Financial Literacy Programs for Local Government Employees

By Rivka Liss-Levinson, PhD, Joshua Franzel, PhD
and Gerald Young, MPA
Center for State and Local Government Excellence

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Report Contents:

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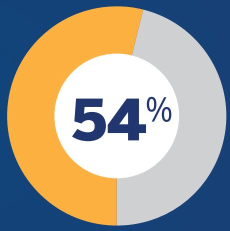
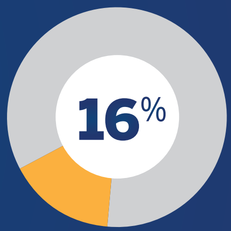
Executive Summary

For many Americans, making sound, day-to-day financial decisions is a struggle. The statistics are startling but clear:

61 percent can't answer more than three of five questions correctly on a financial literacy quiz[1]



54 percent don't have enough money set aside to cover three months of unexpected expenses[2]



16 percent spend more than 20 hours each month worrying about personal financial issues while at work[3]

When it comes to financial literacy, there is no need to read between the lines—too many Americans don't understand basic financial concepts and how to use them to build long-term financial security.

State and local government workers face increasingly complex challenges in financial decision making. Since the range of reforms that followed the Great Recession, many public employees must navigate different options and structures for retirement and other benefits, many of which are less paternalistic than those previously in place. At the same time, these options require more decision-making responsibility by the individual—and often pose a greater level of risk.

Public sector workers are not confident that they will be able to retire when they want, that they are saving enough money for retirement, or that they will receive all the benefits they are entitled to once they do retire.[4]

Research shows that financial literacy programs result in:

- More productive and engaged workers
- Improved morale
- Lower absenteeism
- Lower stress
- Lower health care costs.[5]

Local government employers have good reason to care about the financial health of their workforce. First, non-wage benefit compensation plays an important role in helping local governments compete in the labor market and attract and retain the workforce that they want.

When people are more in control of their finances, they are less distracted at work and can focus on doing their jobs more effectively.

To help employers reach these goals, the Center for State and Local Government Excellence (SLGE) has developed this practitioner-oriented report, providing a landscape assessment of local government employee financial literacy programs. It combines:

- Background on the local government workforce
- A review of the literature on what is known about financial literacy
- Data from a survey of elected officials and human resources (HR) directors from local governments across the United States
- Insights gained from discussions with city managers and budget officers
- Recommendations for practitioners, focusing on program topic and mode, tailoring programs to diverse groups (e.g., local workers for whom English is a second language, those with lower levels of income or education), and assessing results.

Key Survey Findings

26%
OF GOVERNMENTS OFFER A FINANCIAL LITERACY PROGRAM

26 percent of human resources directors report that their local government offers a financial literacy program to its employees; another 13 percent report that their jurisdiction is currently planning one.

When jurisdictions do not offer a financial literacy program, it is most often **because leadership has not identified it as a priority** (45 percent), because of a lack of internal resources (30 percent), or because of a lack of financial resources (30 percent).

95%
OF PROGRAMS ARE CHAMPIONED BY HUMAN RESOURCES

Among those offering financial literacy programs, **95 percent report that human resources staff were the main champions of the program's adoption**. Appointed leadership were the main champions for 23 percent of programs, while employees were the main champions for 15 percent of the programs.

More than **three-quarters of local government financial literacy programs cover the topics of planning for retirement and budgeting and planning**; more than half address debt and investments. In contrast, less than 20 percent of programs cover banking and payment methods, long-term care/elder care, and non-bank borrowing.

Efforts to address different populations, particularly those with limited formal education, those for whom English is not their primary language at home, or those in different age groups, **are generally not yet widespread.**

- **64 percent of programs use plain language instead of technical terms** and vary the topics to address needs (e.g., day-to-day finances, how to pay down high-cost debt), yet these were the only methods utilized by more than 25 percent of programs.

64%
PERCENT OF PROGRAMS USE NON-TECHNICAL LANGUAGE

- **Only 3 percent of programs use mobile technology/text messages and social media**, and no programs report ensuring that materials are culturally relevant to diverse communities.

97%
OF PROGRAMS **DON'T** UTILIZE TECHNOLOGY

Local government financial literacy programs are usually made available to the entire workforce (91 percent of programs). About one-third also offer the program to non-employees, such as spouses and dependents.

While only 23 percent of respondents report that the cost of their financial literacy program has been calculated, human resources staff do report deriving a number of benefits from the programs; **benefits are most commonly seen in increased contributions to supplemental savings plans** (51 percent), increased employee engagement around compensation issues (43 percent), and cost savings for the jurisdiction that at least partially offset program expenditures (41 percent).

Takeaways for Practitioners

> *Investing in employee financial literacy isn't just the right thing to do—it also makes good business sense.*

- **Assess employee needs and preferences.**
  Conduct a formal or informal needs assessment to better understand topic areas that workers comprehend the least, along with the preferences of employees regarding financial literacy program topics, modes of communication, and frequency of information, to develop a financial literacy program that will garner buy-in from both employers and employees.

