**ELIZABETH A. PEARCE**
STATE TREASURER

**RETIREMENT DIVISION**
TEL: (802) 828-2305
FAX: (802) 828-5182

**UNCLAIMED PROPERTY DIVISION**
TEL: (802) 828-2407

**ACCOUNTING DIVISION**
TEL: (802) 828-2301
FAX: (802) 828-2884

# STATE OF VERMONT
## OFFICE OF THE STATE TREASURER

**To:** General Assembly

**From:** Beth Pearce, State Treasurer

**Date:** January 8, 2016

**Re:** Interim Study of the Feasibility of Establishing a Public Retirement Plan Required by Section C. 108 of Act 179 of 2014 (as amended by Act 58 of the 2015 Legislative Session)

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This report reviews findings and recommendations pursuant to Section C. 108 of Act 58 of the 2015 Legislative Session.[1] The State Treasurer, the Commissioner of the Department of Labor, the Commissioner of the Department of Disabilities, Aging & Independent Living, two appointees from the Committee on Committees, and two appointees from the Speaker of the House formed the Public Retirement Study Committee (Committee) to evaluate the feasibility of establishing a public retirement plan in Vermont.

During 2015 the Committee met on six occasions and collected resources regarding retirement security from a variety of sources including the Center for Retirement Initiatives (CRI) at McCourt School of Public Policy of Georgetown University, AARP, Vermont Main Street Alliance, Vermont Businesses for Social Responsibility (VBSR), Central Vermont Chamber of Commerce, American Council for Life Insurers (ACLI), National Institute on Retirement Security (NIRS), Vermont Bankers Association (VBA), Vermont State Employees' Association (VSEA), VSEA Retirees-Chapter, Vermont-National Education Association (VT-NEA), Assets & Opportunity Scorecard, Vermont Business owners, the U.S. Department of Labor (DOL), and other stakeholders.

For a detailed state-by-state comparison matrix of states that have enacted legislation, please see the attached Georgetown CRI matrix and presentation (linked online here: http://cri.georgetown.edu/state-briefs/).[2]

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[1] Please note that Act 58 of 2015 amended Act 179 of 2014 so that the Committee could meet for another year. The Committee recommends to the Legislature that its work be allowed to continue for an additional two years.

[2] Georgetown University, McCourt School of Public Policy, Center for Retirement Initiatives, *Comparison of Retirement Plan Design Features, By State: California, Illinois, Massachusetts, Oregon, and Washington.* http://cri.georgetown.edu/state-briefs/

## Problem Statement

The Committee reviewed data from a variety of sources[3] and found that retirement savings for members of the public in Vermont are insufficient and that serious contemplation of a solution or measures to combat the problem of retirement security need to be taken.

An AARP study found that "about 45 percent of Vermont's private sector employees—roughly 104,000—work for an employer that does not offer a retirement plan. Significant numbers of workers at all levels of earnings and education do not have the ability to use payroll deductions to save for retirement."[4]

The U.S. Department of Labor (DOL) found that nationally: "approximately 68 million US employees do not have access to a retirement savings plan through their employers."[5]

It was identified that some barriers do exist for Vermont businesses, especially small businesses, in providing retirement plans to their employees. It was noted that some small businesses often do not have the time or capacity to provide retirement plans or guidance to their employees, of which some are part-time. It was also noted to the Committee that existing plans are available to individuals who do not have access to a plan through their employment.[6] Further it was noted to the Committee that many Vermont businesses do offer plans to their employees.

