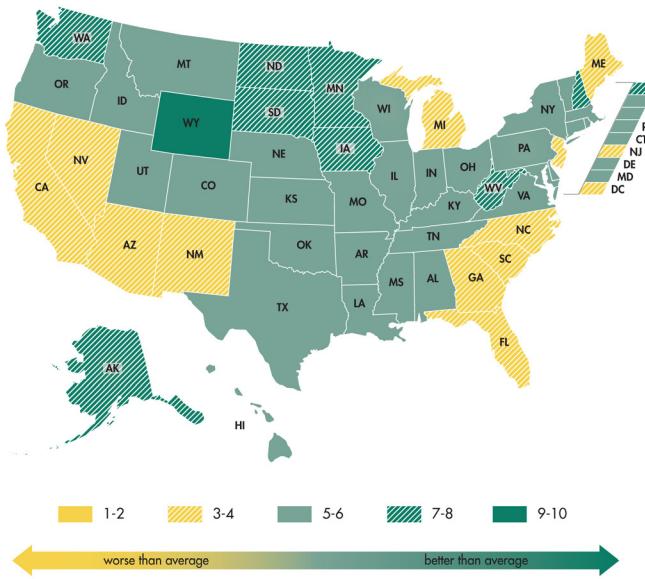


# Financial Security for Future Retirees: Illinois Scores 5 out of 10



Illinois like every state faces challenges to the financial security of future retirees. The state's average - 5 out of 10 - score on the Financial Security Scorecard means that its next generations have slightly higher potentials for financial insecurity in retirement than in other states. The scorecard considers: future income, key retiree costs, and labor markets for older workers. Illinois has an important role to play in fashioning policies to promote financial security as workers age. Varied rankings on the scorecard measures indicate Illinois still has work to do across the retirement income, retiree costs, and labor market opportunity categories.

Illinois ranks at the bottom relative to retiree costs, so policy makers may particularly focus on reducing retiree medical costs and expanding retirement savings to meet future costs. Less than half of Illinois workers participate in a retirement plan at work. Financial industry experts recommend that

workers in their early 40s should have 2-3 times their salary in retirement savings, yet the \$44,590 average DC account balance among only those who have accounts compares to less than one times Illinois workers' \$69,015 average annual earnings. Increasing pension coverage and savings is important, otherwise the percentage of older individuals living in poverty may exceed the 2012 level of 8.8 percent in the future.



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

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



## MAJOR RETIREE COST SCORE: 2 OUT OF 10

High retiree costs in Illinois in both medical and housing components resulted in a low score. Illinois had the 7th highest Medicare out-of-pocket costs of \$1,917 per enrollee. Also, by spending just \$11,678 on average per older beneficiary in 2012, the state had one of the lowest levels of Medicaid generosity. At the same time, 36.3 percent of older households paid 30 percent or more of their income for housing. Illinois had a housing cost burden for older households greater than three-fourth of the other states.



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

Illinois received a slightly above average score on its labor market conditions for older adults. The \$15.00 median hourly wage for older workers placed Illinois 12th among the states; however, the unemployment rate among older adults of 6% was higher than the national average of 5.3%, balancing the score at slightly better than average.

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

	2000	2007	2012	National
<b>Overall Score</b>	<b>6</b>	<b>5</b>	<b>5</b>	<b>5.4</b>
<b>Retirement Income Score</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>5.5</b>
Retirement Plan Participation (Private Sector)	53.41%	49.09%	46.39%	46.0%
Average DC Account Balance	\$27,403	\$42,229	\$44,590	\$30,345
Marginal Tax Rate on Pension Income	0.03%	0.04%	0.07%	4.0%
<b>Retiree Cost Score</b>	<b>5</b>	<b>2</b>	<b>2</b>	<b>5.4</b>
Medicare Out of Pocket Cost per Enrollee	\$1,535	\$1,842	\$1,917	\$1,745
Medicaid Payments for Older Beneficiaries	\$16,814	\$12,167	\$11,678	\$16,978
Older Households Paying 30% or More for Housing	29.1%	36.1%	36.3%	32.7%
<b>Labor Market Score</b>	<b>6</b>	<b>5</b>	<b>6</b>	<b>5.6</b>
Older Worker Unemployment Rate	2.5%	3.6%	6.0%	5.3%
Median Hourly Wage for Older Workers	\$13.88	\$14.91	\$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 Illinois relative to the other states on these dimensions of retirement security.

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

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

For more information about the national and state scorecards visit [www.nirsonline.org](http://www.nirsonline.org).