- **Communicate the business case for financial literacy to senior leadership.**
  To provide the needed support, organization leadership needs to know how offering financial literacy programs is related to other organizational outcomes of interest (e.g., reducing health care costs, increasing productivity, improving morale and retention). Identify and/or develop the champions for these efforts.

- **Develop culturally relevant, tailored materials.**
  When offering a financial literacy program, especially to those with limited formal education or those for whom English is not their primary language at home, convert complex terms into easy-to-understand language, provide culturally relevant materials, offer the materials in multiple languages, and define/teach terminology.

- **Offer the program to non-employees, such as spouses and dependents.**
  Employees do not exist in a vacuum. Their financial decisions are influenced by—and impact—those around them.

- **Utilize technology to deliver information.**
  Employers should leverage technology such as mobile devices to communicate with employees about financial literacy, and they should use text messages, social media, and other digital tools to deliver content and reminders that can be viewed from anywhere and at any time.

- **Encourage participants to act on what they have learned.**
  Choose a model that not only encourages participants to complete the program, but also to act on what they have learned to improve their financial decision making.

- **Evaluate program impact.**
  Develop metrics that assess the impact of the program on outcomes such as finance-related knowledge and confidence, employee morale and productivity, and business costs and savings. Use the results of the evaluation to engage in continuous quality improvement of the program.

SECTION 1:

Understanding the Local Government Workforce

The local government workforce is currently in a period of economic transition. As local governments across the United States aim to balance an expanded portfolio of services with local revenue bases that have yet to fully recover from the recent Great Recession, many of these public employers are limited in their ability to fund wage increases for their employees and are shifting more benefit costs to these public workers. Local government compensation structures that were once more paternalistic in nature and required less individual input from employees are now requiring these public servants to make more decisions that not only impact their short-term financial positions but will ultimately dictate their long-term retirement security.

Given all of this, how can local governments of all sizes help educate their employees on financial concepts, terms, and considerations, enabling more informed individual decisions? What role should these governments fill in this workforce education? How might this information be offered? How should this content be tailored to different cohorts within the local government ranks?

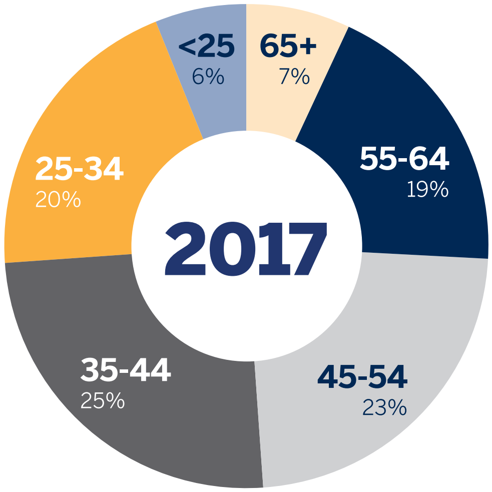
WORKFORCE SIZE AND KEY DEMOGRAPHICS

There are approximately 14.4 million local government employees across the United States, working for one of the 89,000 counties, municipalities, townships, special districts or school districts.[6] Of these workers, 7.9 million work in the education field and 6.5 million are in all other aspects of local government, from general administration to utilities to transportation to hospitals. As of 2017, these workers have an average age of 45 years.[7] (*Figure 1* offers age ranges of local government employees.) Sixty percent of local employees are female and 40 percent are male.[8]

As can be seen from *Figure 2,* approximately one in five local government workers holds a high school diploma as their highest level of education, while over half (53 percent) have a bachelor's degree or higher.[9] Government workers with only a high school

FIGURE 1

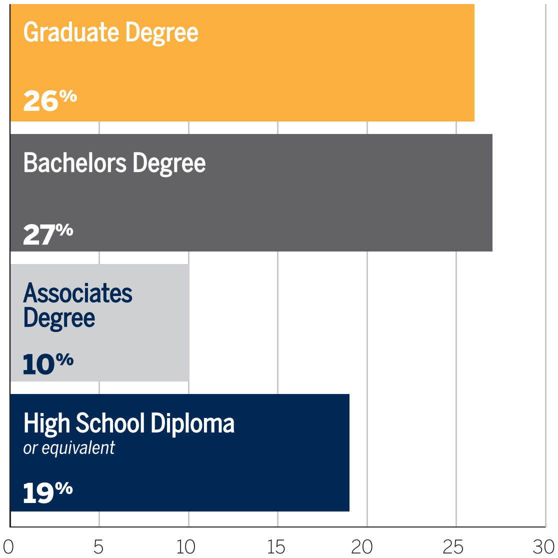
Local Government Employee Age Ranges



Source: Author analysis of Current Population Survey via IPUMS

FIGURE 2

Educational Attainment of Local Government Employees, 2017



Source: Author analysis of Current Population Survey via IPUMS diploma tend to be aligned with occupational groups such as office and administrative support, building and grounds cleaning and maintenance, and transportation and material moving occupations, among others. Employees with higher education levels are more closely linked to the knowledge worker[10] requirements of many local government positions,[11] such as those of education, training, and library occupations; health care practitioner and technical occupations; and management occupations.[12]

Based on past experience and education, public employees come to public employment with varying levels of financial understanding and knowledge.

