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What Helps Public Sector Workers Feel Ready for Retirement?

An In-Depth Study by Job Tenure and Other Factors

MissionSquare
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Executive Summary

Retirement readiness is a crucial concern for many employees, especially those working in government sectors. This study aims to understand what factors contribute to government employees feeling prepared for retirement. MissionSquare Research Institute surveyed 1,009 state and local government employees to gather insights into their retirement readiness and the challenges public sector employees face in achieving financial security.

Key Takeaways

Focus on Total Compensation:

Higher wages are the most significant single factor in enhancing retirement readiness, with 78% of respondents selecting it as their top choice. However, it is not just about higher wages: access to a guaranteed income stream in retirement also plays a crucial role in making employees feel prepared for retirement. This study emphasizes that total compensation, which includes wages, retirement benefits, and health care benefits, is essential for ensuring retirement readiness.

Importance of Retirement and Health Care Benefits:

Better retirement benefits (54%) and better health care benefits (50%) were also crucial for employees. These benefits reduce out-of-pocket expenses and provide additional financial security, contributing significantly to retirement readiness.

Access to Financial Education:

Another important aspect identified in the study is the need for financial education. Employees expressed a desire for education on calculating retirement savings needs and understanding how retirement benefits will be taxed. Providing education specific to the employer plan or even linking employees to online retirement needs calculators can help employees better prepare for retirement.

Introduction

The importance of feeling financially secure for retirement cannot be overstated, as it directly impacts an individual's quality of life and peace of mind.

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Retirement readiness is a crucial aspect of financial planning that ensures individuals feel secure and prepared for their post-working years. It involves having enough savings and resources to maintain one's standard of living without the need for employment income. The importance of feeling financially secure for retirement cannot be overstated, as it directly impacts an individual's quality of life and peace of mind. Currently, many employees express concerns about their ability to retire comfortably, highlighting the need for effective strategies to enhance retirement readiness.

This study aims to answer these questions: *"What factors help employees feel ready for retirement, and what are the most meaningful factors an employer can provide?"* The objectives are twofold: to identify key factors that enhance retirement readiness and to determine the most influential factors chosen by employees. Understanding these preferences allows employers and policy-makers to implement targeted interventions to improve retirement outcomes.

Retirement readiness encompasses both financial and psychological preparedness. Financially, it involves having sufficient savings, investments, and income streams to support oneself during retirement. Psychologically, it includes the confidence and peace of mind that come from knowing one's financial future is secure. Theories related to retirement planning emphasize the importance of early and consistent saving, as well as the role of employer-provided benefits.[1]

Existing research highlights several factors that influence retirement readiness, including income level, access to financial education, and the availability of employer-sponsored retirement plans. Studies have shown that higher income and better benefits are strongly associated with increased retirement readiness.[2]

However, gaps remain in understanding the relative importance of different factors and how employees prioritize them.

Data and Summary Statistics

MissionSquare Research Institute partnered with Greenwald Research to survey 1,009 full-time state and local government workers, asking questions about their current financial situation, retirement plans, and preferences for various factors that could enhance their retirement readiness. Data were collected from September 13 to October 4, 2024. This study examines data from that survey in the context of workforce demographics, retirement preparedness, and the challenges public sector employees face in achieving financial security.

Here's a breakdown of some key demographics:

- **Age**: The mean age was 45.2

- **Gender**: 59% female, 41% male

- **Employment Sector**
  - 66% work for local government
  - 34% work for state government

- **Education**
  - 65% Bachelor's degrees
  - 33% Graduate or professional qualifications
  - 2% Less than a bachelor's degree