The Committee noted that the increase of individuals who are retirement age and who have inadequate or no retirement plan would force states to dedicate higher percentages of their state budgets to social services. Moreover, with higher percentages of seniors with inadequate retirement savings, states will have smaller tax bases from which to draw to pay for services.[7]

The Committee reviewed a study that focused on retirement savings in Utah. That study, done by Notalys LLC, "shows that modest increases in net worth among those who save the least for retirement would greatly improve retirement readiness and reduce government expenditures on public assistance programs."[8] Further, the "research show[ed] dramatic reduction in government outlays with a minimal increase in a worker's savings: Increasing

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[3] For full list of resources please see the resources page of this report.
[4] AARP, *FactSheet: Vermont, August 2015.* http://www.aarp.org/content/dam/aarp/ppi/2015-08/aarp-vermont-fact-sheet.pdf
[5] U.S. Department of Labor, *Fact Sheet: State Savings Programs for Non-Governmental Employees, November 16, 2015.* http://www.dol.gov/ebsa/newsroom/fsstatesavingsprogramsfornongovernmentemployees.html
[6] The American Council of Life Insurers, *State Initiatives Regarding Retirement Plans for Private Sector Workers. (attached)*
[7] GovBeat, The Washington Post, Sept. 12, 2013, *The Northeast is getting older, and it's going to cost them.* https://www.washingtonpost.com/blogs/govbeat/wp/2013/09/12/the-northeast-is-getting-older-and-its-going-to-cost-them/
[8] *AARP Utah Commissions Study on Cost of Retiring Poor in the State,* "Costs of Retiring Poor: Nearly 1 in 5 Utahns Will Reach Retirement age with More Debt than Cash and Savings." http://states.aarp.org/aarp-utah-commissions-study-on-cost-of-retiring-poor-in-the-state/

net worth among the bottom one-third of retirees by just 10 percent over the worker's career would decrease government outlays by more than $194 million over the next 15 years."[9]

The Committee agreed that reliable and adequate income in retirement is not just good for the individual, but also has a positive impact on economic development. In 2012, the National Institute on Retirement Security (NIRS) published an economic analysis study on pension benefit expenditures. The study analyzed the impact of the millions of dollars in pension checks that are spent by retirees within their local community and state. Based on fiscal year 2009 data for Vermont, researchers determined that the $206.1 million in pension benefits paid to 13,935 retirees and their beneficiaries accounted for $299.8 million in total economic output. The study calculated that pension expenditures supported some 2,459 jobs in Vermont that paid $96.2 million in income. These expenditures also supported some $61.2 million in tax revenue at the local, state and federal levels.[10]

## Guiding Principles

The Committee reaffirmed a list of guiding principles drafted by the Committee last year and agreed that these principles would provide a framework analysis of a potential plan in Vermont. The principles are listed here:

a. Simplicity—a plan should be easy for participants to understand
b. Affordable—a plan should be administered to maximize cost-effectiveness and efficiency
c. Ease of Access—the plan should be easy to join
d. Trustworthy Oversight—the plan should be administered by an organization with unimpeachable credentials
e. Protection from Exploitation—the plan should protect its participants, particularly the elderly, from unscrupulous business practices or individuals
f. Portability—the plan should not depend upon employment with a specific firm or organization
g. Choice—the plan should provide sufficient investment alternatives to be suitable for individuals with distinct goals, but not to many options to induce "analysis paralysis"
h. Voluntary—the plan should not be mandatory; however, auto-enrollment may increase participation
i. Financial Education and Financial Literacy—the plan should assist the individual in understanding their financial situation

[9] *AARP Utah Commissions Study on Cost of Retiring Poor in the State,* "Costs of Retiring Poor: Nearly 1 in 5 Utahns Will Reach Retirement age with More Debt than Cash and Savings." http://states.aarp.org/aarp-utah-commissions-study-on-cost-of-retiring-poor-in-the-state/

[10] http://www.vermonttreasurer.gov/sites/treasurer/files/pdf/retireState/newsletters/Web%20VSERS%20July%202012.pdf

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## Fact Sheet: Vermont

# Workplace Retirement Plans Will Help Workers Build Economic Security

David John and Gary Koenig
*AARP Public Policy Institute*

***Access to an employer-based retirement plan is critical for building financial security later in life. Yet, about 45 percent of Vermont 's private sector employees–roughly 104,000–work for an employer that does not offer a retirement plan. Significant numbers of workers at all levels of earnings and education do not have the ability to use payroll deductions to save for retirement.***

Currently in Vermont , workers of larger employers are more likely to have a retirement plan than workers of smaller employers. The probability of having a workplace retirement plan also differs considerably by workers' earnings level, education, and race and ethnicity. The lack of ability to participate in an employer-provided retirement plan, however, spans all levels of education and earnings, and cuts across all groups.

