

# **Financial Well-being of State and Local Government Retirees in North Carolina – Online Appendix**

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# Financial Well-being of State and Local Government Retirees in North Carolina

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## Abstract

Low and moderate income retirees face considerable changes as they try to maintain their standard of living. Managing their assets and debts are important to the well-being of these households. We analyze how recent low and moderate income retirees utilize retirement savings and provide evidence on their financial fragility using survey data on public employees in North Carolina who retired between 2009 and 2014. Many of these public retirees cannot come up with emergency cash. A quarter of our sample maintain high-interest debt while leaving low-return funds in retirement saving plans. We show that suboptimal debt holding is associated with lower household income and lower financial literacy.

*Keywords:* Older adults, low income retirees, moderate income retirees, retirement savings, public employees, North Carolina, financial literacy

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**Online Appendix Table 1.** Demographic characteristics of retirees

Household Characteristics	Full sample	Annual Household Income			
		<\$25K	\$25K-\$50K	\$50K-\$75K	>\$75K
<b>Married Retirees</b>					
Age at Survey	64.3	65.1	64.9	64.4	64.0***
Bachelor's degree or above (%)	71.6	48.9	47.6	67.1	81.8***
Female (%)	61.4	72.3	65.0	67.1	57.0***
Retiree health is good or above (%)	90.9	76.6	83.0	90.5	93.9***
Spouse's health is good or above (%)	84.2	74.5	70.6	84.5	88.4***
Number of Retirees	2,453	47	391	677	1,338
Proportion of sample (%)		1.9	15.9	27.6	54.6
<b>Non-married Retirees</b>					
Age at Survey	65.2	65.7	65.0	65.1	65.9
Bachelor's degree or above (%)	71.7	40.2	67.1	83.6	89.7***
Female (%)	80.9	83.9	85.1	77.7	69.8***
Retiree health is good or above (%)	88.1	78.4	88.1	88.9	95.2***
Number of Retirees	956	112	444	274	126
Proportion of sample (%)		11.7	46.4	28.7	13.2

*Note:* P-values are from proportions test on each variable between households with income over \$75k and households with income below \$75k. \* p<0.1; \*\* p<0.05; \*\*\* p<0.01.

*Source:* Authors' calculations based on the 2017 survey except level of education, which was obtained in the 2015 survey.

**Online Appendix Table 2.** Retirement benefits by annual household income and marital status

Household Characteristics	Full sample	Annual Household Income			
		<\$25K	\$25K-\$50K	\$50K-\$75K	>\$75K
<b>Married Retirees</b>					
Net annual pension benefit (\$)	24,112	9,332	15,118	20,936	28,877***
Has SRP (%)	92.2	76.6	82.9	91.4	96.0***
Mean imputed balance of SRP <sup>a</sup> (\$)	288,317	151,172	125,510	211,553	368,760***
Currently working for pay (%)	35.8	23.4	27.9	32.1	40.5***
Currently receiving Social Security retirement benefits (%)	59.9	68.1	69.6	65.1	54.1***
Spouse has pension (%)	38.0	17.0	29.2	41.8	39.4
Spouse currently working for pay (%)	41.6	29.8	30.7	35.2	48.4***
Spouse currently receiving Social Security retirement benefits (%)	53.6	57.4	62.9	58.5	48.2***
Number of Retirees	2,453	47	391	677	1,338
<b>Non-married Retirees</b>					
Net annual pension benefit (\$)	22,991	9,828	19,253	29,387	34,088***
Has SRP (%)	80.5	71.4	76.6	85.8	91.3***
Mean imputed balance of SRP (\$)	159,162	100,493	105,039	167,568	340,991***
Currently working for pay (%)	40.3	32.1	37.4	43.4	50.8***
Currently receiving Social Security retirement benefits (%)	67.2	75.9	68.2	63.1	64.3
Number of Retirees	956	112	444	274	126

*Note:* P-values are from proportions test on each variable between households with income over \$75k and households with income below \$75k. \* p<0.1; \*\* p<0.05; \*\*\* p<0.01.

<sup>a</sup> Imputed SRP balance is equal to half of the upper bound in each SRP balance category. For the largest SRP balance category '\$250,000 or more', imputed value is equal to the lower bound in this category multiplied by 1.2.