Exhibit 1: **Job Sectors**
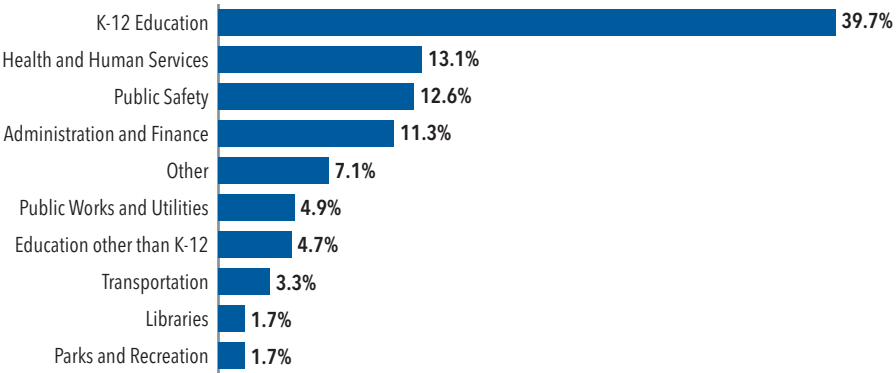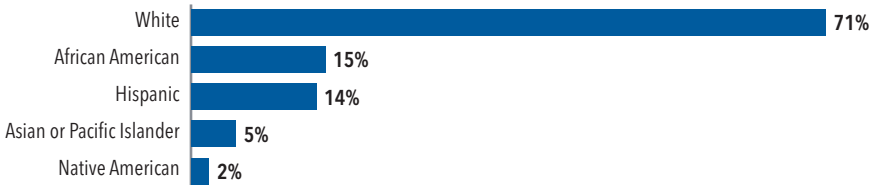
Rounding brings the total to over 100%.

Job Sector	Percentage
K-12 Education	39.7%
Health and Human Services	13.1%
Public Safety	12.6%
Administration and Finance	11.3%
Other	7.1%
Public Works and Utilities	4.9%
Education other than K-12	4.7%
Transportation	3.3%
Libraries	1.7%
Parks and Recreation	1.7%

Exhibit 2: **Race**

Multiple responses were allowed.

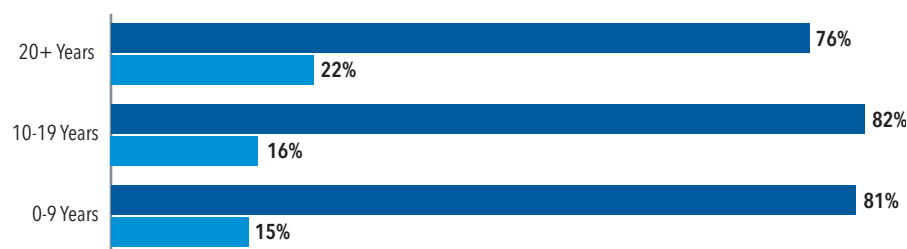| Race	Percentage
White	71%
African American	15%
Hispanic	14%
Asian or Pacific Islander	5%
Native American	2%

Financial Anxiety

The survey results indicate significant financial concerns among respondents. Most expressed anxiety about their emergency savings and the ability to retire on schedule. A substantial majority (81%) are worried about having sufficient funds to last throughout retirement, while 78% are concerned about maintaining a comfortable standard of living during retirement. These findings illustrate the financial pressures faced by the public sector employees surveyed and highlight the need for targeted solutions to improve retirement security. When separating employers into three groups based on tenure with the employer, employees with 20 or more years of service were less worried than their peers but still experienced financial anxiety. Note that not all groups will total 100% due to a few survey respondents not answering the question.

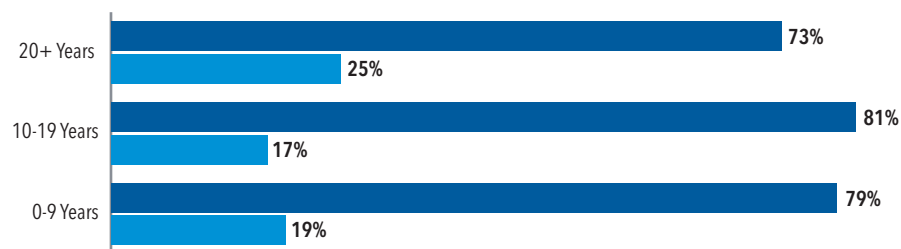Exhibit 3: **Four Types of Financial Concerns** (by Tenure)

Concerns about: **Emergency Savings**

Tenure	Worried	Not worried
20+ Years	64%	36%
10-19 Years	71%	29%
0-9 Years	77%	22%
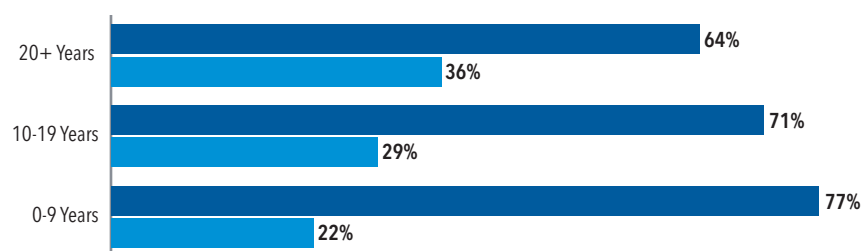
Concerns about: **Enough Money to Last Throughout Retirement**