### Vermont's Situation by the Numbers

About 45 percent of Vermont workers ages 18 to 64 in the private sector work for businesses that do not offer a retirement plan.

- **Small-business employees are less likely to have a plan:** Workers in Vermont businesses with fewer than 100 employees are much less likely to have access to a plan (61 percent) than workers in larger businesses (29 percent). In raw numbers, about 69,000 small-business employees do not have access to a retirement plan compared with about 35,000 in businesses with 100 or more workers.
- **Workers at all education levels do not have a plan:** About 63 percent of workers who did not have a high school degree did not have an employer-provided retirement plan—a much higher percentage than workers with some college (44 percent) or a bachelor's degree or higher (38 percent). But in raw numbers, workers with at least some college who did not have access to an employer plan exceeded those workers without a high school degree who did not have access to an employer plan (57,000 versus 9,000).
- **Workers at all earnings levels do not have a plan:** More than 79,000 of Vermont employees with annual earnings of $40,000 or less did not have access to a workplace plan. These workers represent about 76 percent of the 104,000 employees without an employer-provided retirement plan.
- **Access to a plan differs substantially by race and ethnicity:** About 56 percent of Hispanic workers and about 51 percent of African Americans lacked access to an employer-provided retirement plan. Minorities accounted for about 7 percent (7,000) of the roughly 104,000 employees without a workplace retirement plan.

### Why Access to Payroll Deduction Retirement Savings Plans Is Important

- **Makes saving easier:** About 90 percent of households participating in a workplace retirement plan today report that payroll deductions are very important and make it easier to save.[1] Saving at work appears to be critical: Few households eligible to contribute to an Individual Retirement Account outside of their jobs regularly do so.[2]
- **Helps increase retirement income:** Social Security is essential to retirement security, but its

AARP Real Possibilities
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average retirement benefit is only $1,300 a month. Most retirees will need additional resources. Providing workers with a convenient way to save is an important step to increase the amount of assets a person will have at retirement: A 2014 Employee Benefit Research Institute study found that about 62 percent of employees with access to a retirement plan had more than $25,000 in total savings and investments, and 22 percent had $100,000 or more. However, only 6 percent of those without access to such a plan had over $25,000 saved, and only 3 percent had $100,000 or more.[3]

- **Allows individuals to build their own economic security:** Retirement savings plans help workers achieve economic security through their own efforts. Greater access could also help improve economic mobility and reduce wealth disparity.

## Vermont: Who is NOT Covered by a Workplace Retirement Plan?

*(percentage and number of private wage and salary workers ages 18–64 whose employer does not offer a retirement plan)*

| Item | Group | % | Number |
|---|---|---|---|
| ALL | ALL | 44.5% | 104,408 |
| Age | 18–34 years | 55.0% | 48,419 |
| | 35–44 years | 38.5% | 19,347 |
| | 45–54 years | 36.7% | 18,382 |
| | 55–64 years | 39.4% | 18,260 |
| Race & Ethnicity* | Hispanic | 56.2% | 1,831 |
| | Asian (non-Hispanic) | 45.9% | 2,107 |
| | Black (non-Hispanic) | 51.0% | 1,410 |
| | White (non-Hispanic) | 44.0% | 96,929 |
| Education | Less than high school | 63.0% | 8,844 |
| | High school | 50.2% | 38,984 |
| | Some college | 44.2% | 29,627 |
| | Bachelor's or higher | 37.5% | 26,953 |
| Gender | Male | 43.6% | 51,398 |
| | Female | 45.3% | 53,010 |
| Employer Size | Under 10 | 77.7% | 30,394 |
| | 10–49 | 59.5% | 29,255 |
| | 50–99 | 39.0% | 9,770 |
| | 100–499 | 33.3% | 12,791 |
| | 500–999 | 29.1% | 4,540 |
| | 1,000+ | 26.2% | 17,657 |
| Earnings Quintile | $14,000 or less | 70.7% | 30,999 |
| | $14,001 to $25,000 | 57.4% | 27,167 |
| | $25,001 to $40,000 | 40.9% | 21,583 |
| | $40,001 to $63,500 | 32.5% | 17,375 |
| | Over $63,500 | 19.5% | 7,284 |