*Source:* Authors' calculations based on the 2017 survey except for whether spouse has pension, which was obtained in the 2015 survey.

**Online Appendix Table 3.** Correct responses to financial literacy

Financial Literacy Questions	Full sample	Annual Household Income			
		<\$25K	\$25K-\$50K	\$50K-\$75K	>\$75K
<b>Married Retirees</b>					
Correct answer to financial literacy question on compounding (%)	54.6	40.4	39.6	50.5	61.6***
Correct answer to financial literacy question on inflation (%)	86.5	78.7	80.1	83.6	90.1***
Correct answer to financial literacy question on stock returns (%)	73.4	53.2	58.6	71.2	79.5***
Mean number of correct answers	2.1	1.7	1.8	2.1	2.3***
Number of Retirees	2,453	47	391	677	1,338
<b>Non-married Retirees</b>					
Correct answer to financial literacy question on compounding (%)	44.7	39.3	39.9	46.4	62.7***
Correct answer to financial literacy question on inflation (%)	83.5	72.3	83.8	85.4	88.1
Correct answer to financial literacy question on stock returns (%)	65.6	52.7	61.3	72.6	77.0***
Mean number of correct answers	1.9	1.6	1.8	2.0	2.3***
Number of Retirees	956	112	444	274	126

*Note:* P-values are from proportions test on each variable between households with income over \$75k and households with income below \$75k. \* p<0.1; \*\* p<0.05; \*\*\* p<0.01.

*Source:* Authors' calculations based on the 2017 survey.

**Online Appendix Table 4.** Willingness of retirees to seek financial advice

Methods of Advice	Full sample	Annual Household Income			
		<\$25K	\$25K-\$50K	\$50K-\$75K	>\$75K
<b>Married Retirees</b>					
Don't know SRP account balance (%)	5.7	8.5	7.4	4.3	5.7
Sought any advice when making financial decisions (%)	95.6	91.5	90.6	95.4	97.2***
Sought advice from employer or HR benefit office (%)	53.5	38.3	41.0	55.7	56.5***
Sought professional financial advice (%)	32.0	21.3	18.3	26.3	39.2***
Sought advice from family/friends only (%)	2.6	6.4	2.8	3.1	2.2
Number of Retirees	2,453	47	391	677	1,338
<b>Non-married Retirees</b>					
Don't know SRP account balance (%)	3.6	3.6	3.4	4.0	3.2
Sought any advice when making financial decisions (%)	94.0	88.3	92.9	96.3	97.6*
Sought advice from employer or HR benefit office (%)	52.7	43.2	51.3	56.1	58.7
Sought professional financial advice (%)	25.8	18.0	21.0	31.0	38.1***
Sought advice from family/friends only (%)	2.7	2.7	4.3	1.5	0.0**
Number of Retirees	956	112	444	274	126

*Note:* P-values are from proportions test on each variable between households with income over \$75k and households with income below \$75k. \* p<0.1; \*\* p<0.05; \*\*\* p<0.01.

*Source:* Authors' calculations based on the 2015 survey, except for 'Don't know SRP account balance' that was constructed based on the 2017 survey.

**Online Appendix Table 5.** Comparisons of perceived and actual financial literacy

Number of Correct Answers to FinLit Questions	Annual Household Income				
	Full sample	<\$25K	\$25K- \$50K	\$50K- \$75K	>\$75K
<b>Married Retirees</b>					
Low self-reported literacy	1.5	2.0	1.5	0.9	1.7
Medium self-reported literacy	2.0	1.7	1.7	2.0	2.2***
High self-reported literacy	2.4	1.6	2.0	2.3	2.5***
Number of Retirees	2,453	47	391	677	1,338
<b>Not Married Retirees</b>					
Low self-reported literacy	1.3	1.6	1.2	1.1	1.7
Medium self-reported literacy	1.9	1.6	1.9	2.0	2.3***
High self-reported literacy	2.1	1.7	1.9	2.3	2.3**
Number of Retirees	956	112	444	274	126

*Note:* P-values are from proportions test on each variable between households with income over \$75k and households with income below \$75k. \* p<0.1; \*\* p<0.05; \*\*\* p<0.01.

*Source:* Authors' calculations based on the 2017 survey.