Tenure	Worried	Not worried
20+ Years	76%	22%
10-19 Years	82%	16%
0-9 Years	81%	15%

Concerns about: **Enough Money to Live Comfortably in Retirement**

Tenure	Worried	Not worried
20+ Years	73%	25%
10-19 Years	81%	17%
0-9 Years	79%	19%

Concerns about: **Ability to Retire on Time**

Tenure	Worried	Not worried
20+ Years	63%	35%
10-19 Years	74%	25%
0-9 Years	77%	21%
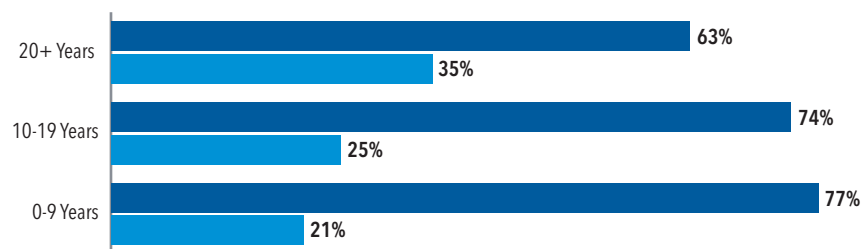
■ Worried　■ Not worried

Respondents were asked, with the ability to rank their choices, "Which of the following, if any, would help bolster your retirement readiness?" After combining the top three choices for all respondents, the top-ranked strategy for bolstering retirement readiness was higher wages, selected by 78% of respondents. This was followed by better retirement benefits (54%), better health care benefits (50%), and access to a guaranteed income stream other than a pension (40%). These findings highlight the importance of financial compensation and benefits in employees' perceptions of retirement readiness.

Exhibit 4: **Top-ranked Strategies to Bolster Retirement Readiness**

| Strategy	Percentage
Higher Wages	78%
Better Retirement Benefits	54%
Better Health Care Benefits	50%
Guaranteed Income Stream	40%

Barriers to saving for retirement also emerged as a key theme in the survey. Nearly half of respondents (48%) pointed to current living expenses as their biggest obstacle, while others cited debt and uncertainty about how much they should save. While 60% of respondents said their employer-provided retirement benefits make them more likely to stay in their jobs, 37% indicated that their current benefits are insufficient to meet their retirement needs. This highlights an opportunity for employers to enhance benefits and improve workforce retention.

In terms of anticipated retirement income, respondents expect to rely on multiple sources. Social Security (76%), personal savings or investments (74%), and government pensions (66%) were the most commonly reported sources. However, fewer respondents anticipated income from defined contribution plans (47%) or private annuities (13%), indicating a possible gap in strategies for generating guaranteed lifetime income.

Exhibit 5: **Anticipated Sources of Income in Retirement**

Multiple responses were allowed.

Source	Percentage
Social Security	76%
Personal Savings or Investments	74%
Government Pensions	66%
Defined Contribution Plans	47%
Private Annuity	13%
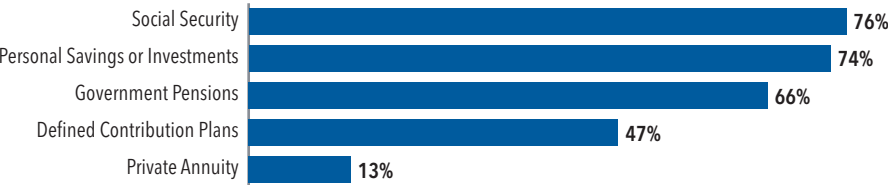
The survey also identified a strong demand for financial education among respondents. Many participants (65%) expressed a need to understand how much they should save before retiring, while 57% wanted more information about how their retirement plans are taxed. Over half (53%) sought guidance on selecting the most relevant employer-provided benefits for their career stage. These findings point to the value of offering accessible, targeted financial education to empower employees and build confidence in their retirement planning decisions. The analysis was further segmented by employee tenure, revealing distinct variations in educational preferences. Employees with over 20 years of service, who are likely nearing retirement, showed less interest in financial education focused on calculating retirement needs compared to their peers. Instead, they exhibited a greater interest in understanding retirement plan taxation.