*Source: U.S. Census Bureau's Current Population Survey, March Supplements 2012–2014.*

*Note: The results are based on three-year averages from 2011–2013. The sample includes workers whose longest-held job was in the private sector. Earnings quintiles are based on all wages and salary earned by U.S. workers, whether or not they were covered by a retirement plan.*

** Other non-Hispanic category is not shown, so sum of race & ethinicity categories may not sum to total*

1 Jack VanDerhei, "The Impact of Modifying the Exclusion of Employee Contributions for Retirement Savings Plans from Taxable Income: Results from the 2011 Retirement Confidence Survey," Employee Benefit Research Institute (EBRI) Notes, March 2011. Available at http://www.ebri.org/pdf/notespdf/EBRI_Notes_03_Mar-11.K-Taxes_Acct-HP.pdf.

2 For workers earning between $30,000 and $50,000, about 72 percent participated in an employer-provided retirement savings plan when one was available, compared with less than 5 percent without an employer plan who contributed to an Individual Retirement Account. Unpublished estimates from EBRI of the 2004 Survey of Income and Program Participation Wave 7 Topical Module (2006 data).

3 2014 RCS Fact Sheet #6," EBRI. Available at http://ebri.org/pdf/surveys/rcs/2014/RCS14.FS-6.Prep-Ret.Final.pdf.

State Fact Sheet, August 2015

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ACLI
Financial Security...for Life.

## State Initiatives Regarding Retirement Plans for Private Sector Workers

The American Council of Life Insurers (ACLI) is fully committed to state and national efforts that encourage additional private retirement plan coverage and individual savings. There are many initiatives a state can undertake to do so without imposing an employer mandate, undermining existing plans or entering into unfair competition with the existing marketplace of retirement plan products and services. For instance:

**ACLI supports** state initiatives to promote retirement savings by private sector workers through education, incentives and collaboration with the private sector (Oregon considered a "State of Savers" program with these elements earlier this year). *Examples of these initiatives include*:

- Public awareness campaigns, financial literacy education, access to online resources and partnerships with existing non-profit and government efforts.

- Financial incentives designed to spur employer plan adoption and individual savings, including plan start-up credits and low-income tax credits or grants.

- Voluntary public/private partnerships that engage both financial services providers and employers.

**ACLI also supports** state-sponsored clearinghouses or marketplaces of private sector retirement plan providers with the characteristics noted below (Washington state has passed such a program and legislation to establish a similar program has been introduced in New Jersey):

- The state-based initiative is completely voluntary for the employer and the worker.

- The program is designed to reach underserved segments of the workforce, including small employers, part-time, seasonal and low-to-moderate income workers.

- The program preserves and promotes the continued offering of retirement plans by licensed financial services providers.

- Licensed agents and brokers maintain their roles in marketing, placing and supporting the retirement plans.

- The plans that are available to employers may include:

  - ✓ Voluntary payroll deduction IRAs with no employer endorsement, no auto-enrollment, no default investments (an ERISA "Safe Harbor" Plan);
  - ✓ The federal myRA retirement savings program (not subject to ERISA);
  - ✓ A tax qualified "SIMPLE Plan" (subject to streamlined ERISA rules);
  - ✓ A payroll deduction IRA arrangement with auto-enrollment features (subject to ERISA);
  - ✓ A 403b, 401k, or MEP, with or without auto-enrollment features (subject to ERISA).

