	\$18,625	\$17,299	\$18,625	15	20	20
Kansas	\$18,332	\$17,530	\$17,797	17	19	21
Kentucky	\$13,889	\$13,359	\$14,665	31	29	29
Louisiana	\$10,435	\$11,341	\$12,689	46	45	40
Maine	\$16,957	\$12,816	\$10,619	22	34	48
Maryland	\$19,588	\$21,908	\$22,611	13	11	9
Massachusetts	\$22,319	\$19,881	\$20,959	8	15	14
Michigan	\$14,901	\$12,530	\$14,182	28	38	30
Minnesota	\$23,560	\$23,945	\$24,455	7	6	6
Mississippi	\$10,290	\$13,136	\$14,828	48	32	28
Missouri	\$15,493	\$12,622	\$14,067	27	37	32
Montana	\$17,639	\$21,108	\$18,873	19	13	18
Nebraska	\$17,505	\$17,837	\$18,673	20	17	19
Nevada	\$11,286	\$12,185	\$11,148	42	41	46
New Hampshire	\$24,835	\$23,607	\$21,127	4	8	13
New Jersey	\$20,293	\$21,828	\$20,449	12	12	15
New Mexico	\$12,494	\$12,781	\$2,407	36	36	51
New York	\$28,233	\$30,688	\$29,177	2	1	1
North Carolina	\$12,555	\$12,381	\$12,933	35	39	39
North Dakota	\$20,903	\$25,103	\$27,686	9	4	3
Ohio	\$24,148	\$22,657	\$23,278	5	10	8
Oklahoma	\$10,565	\$12,061	\$12,068	45	43	42
Oregon	\$12,958	\$13,142	\$13,882	34	31	34
Pennsylvania	\$17,239	\$18,372	\$19,183	21	16	17
Rhode Island	\$24,128	\$24,244	\$23,581	6	5	7
South Carolina	\$10,361	\$9,563	\$11,060	47	49	47
South Dakota	\$14,317	\$13,413	\$13,557	30	27	36
Tennessee	\$1,246	\$16,117	\$21,281	51	22	11
Texas	\$11,745	\$12,013	\$13,622	40	44	35
Utah	\$13,377	\$13,356	\$11,709	33	30	43
Vermont	\$9,476	\$10,438	\$9,870	49	47	49
Virginia	\$11,883	\$12,806	\$13,986	39	35	33
Washington	\$12,415	\$14,096	\$14,147	38	26	31
West Virginia	\$16,439	\$16,063	\$17,722	24	23	22
Wisconsin	\$20,825	\$10,400	\$13,130	10	48	38
Wyoming	\$18,429	\$23,912	\$27,781	16	7	2

Note: States' Medicaid payments per aged beneficiary ranked from highest to lowest. Data from the Centers for Medicare and Medicaid Services, various years. Nominal dollar amounts deflated to 2012 dollars by the Personal Consumption Expenditure (PCE) price index. Data for 2012 were not available. We inflated 2010 values by the average price increase from 2010 to 2012 using the PCE price index to estimate 2010 values. See Section II for ranking methodology and Appendix A for further details on this variable.