Exhibit 6: **Demand for Financial Education**
(Select all that apply)

How much to save for retirement	69% / 66% / 56%
Retirement plan taxation	54% / 57% / 64%
Guidance on employer benefits	56% / 51% / 47%
Vesting schedule	53% / 48% / 35%
How your defined contribution plan works	51% / 47% / 37%
How your defined benefit plan works	48% / 46% / 40%

■ Tenure with Employer 0–9 Years   ■ Tenure with Employer 10–19 Years   ■ Tenure with Employer 20+ Years
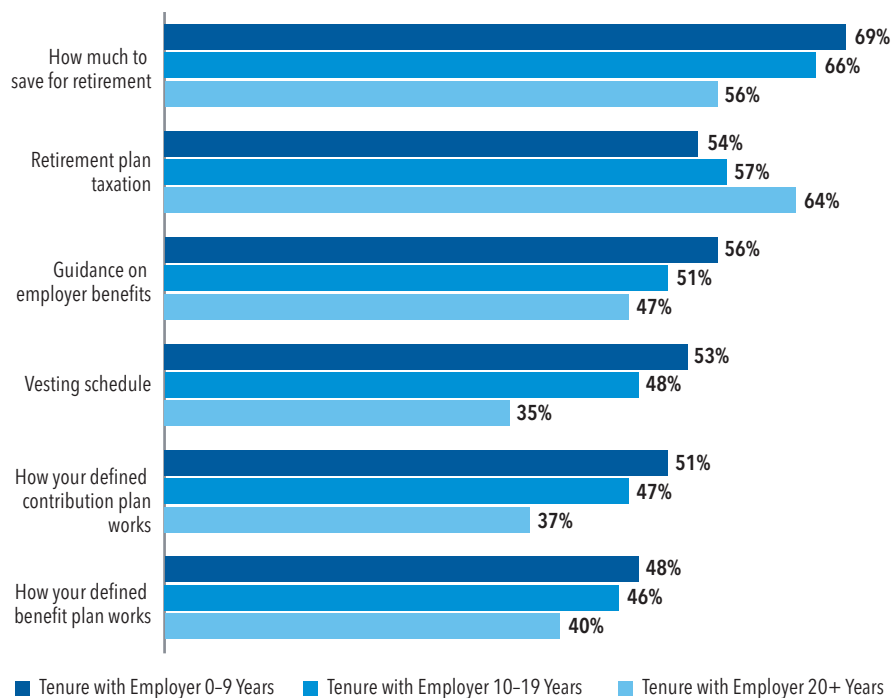
Analyzing the Data

This study also used multivariate regression analysis to assess the impact of each factor on retirement readiness. This statistical method allows for determining the relative importance of each factor and how they collectively influence employees' confidence in their retirement preparedness. Some employees did not answer all questions of interest or chose "None of the above" on the question asking for their top-ranked strategy to bolster retirement readiness, which reduced the regression sample size from 1,009 to 341. It is important to note that the previous graphs and data shared were based on the full sample, whereas the regression analysis was conducted on the reduced analytical sample.

The dependent variable (DV) in this study is the level of retirement readiness, measured by self-reported confidence in having enough money to (a) retire on time, (b) last throughout retirement, and (c) live comfortably in retirement. The independent variables (IVs) include:

- Being automatically enrolled in a secondary retirement savings plan
- Access to a CERTIFIED FINANCIAL PLANNER®
- A financial education program offered by the employer
- Higher wages/salary
- Better retirement benefits (e.g., employer matches)
- Better health care benefits in retirement
- Access to an investment that offers a guaranteed income stream in retirement
- A tool/resource to calculate likely retirement expenses
- Demographics

Employees who have access to a guaranteed income stream are significantly more likely to feel ready for retirement.

Key Findings from the Regression Analysis

- **Retirement Benefits**: Better retirement benefits, such as employer matches and automatic enrollment in a secondary retirement plan, also positively influence retirement readiness.

- **Access to a Guaranteed Income Stream**: Employees who have access to a guaranteed income stream are significantly more likely to feel ready for retirement.

Understanding the Results

Better retirement benefits, such as employer matches, provide additional financial security, significantly enhancing retirement readiness. Access to a guaranteed income stream in retirement offers stability and predictability in retirement income, which is crucial for employees feeling prepared. Higher wages or salary directly enhance an individual's ability to save and invest for the future, significantly improving retirement readiness. Automatic enrollment in secondary retirement savings plans also plays a crucial role in enhancing retirement readiness by encouraging consistent saving behavior. Additionally, regional factors significantly impact retirement readiness, suggesting that geographical variations influence employees' perceptions of their preparedness for retirement.