### Note on Recent United States Department of Labor Draft Guidance

Recent draft guidance from the U.S. DOL may encourage states to go beyond these initiatives and propose a state-run retirement plan for private workers. Although the draft guidance purports to clear the way for these plans, the DOL makes clear that states will need to take on additional costs and responsibilities and that these plans could be challenged in federal court. In addition, by exempting states from worker protections that apply to private plans, the draft guidance creates an un-level playing field and the potential for unfair competition.

# Fact Sheet

U.S. Department of Labor
Employee Benefits Security Administration
November 16, 2015

## State Savings Programs for Non-Government Employees

*At the 2015 White House Conference on Aging, the President directed the Department of Labor to publish guidance to support the efforts of a growing number of states trying to promote broader access to workplace retirement saving opportunities for America's middle class workers. The Employee Benefits Security Administration (EBSA) today published in the Federal Register a proposed regulation describing a safe-harbor for state laws that require employers to facilitate enrollment in state-administered payroll deduction individual retirement accounts (IRAs). Under the terms of the safe harbor, state programs that mandate auto-enrollment in IRAs in accordance with the safe-harbor would not be treated as ERISA-covered plans. EBSA also released an Interpretive Bulletin regarding certain state laws designed to expand the retirement savings options available to their private sector workers through ERISA-covered retirement plans.*

### I. Background

Approximately 68 million US employees do not have access to a retirement savings plan through their employers. For older Americans, inadequate retirement savings can mean sacrificing or skimping on food, housing, health care, transportation, and other necessities, and places stress on social welfare programs as a source of income and economic security for older Americans. To address this problem, some states have adopted or are considering retirement savings programs for their private sector workers. Some have passed laws that would require employers not offering workplace plans to automatically enroll employees in payroll deduction IRAs administered by the states, which are also called "auto-IRA" laws. Other states are considering alternatives in which the states sponsor or facilitate plans covered by ERISA, such as state marketplaces, prototype plans, and multiple employer plans. A serious impediment to wider adoption of such state measures is uncertainty about the effect of ERISA's broad preemption of state laws that "relate to" private sector employee benefit plans and its prohibition on requiring employers to offer ERISA plans.

### II. Proposed Regulation

The proposed regulation describes circumstances under which a state-required payroll deduction savings IRA program would not give rise to an employee pension benefit plan under ERISA and, therefore, should not be preempted by ERISA.

*State Law and Role of the State* -- The principal conditions of the proposed safe harbor focus on the role of the state. The state program must be established and administered by a state pursuant to state law. The state must be responsible for investing the employee savings or for

selecting investment alternatives from which employees may choose. The state must be responsible for the security of payroll deductions and employee savings. The state also must adopt measures to ensure that employees are notified of their rights under the program, and create a mechanism for enforcement of those rights. The state may administer its program or contract with private-sector providers to administer the state program.

*Additional Conditions* -- Other conditions of the proposed safe harbor focus on the role and rights of employees. For example, participation in the program must be voluntary for employees. Thus, if the program requires automatic enrollment, employees must be given appropriate notice and have the right to opt out. Moreover, since employees own their IRAs, they must have the ability to withdraw their money under normal IRA rules without any other cost or penalties.

*Limited Role of Employer* -- Under the proposal, the employer's activities must be limited to ministerial activities such as collecting payroll deductions and remitting them to the program; providing program information to employees; maintaining records of payroll deductions and remittance of payments; and providing information to the state necessary to the operation of the program. The employer may have no discretionary authority or control over the employees' IRAs or the operation of the IRA program. Employers cannot contribute employer funds to the IRAs.

*Public Notice and Comment* -- The proposed regulation has a 60-day comment period. Comments can be submitted electronically by email to e-ORI@dol.gov or by using the Federal eRulemaking portal at www.regulations.gov. All comments will be available to the public, without charge, online at www.regulations.gov and www.dol.gov/ebsa, and at the EBSA Public Disclosure Room.