Table B-10. **Housing Cost Burden among Older Households**

State	Percentage of Older Households Paying More than 30% of Their Income in Housing Costs			Rankings		
	Year			Year		
	2000	2007	2012	2000	2007	2012
Alabama	26.1%	28.6%	26.7%	18	12	7
Alaska	31.6%	32.6%	32.9%	38	30	28
Arizona	28.9%	30.7%	32.2%	30	20	25
Arkansas	25.7%	26.7%	25.4%	15	8	3
California	36.0%	40.9%	42.5%	47	45	48
Colorado	28.9%	32.5%	33.8%	30	29	31
Connecticut	34.8%	42.6%	44.5%	45	48	49
Delaware	25.8%	30.7%	30.8%	16	20	23
District of Columbia	34.7%	38.4%	39.1%	44	42	43
Florida	31.6%	38.8%	37.0%	38	43	40
Georgia	29.5%	33.1%	33.4%	35	32	30
Hawaii	27.6%	29.9%	34.3%	26	17	34
Idaho	24.9%	25.3%	30.4%	11	4	21
Illinois	29.1%	36.1%	36.3%	33	38	38
Indiana	25.1%	29.1%	27.3%	13	13	11
Iowa	21.0%	25.9%	25.8%	3	6	5
Kansas	22.8%	28.5%	28.0%	5	11	15
Kentucky	24.1%	25.7%	27.1%	8	5	9
Louisiana	27.0%	29.4%	25.5%	23	15	4
Maine	29.3%	30.7%	35.3%	34	20	35
Maryland	30.0%	36.4%	36.8%	37	40	39
Massachusetts	34.8%	42.7%	42.3%	45	49	47
Michigan	25.5%	33.5%	32.9%	14	33	28
Minnesota	26.4%	32.7%	34.1%	20	31	32
Mississippi	29.0%	30.0%	27.5%	32	18	12
Missouri	24.4%	29.1%	30.0%	9	14	20
Montana	26.1%	30.0%	28.1%	17	18	16
Nebraska	23.7%	30.9%	28.2%	7	23	17
Nevada	37.0%	42.2%	38.6%	49	47	42
New Hampshire	34.2%	37.9%	41.7%	43	41	46
New Jersey	39.1%	47.0%	48.1%	50	51	51
New Mexico	26.3%	29.4%	27.7%	19	16	13
New York	39.4%	44.1%	44.6%	51	50	50
North Carolina	28.6%	32.2%	32.4%	29	28	26
North Dakota	24.4%	31.1%	26.0%	9	24	6
Ohio	27.1%	33.5%	31.4%	24	33	24
Oklahoma	23.6%	26.5%	27.0%	6	7	8
Oregon	32.2%	35.5%	36.2%	41	37	37
Pennsylvania	29.9%	35.0%	34.2%	36	35	33
Rhode Island	36.1%	41.9%	41.3%	48	46	45
South Carolina	27.3%	31.2%	29.3%	25	26	19
South Dakota	25.0%	28.0%	27.1%	12	9	9
Tennessee	26.5%	28.1%	28.3%	21	10	18
Texas	27.8%	31.1%	30.4%	27	24	21
Utah	21.9%	24.3%	27.9%	4	3	14
Vermont	33.2%	40.6%	40.2%	42	44	44
Virginia	26.8%	31.6%	32.4%	22	27	26
Washington	31.6%	35.3%	37.7%	38	36	41
West Virginia	20.9%	19.5%	20.1%	2	1	1
Wisconsin	28.5%	36.2%	35.6%	28	39	36
Wyoming	20.5%	19.9%	23.4%	1	2	2

Note: States' housing costs were ranked from lowest to highest share of households with heads 65 and older that reported housing costs at least 30 percent of income. Share calculated by authors based on data from the U.S. Census Bureau. See Section II for ranking methodology and Appendix A for further details on this variable.

Table B-11. **Unemployment Rate among Older Workers**

State	Unemployment rate for people 55 and older			Rankings		
	Year			Year		
	2000	2007	2012	2000	2007	2012
Alabama	1.6%	1.7%	4.5%	9	2	16
Alaska	4.0%	4.7%	4.4%	49	49	15
Arizona	3.4%	3.4%	5.7%	44	35	33
Arkansas	2.3%	4.4%	3.6%	21	48	7
California	3.8%	3.9%	8.5%	47	42	50
Colorado	1.7%	3.0%	7.1%	10	30	45
Connecticut	---	3.0%	6.4%	22	29	39
Delaware	2.4%	1.8%	5.4%	25	6	28
District of Columbia	2.7%	3.6%	7.4%	37	38	46
Florida	3.2%	2.8%	7.0%	43	22	44
Georgia	2.5%	2.3%	5.8%	31	14	34
Hawaii	2.1%	1.8%	5.1%	17	5	24
Idaho	3.0%	2.3%	5.5%	40	13	30
Illinois	2.5%	3.6%	6.0%	33	37	35
Indiana	2.0%	2.8%	5.3%	15	23	26
Iowa	0.9%	2.2%	3.3%	1	12	5
Kansas	1.4%	2.5%	3.9%	3	15	10
Kentucky	2.5%	2.8%	4.5%	29	24	17
Louisiana	2.6%	2.6%	4.6%	34	17	18
Maine	2.9%	2.7%	5.5%	39	20	29
Maryland	3.5%	2.0%	5.6%	45	7	32
Massachusetts	1.5%	4.4%	6.0%	7	46	36
Michigan	2.4%	4.7%	6.9%	27	50	43
Minnesota	2.8%	3.6%	4.9%	38	40	21
Mississippi	2.7%	4.0%	5.6%	35	43	31
Missouri	2.5%	4.1%	5.1%	30	44	22
Montana	3.1%	3.1%	4.1%	41	32	13
Nebraska	1.4%	3.1%	2.3%	4	31	2
Nevada	3.8%	4.9%	9.8%	48	51	51
New Hampshire	1.9%	2.6%	4.4%	14	18	14
New Jersey	2.1%	2.9%	7.7%	19	28	48
New Mexico	2.1%	2.1%	5.3%	20	9	25
New York	3.1%	2.9%	6.7%	42	27	41
North Carolina	2.1%	3.1%	7.9%	16	33	49
North Dakota	2.4%	2.9%	2.2%	24	25	1
Ohio	2.4%	3.6%	5.1%	28	39	23
Oklahoma	1.9%	2.1%	3.1%	12	8	4
Oregon	4.3%	3.5%	6.3%	51	36	37
Pennsylvania	2.4%	2.7%	6.4%	23	21	38
Rhode Island	1.4%	4.3%	7.5%	6	45	47
South Carolina	1.8%	4.4%	6.5%	11	47	40
South Dakota	1.6%	1.8%	3.0%	8	4	3
Tennessee	2.4%	2.5%	3.9%	26	16	11
Texas	2.5%	2.9%	4.8%	32	26	20
Utah	2.7%	1.4%	4.6%	36	1	19
Vermont	1.3%	3.1%	3.9%	2	34	12
Virginia	1.4%	2.2%	3.5%	5	11	6
Washington	4.3%	3.9%	6.8%	50	41	42
West Virginia	3.8%	2.2%	3.6%	46	10	8
Wisconsin	2.1%	2.6%	5.4%	18	19	27
Wyoming	1.9%	1.7%	3.7%	13	3	9