These findings align with existing research that emphasizes the importance of income and benefits in retirement planning for the workforce as a whole.[3] However, this study provides new insights into the relative importance of these factors and how employees prioritize them. This survey focuses on state and local government employees. This information is valuable for employers and policy-makers aiming to design effective retirement programs.

Practical Advice

Employers are encouraged to focus on enhancing retirement benefits and providing access to guaranteed income streams to improve employees' retirement readiness.

Based on the findings, employees would appreciate an improved overall compensation package. While increasing wages might be challenging, employers are encouraged to focus on enhancing retirement benefits and providing access to guaranteed income streams to improve employees' retirement readiness. Additionally, implementing automatic enrollment in secondary retirement savings plans can further support employees in their retirement-planning efforts. Policy-makers should consider incentivizing employers to offer comprehensive retirement benefits and support financial literacy initiatives.[4]

Future research may explore the long-term impact of these factors on retirement outcomes and consider additional variables such as job stability and economic conditions. By continuing to investigate these issues, more effective strategies can be developed to support employees in their retirement planning.

Conclusion and Actionable Steps

In conclusion, this study highlights the critical factors that contribute to retirement readiness among public sector employees. The findings underscore the importance of better retirement benefits, access to guaranteed income streams, higher wages, and automatic enrollment in secondary retirement savings plans in enhancing employees' retirement readiness. The survey results reveal significant financial anxieties among state and local government employees, emphasizing the need for targeted interventions to improve retirement security. By addressing these key factors, employers and policy-makers can help ensure that employees feel more secure and prepared for their post-working years.

Actionable Steps

Clearly Communicate Public Sector Advantages: Public sector employers can emphasize the access to defined benefit plans as a guaranteed income stream, which is a significant advantage over most private sector employment. Highlighting the unique benefits of pension plans and comprehensive retirement packages can enhance recruitment and retention efforts, making public sector employment even more attractive.

Collaborate on Comprehensive Retirement Benefits: Policy-makers may consider joining forces with other public sector employers in the same state to reduce administrative burdens and enable mutual support in offering comprehensive retirement benefits. This collaborative approach can help streamline processes and enhance the quality of retirement and healthcare packages.

Employers should focus on improving retirement benefits, such as offering employer matches and access to guaranteed income streams.

Improve Retirement Benefits: Employers may focus on improving retirement benefits, such as offering employer matches and access to guaranteed income streams. This can help attract and retain talented employees by providing them with a sense of financial security and stability.

Promote Financial Education Programs: Policy-makers may encourage employees to take advantage of financial literacy education programs, which could cover topics such as how much to save, retirement plan taxation, and selecting relevant employer-provided benefits. These educational programs may be tailored to state or local retirement systems, addressing the unique benefits and requirements in different states. For example, the Teacher's Retirement System varies across states, with Alabama offering a 1.65% multiplier and a minimum of 10 years of service to qualify for a pension, while Texas has a 2.3% multiplier and only requires 5 years of service.

Final Thoughts

Implementing these steps can significantly help to improve retirement outcomes for public sector employees. Ensuring that employees feel ready and secure for their post-working years not only enhances individual well-being but also strengthens the overall workforce. A well-prepared and financially secure workforce is essential for maintaining high levels of productivity and morale, ultimately benefiting both employees and employers alike. Collaborative efforts between policy-makers and employers can create a more stable and attractive public sector employment landscape.