## III. Interpretive Bulletin

Today the Department also issued an Interpretive Bulletin to assist states interested in helping employers establish ERISA-covered plans for their employees. Under one approach, the state would establish a marketplace to connect eligible employers with retirement plans available in the private sector market. The marketplace would not itself be an ERISA-covered plan, and the arrangements available to employers through the marketplace could include ERISA-covered plans and other non-ERISA savings arrangements. Under another approach, the state would make available a "prototype plan" that individual employers could adopt. Each employer that adopts the prototype would sponsor an ERISA plan for its employees, and the state or a designated third-party could assume responsibility for most administrative and asset management functions of an employer's prototype plan. Under a third approach, a state would establish a "multiple-employer plan" or MEP that eligible employers could join rather than establishing their own separate plan. The MEP would be run by the state or a designated third-party.

Because ERISA broadly preempts most state laws that relate to employee benefit plans covered by the Act, some states may have been deterred from enacting measures to facilitate the establishment of such plans because of legal uncertainty about their status. The Department is issuing an interpretive bulletin explaining its view that the state law approaches described above should not be preempted by ERISA.

1. *Preemption.* The interpretive bulletin makes clear the Department's view that ERISA preemption principles leave room for states to encourage greater access to ERISA-based retirement savings options, as long as employers participate voluntarily and ERISA's requirements, liability provisions, and remedies fully apply to plans established through the state programs. Such state actions do not undermine the primacy of federal regulation with respect to covered employee benefit plans. They do not require employers to adopt or participate in ERISA plans, or mandate any particular benefit structure. Instead, they merely give employers an additional option for providing benefits to their employees in a way that is fully subject to ERISA's regulations, obligations, and remedies.

2. *Multiple Employer Plans.* The interpretive bulletin also makes clear that a state is able to sponsor and administer a multiple employer plan for the state's private sector employers ("state MEP"). The interpretive bulletin explains that, unlike financial institutions that sell retirement plan products to employers, a state can indirectly act in the interest of the employers and sponsor a MEP under ERISA because the state is tied to the contributing employers and their employees by a special representational interest in the health and welfare of its citizens. The state is standing in the shoes of the employers in sponsoring the plan.

3. *Scope.* The interpretive bulletin sets forth the Department's views of sections 3(2), 3(5), and 514 of ERISA as applied only to the three approaches described therein. The interpretive bulletin does not deal with state payroll deduction savings IRA programs that would be covered by the proposed regulatory safe harbor discussed in Section II above. States would have the option of requiring IRA programs under that safe harbor, facilitating or sponsoring ERISA-covered plans in accordance with this interpretive bulletin, or both.

# Financial Security for Future Retirees: Vermont Scores 5 out of 10

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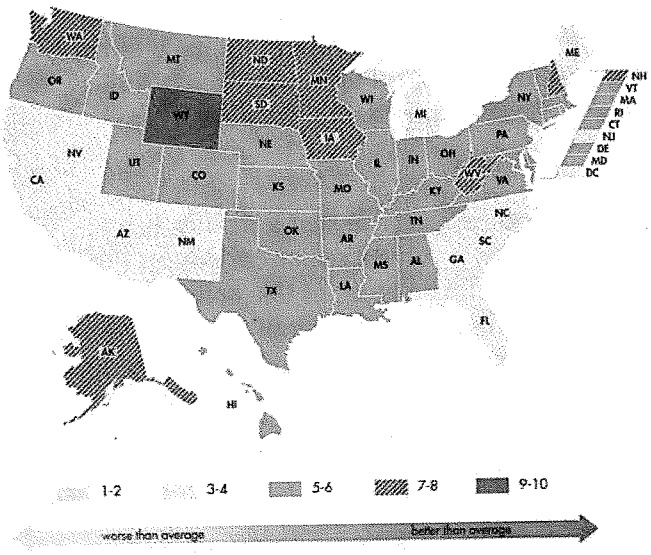


Vermont like every state faces challenges to the financial security of future retirees. The state's 5 out of 10 score on the Financial Security Scorecard means that the next generation has a relatively low potential for financial insecurity in retirement. The scorecard considers: future income, key retiree costs, and labor markets for older workers.