Note: States' unemployment rate for older workers ranked from lowest to highest. Unemployment rates calculated by authors based on data from the U.S. Bureau of Labor Statistics. Data for Connecticut in 2000 were not available due to small sample size. We gave Connecticut a ranking of 22 for 2000—the average of its rank in 1999 (25th) and 2001 (18th), rounded up to the nearest whole number.



Table B-12. **Median Hourly Wages for Older Workers**

State	Median real hourly wages			Rankings		
	Year			Year		
	2000	2007	2012	2000	2007	2012
Alabama	\$12.20	\$12.27	\$14.40	44	50	34
Alaska	\$18.92	\$17.85	\$18.00	1	1	1
Arizona	\$13.39	\$14.16	\$14.00	21	26	38
Arkansas	\$10.98	\$12.27	\$12.38	51	50	51
California	\$14.73	\$16.74	\$15.93	7	3	10
Colorado	\$14.73	\$14.03	\$16.20	7	28	6
Connecticut	\$15.54	\$16.57	\$17.00	3	6	3
Delaware	\$13.06	\$15.90	\$15.00	34	10	12
District of Columbia	\$15.07	\$15.96	\$14.00	5	9	38
Florida	\$12.19	\$13.39	\$14.50	45	39	28
Georgia	\$12.46	\$13.83	\$14.50	43	34	28
Hawaii	\$13.73	\$14.50	\$16.00	19	19	7
Idaho	\$13.02	\$14.50	\$14.49	37	19	32
Illinois	\$13.88	\$14.91	\$15.00	16	16	12
Indiana	\$13.39	\$13.39	\$15.00	21	39	12
Iowa	\$12.72	\$13.71	\$14.50	40	36	28
Kansas	\$12.05	\$13.83	\$14.30	46	34	36
Kentucky	\$13.12	\$13.39	\$14.30	33	39	36
Louisiana	\$13.39	\$13.61	\$13.94	21	38	42
Maine	\$13.50	\$14.50	\$14.42	20	19	33
Maryland	\$15.99	\$16.74	\$16.00	2	3	7
Massachusetts	\$14.73	\$15.62	\$15.95	7	11	9
Michigan	\$14.73	\$14.67	\$14.62	7	17	27
Minnesota	\$13.39	\$16.68	\$17.00	21	5	3
Mississippi	\$11.90	\$12.83	\$14.00	48	46	38
Missouri	\$13.39	\$13.39	\$15.00	21	39	12
Montana	\$12.86	\$14.09	\$13.00	38	27	48
Nebraska	\$12.72	\$13.95	\$13.12	40	30	47
Nevada	\$14.63	\$14.50	\$14.00	12	19	38
New Hampshire	\$14.00	\$15.62	\$15.00	15	11	12
New Jersey	\$14.73	\$14.64	\$15.00	7	18	12
New Mexico	\$13.39	\$14.23	\$14.90	21	25	26
New York	\$13.39	\$14.46	\$15.00	21	23	12
North Carolina	\$13.06	\$13.39	\$13.60	34	39	44
North Dakota	\$11.79	\$13.39	\$15.00	50	39	12
Ohio	\$14.31	\$13.95	\$14.50	13	30	28
Oklahoma	\$12.56	\$13.39	\$13.50	42	39	45
Oregon	\$14.31	\$16.28	\$16.25	13	8	5
Pennsylvania	\$13.30	\$14.02	\$15.00	32	29	12
Rhode Island	\$15.06	\$13.93	\$15.00	6	33	12
South Carolina	\$13.39	\$14.25	\$13.00	21	24	48
South Dakota	\$12.05	\$12.83	\$13.28	46	46	46
Tennessee	\$13.39	\$12.83	\$12.50	21	46	50
Texas	\$11.89	\$12.44	\$13.80	49	49	43
Utah	\$13.39	\$16.46	\$15.00	21	7	12
Vermont	\$13.39	\$15.06	\$15.00	21	14	12
Virginia	\$13.84	\$13.95	\$14.31	18	30	35
Washington	\$15.40	\$17.50	\$17.50	4	2	2
West Virginia	\$12.78	\$15.06	\$15.00	39	14	12
Wisconsin	\$13.86	\$15.62	\$15.25	17	11	11
Wyoming	\$13.06	\$13.67	\$15.00	34	37	12