Appendix

Exhibit 7: **Multivariate Regression Analysis on Level of Retirement Readiness**

Model	Unstandardized Coefficients		t-value	p-value
	Beta	Std. Error		
Automatically Enrolled in Secondary Retirement Savings Plan (Ranked First)	1.98*	0.94	2.10	0.036
Access to CERTIFIED FINANCIAL PLANNER® (Ranked First)	0.25	0.84	0.30	0.765
Financial Education Program Offered by Employer (Ranked First)	1.78	0.92	1.94	0.053
Better Retirement Benefits (Ranked First)	2.48*	1.12	2.22	0.027
Better Health Care Benefits in Retirement (Ranked First)	0.24	0.65	0.36	0.716
Access to Guaranteed Income Stream in Retirement (Ranked First)	1.67**	0.57	2.95	0.003
Tool to Calculate Likely Retirement Expenses (Ranked First)	-0.01	0.63	-0.02	0.986
Automatically Enrolled in Secondary Retirement Savings Plan (Ranked Second)	1.43	1.03	1.39	0.165
Access to CERTIFIED FINANCIAL PLANNER® (Ranked Second)	0.71	0.62	1.15	0.251
Financial Education Program Offered by Employer (Ranked Second)	1.19	0.74	1.62	0.106
Higher Wages/Salary (Ranked Second)	2.10*	0.91	2.30	0.020
Better Health care Benefits in Retirement (Ranked Second)	0.70	0.62	1.13	0.261
Access to Guaranteed Income Stream in Retirement (Ranked Second)	0.95	0.50	1.91	0.057
Tool to Calculate Likely Retirement Expenses (Ranked Second)	-0.44	0.51	-0.87	0.386
Automatically Enrolled in Secondary Retirement Savings Plan (Ranked Third)	0.51	0.79	0.64	0.523
Access to CERTIFIED FINANCIAL PLANNER® (Ranked Third)	0.03	0.54	0.06	0.952
Financial Education Program Offered by Employer (Ranked Third)	0.59	0.73	0.81	0.420
Higher Wages/Salary (Ranked Third)	-0.13	0.69	-0.19	0.852
Better Retirement Benefits (Ranked Third)	0.50	0.72	0.69	0.488
Access to Guaranteed Income Stream in Retirement (Ranked Third)	1.14*	0.53	2.15	0.032
Tool to Calculate Likely Retirement Expenses (Ranked Third)	0.35	0.51	0.68	0.496
Age (Year of Birth)	1.12	0.68	1.66	0.098
Region	0.05***	0.01	3.49	0.001
Weight	-0.08	0.15	-0.52	0.600

Note: The analysis sample, after removing respondents that did not answer all questions of interest, consisted of 341 full-time state and local government employees surveyed between September 13 and October 4, 2024. The regression technique used was a multivariate regression analysis (OLS model) to assess the impact of various factors on retirement readiness. The dependent variable tested was a combined measure of self-reported confidence in having enough money to retire on time, last throughout retirement, and live comfortably in retirement.

Column Headings Explained

1. Model:

- This column lists the different factors being analyzed to see how they affect employees' readiness for retirement.

2. Unstandardized Coefficients (Beta):

- Definition: Unstandardized coefficients represent the direct impact of each factor on the dependent variable (in this case, retirement readiness) in the original units of measurement.

- Example: If the unstandardized coefficient for "Access to Certified Financial Planner®'" is 1.13, it means that having access to a financial planner increases the retirement readiness score by 1.13 units.

- Use: These coefficients are useful for understanding the actual change in the dependent variable for a one-unit change in the independent variable. A higher number means a stronger impact.

- Standard Error: This indicates the accuracy of the coefficient. A smaller number means more confidence in the accuracy of the number.

3. t-value:

- This column shows how strongly each factor is related to retirement readiness. Higher numbers mean a stronger relationship.

4. p-value:

- Statistical significance helps determine whether the relationships observed in the data are likely to be genuine or if they could have occurred by random chance. The lower the p-value, the stronger the evidence that the relationship is significant.

- **p < 0.05 (*)** This indicates that there is less than a 5% probability that the observed relationship is due to chance. In other words, there is a 95% confidence level that the relationship is real and not random.

- **p < 0.01 (**)** This indicates that there is less than a 1% probability that the observed relationship is due to chance. This corresponds to a 99% confidence level that the relationship is real.

- **p < 0.001 (***)** This indicates that there is less than a 0.1% probability that the observed relationship is due to chance. This corresponds to a 99.9% confidence level that the relationship is real.

Endnotes

1. A. Lusardi & O.S. Mitchell, "How ordinary consumers make complex economic decisions: Financial literacy and retirement readiness," Quarterly Journal of Finance, 7(3), 2017, 1750008. https://doi.org/10.1142/S2010139217500082

2. Ibid.

3. Ibid.

4. J.A.A. de los Santos, L.J. Labrague & N.E. Milla, "Happiness and retirement readiness among pre-retiring employees: A cross-sectional study," Ageing International, 45(1), 2019, 85-98. https://doi.org/10.1007/s12126-019-09351-z

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