With its average ranking, Vermont has an important role to play fashioning financial security as workers age. Although the state's labor market score indicated good employment opportunities for older workers, its retiree cost and future retiree income scores could use significant improvement. Workers need help to maintain their standard of living with an adequate income stream over their retirement years. Less than half of Vermont workers participate in a retirement plan at work. Those who have saved for retirement in defined contribution (DC) account have an average balance of just $19,768, the lowest in the nation. Workers have saved just over a third of the $57,175 average annual earnings of working Vermonters in 2012. Financial industry experts recommend that workers by their 40s should have 2-3 times salary in retirement savings set aside. Increasing retirement plan coverage and savings for retirement is important otherwise the percentage of older Vermonters living in poverty in the future may exceed the 2012 level of 7.5 percent.

## POTENTIAL FUTURE RETIREE INCOME SCORE: 4 OUT OF 10

The components of Vermont's retirement income score were mixed and yielded a below-average score. With 49 percent of private sector employees participating in an employer-sponsored retirement plan in 2012, Vermont had the 15th highest coverage rate in the nation. However, the $19,768 saved in the average DC account held by Vermont workers was the lowest in the nation, and far below the $30,345 in retirement savings nationally. Vermont also had a relatively high 5.98 percent marginal tax rate on pension income.

## MAJOR RETIREE COST SCORE: 4 OUT OF 10

Vermont's retiree cost score was also a mixed bag, and also yielded a below-average score. Vermont had higher than average Medicare generosity, with an average cost-sharing liability of $1,615 in out-of-pocket costs for enrollees. However, Medicaid generosity was the third poorest in the nation, with Medicaid payments of just $9,870 per beneficiary. In addition, the state ranked 44th in housing costs, with 40 percent of older households in Vermont paying 30 percent or more of their income towards housing costs.

## OLDER ADULT LABOR MARKET SCORE: 8 OUT OF 10

In 2012, Vermont ranked well above average in its older adult labor market score. The state ranked 12th in the nation in both unemployment rate and labor market opportunities for older workers. Specifically, the unemployment rate for workers age 55 and older was 3.9 percent, versus 5.3 percent nationally, and the median wage for older workers was $15.00 per hour, higher than the national average of $14.76.

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

| | 2000 | 2007 | 2012 | National |
|---|---|---|---|---|
| **Overall Score** | **5** | **4** | **5** | **5.4** |
| **Retirement Income Score** | **4** | **3** | **4** | **5.5** |
| Retirement Plan Participation (Private Sector) | 50.91% | 50.52% | 49.04% | 46.0% |
| Average DC Account Balance | $23,724 | $18,475 | $19,768 | $30,345 |
| Marginal Tax Rate on Pension Income | 6.28% | 6.39% | 5.98% | 4.0% |
| **Retiree Cost Score** | **4** | **4** | **4** | **5.4** |
| Medicare Out of Pocket Cost per Enrollee | $1,334 | $1,537 | $1,615 | $1,745 |
| Medicaid Payments for Older Beneficiaries | $9,476 | $10,438 | $9,870 | $16,978 |
| Older Households Paying 30% or More for Housing | 33.2% | 40.6% | 40.2% | 32.7% |
| **Labor Market Score** | **8** | **6** | **8** | **5.6** |
| Older Worker Unemployment Rate | 1.3% | 3.1% | 3.9% | 5.3% |
| Median Hourly Wage for Older Workers | $13.39 | $15.06 | $15.00 | $14.76 |

Note: All dollar figures are in 2012 dollars.

## ABOUT THE FINANCIAL SECURITY SCORECARD

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

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

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

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

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