Notes: Hourly wages were measured as median hourly wages for individuals age 55 and older. States' median hourly wages for older workers are ranked from highest to lowest rate. States with the same median hourly wages are given the same lowest possible ranking. Median hourly wages calculated by authors based on CPS ORG data files compiled by the Center for Economic and Policy Research. Nominal dollars deflated to 2012 dollars using the Consumer Price Index for Urban Wage Earners and Clerical Workers.

## ENDNOTES

- 1 R. Helman, Matthew Greenwald & Associates, N. Adams, C. Copeland, and J. VanDerhei, 2013 (Mar.), "The 2013 Retirement Confidence Survey: Perceived Savings Needs Outpace Reality for Many," Issue Brief No. 384, Employee Benefit Research Institute, Washington, DC, [http://www.ebri.org/publications/ib/index.cfm?fa=ibDisp&content\\_id=5175](http://www.ebri.org/publications/ib/index.cfm?fa=ibDisp&content_id=5175).
- 2 R. Helman, op cit.
- 3 L. Dewitt, 2010, "The Development of Social Security in America," Social Security Bulletin v70n3, <http://www.ssa.gov/policy/docs/ssb/v70n3/v70n3p1.html>.
- 4 California has gone furthest in mapping out the rudimentary details of a state-sponsored private sector retirement savings vehicle and starting to study its feasibility. See M. Calabrese, 2013 (Nov.), "Designing California's Secure Choice Savings Program: Policy Considerations for Building an Automatic and State-Based Savings Platform," New America Foundation, Washington, DC. Oregon also enacted a bill creating the Oregon Retirement Savings Board to explore how to boost private sector retirement savings. See B. Hunsberger, 2013 (Jul. 8), "Statewide Retirement Savings Study Passes Legislature," *The Oregonian*, [http://www.oregonlive.com/finance/index.ssf/2013/07/statewide\\_retirement\\_savings\\_s.html](http://www.oregonlive.com/finance/index.ssf/2013/07/statewide_retirement_savings_s.html). For an overview of state legislative initiatives concerning private sector pension coverage, see National Conference of State Legislatures, n.d., "State Sponsored Retirement Savings Plans for Non-Public Employees," <http://www.ncsl.org/research/labor-and-employment/state-sponsored-retirement-plans-for-nonpublic.aspx>.
- 5 See, for example, New Jersey's Workforce 55+ program or Maine's WorkReady 55+ program. State of New Jersey Department of Labor and Workforce Development, n.d., "Older Workers," <http://jobs4jersey.com/jobs4jersey/jobseekers/older/WorkReady>, <http://www.workreadyforme.org/55+.html>.
- 6 It is important to note that our scorecard measures the economic situation that those nearing retirement could likely face in later years as they contemplate retirement. The score is intended to inform policymakers, who want to help their aging populations better prepare for retirement. The score has less value as a guide for individuals looking for a good place to retire than as a policymakers' guide. This is because several parts of our scorecard—such as retirement savings levels, employer-sponsored retirement benefit coverage—measure economic pressures on future retirees and not the situation of those already retired.
- 7 Appendix B contains detailed tables with the original eight variables and rankings for all three years—2000, 2007 and 2012.
- 8 We only show summary statistics on the changes of scores to keep the information presented in this report manageable. Tables 3, 4, 5 and 6 already contain the information necessary to calculate states' score changes over time.
- 9 See Appendix A for a detailed discussion of all data, methodology and rankings.
- 10 We report all dollar amounts in 2012 dollars. See Appendix A for a detailed discussion of our deflators.
- 11 For a summary of key economic data in 2012 see C. Weller, various dates (monthly), Economic Snapshot, CAP Column, Center for American Progress, Washington, DC.
- 12 It is impossible to develop such an absolute standard that accounts for all three factors—retirement income, retiree costs and labor markets. There is, for instance, no reasonably defensible way to arrive at an absolute threshold of health care spending to individuals and each state's Medicaid generosity.
- 13 Correlation coefficients between two scores ranging from 1 to 10 measure if, generally speaking, higher scores in one category go along with higher scores in another category.
- 14 Measuring the correlation coefficients between the individual category scores in 2012 shows that retiree costs and labor market scores have substantial correlation with a coefficient of 0.48, while there is virtually no correlation between retirement income and retiree costs with a coefficient of 0.08.
- 15 Table B-6 in the appendix shows that the average account balance in North Dakota tends to be lower than in many other states.
- 16 There is less movement over shorter periods of time, but 25 states still changed scores from 2007 to 2012.
- 17 Bureau of Economic Analysis (BEA), 2013, *National Income and Product Accounts*, BEA, Washington, DC.
- 18 For the most recent version of this annual publication, see C. Copeland, 2012, "Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2011," *EBRI Issue Brief #378*, Employee Benefit Research Institute, Washington, DC.
- 19 Release Z.1 used to be called Flow of Funds Accounts of the United States. The data has stayed the same despite the name change in 2012. Board of Governors of the Federal Reserve (BOG), 2013, *Release Z.1 Financial Accounts of the United States*, BOG, Washington, DC.

- 20 Distributions from tax advantaged individual retirement arrangements subject to federal tax come from the Internal Revenue Service (IRS), 2000, 2007, & 2011, SOI Tax Stats - Historic Table 2, IRS, Washington, DC. As of October 2013, data was unavailable for the year 2012. Therefore, data was compiled for the years 2000, 2007, and 2011. Our account balances calculation relies on each state's share of total distributions. We assume that the shares stayed constant from 2011 to 2012 and multiplied the total defined contribution account balances in 2012 by each state's share of distributions from tax advantaged individual retirement arrangements in 2011.
- 21 Details on retirement account withdrawals available from authors upon request.
- 22 This obviously ignores the fact that lower tax rates also typically mean less state revenue. States then either have to raise taxes elsewhere to pay for the same services for older households as other states do or offer fewer of those services. We try to capture the potential cost impact by measuring Medicaid generosity, Medicare costs and owner-occupied housing costs in a separate section of our scorecard.
- 23 National Bureau of Economic Research (NBER), 2013, Average Marginal State Income Tax Rates 1977+, NBER, Cambridge, MA, <http://users.nber.org/~taxsim/state-marginal/>.
- 24 NBER, op cit.
- 25 The aggregate data do not include those participating in managed care—Medicare Advantage—plans. Those participants may face different out-of-pocket expenditures than those participating in traditional Medicare. Any possible bias due to greater market penetration rates of managed care plans is likely to be small since health care costs in each state will depend on average on population health status, health care costs in that state and the quality of health care delivery, regardless of the insurance for the aged insured population.
- 26 We obtained data for the years 2000, 2007 and 2011 from Centers for Medicare and Medicaid Services (CMMS), 2001, 2008, & 2012, *Medicare & Medicaid Statistical Supplement*, CMMS, Baltimore, MD.
- 27 CMMS, op cit.
- 28 CMMS, op cit.
- 29 The housing cost burden variable was calculated using data from the Census 2000 Summary File (2000 data) and the American Community Survey 1-Year Estimates (2007 and 2012 data), obtained from the U.S. Census Bureau, n.d., American FactFinder, U.S. Census Bureau, Washington, DC, <http://factfinder2.census.gov>. For the Census 2000 data, measured income was for the prior year (1999) whereas for the American Community Survey data, measured income was for the past twelve months preceding the survey.
- 30 U.S. Bureau of Labor Statistics, 2000, 2007, & 2012, Geographic Profile of Employment and Unemployment, U.S. Department of Labor, Washington, DC.
- 31 The Center for Economic and Policy Research provides uniform microdata derived from the U.S. Bureau of Labor Statistics Current Population Survey Outgoing Rotation Group (CPS ORG) sample. Center for Economic and Policy Research (CEPR), 2012, CPS ORG Uniform Extracts, Version 1.7, CEPR, Washington, DC.

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