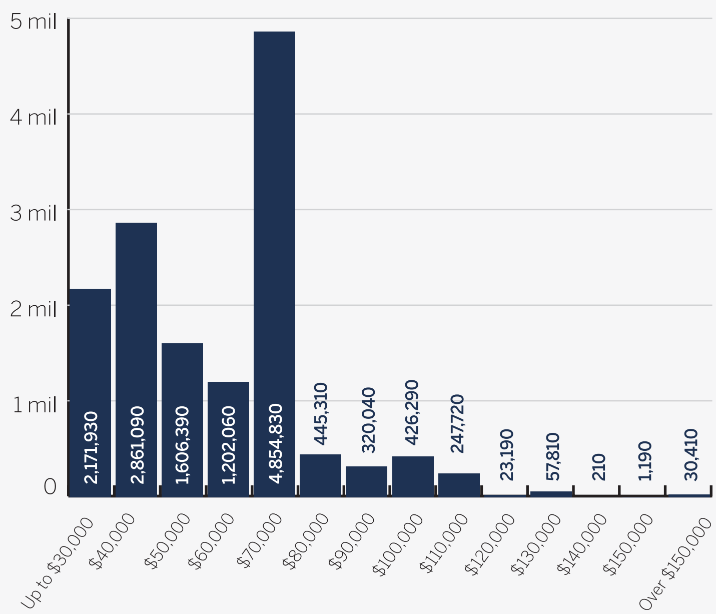
WAGES AND BENEFITS

As of 2017, the average local government salary was $52,478.[13] *Figure 3* offers the distribution of local government salaries by total number of positions. As would be expected, when analyzing these data in broad categories, positions such as those in food services, cashiers, protective services, recreation, and building cleaning tend to be on the lower end of the compensation spectrum, while on the other end are physicians; education administrators; lawyers and judges; engineers; and postsecondary science, engineering, and health educators.[14]

Historically, local government employees' wages have been lower than for those in similar positions and with similar levels of education in the private sector.[15] Given this, non-wage benefit compensation has filled an important role in helping local governments compete in the labor market, both from recruitment and retention perspectives. As of 2017, 84 percent of local workers had access to a defined benefit, traditional pension **retirement plan** and 33 percent had access to a defined contribution ("401k-style") plan.[16] For another major benefit category, **health care**, 87 percent of local government employees had access to medical care, 56 percent to dental care, 35 percent to vision care, and 85 percent to prescription drug coverage.[17]

Over the past decade (2008-2017), the state and local employer-required contributions to pensions as a percentage of payroll have increased by 53 percent[18] and contributions to employer-sponsored private health insurance premiums have increased by 64 percent from 2007-2016.[19] To address these changes, many governments have altered their benefit offerings, often shifting more costs from the employer to employee and/or from the employer to retiree, requiring more planning and supplemental savings by the individual. Depending on

FIGURE 3
Local Government Compensation Distribution, 2017
(by total number of positions)



Source: Author analysis of BLS National Occupational Employment and Wage Estimates

Non-wage benefit compensation has filled an important role in helping local governments compete in the labor market, both from recruitment and retention perspectives.

the individual reform, these changes may include one or more of the following for current or new workers:

- **For retirement benefits**: increased employee contributions; decreased pension benefits; increased age and service requirements to be eligible for a normal retirement; transition from a primary defined benefit pension plan to a hybrid plan (smaller pension benefit coupled with a defined contribution plan) or a primary defined contribution plan; reduced or eliminated cost of living adjustment.
- **For health benefits:** increased copayments, premiums, and deductibles for employees; increased copayments, premiums, and deductibles for retirees; transition employees to high-deductible plans with a health savings account; increased requirements (years to vest, age of eligibility) to qualify for retiree health benefits; eliminate retiree health care.

Over the past decade (2008-2017), the state and local employer-required contributions to pensions as a percentage of payroll have increased by 53 percent.

Some of the key findings of the 2014 report "Effects of Pension Plan Changes on Retirement Security,"[20] developed by the research teams of the Center for State and Local Government Excellence and the National Association of State Retirement Administrators, were the following:

- "Pension reforms reduced the amount of retirement income new employees can expect to receive compared with that of existing employees. Reductions ranged from less than 1 percent to 20 percent."
- "New employees can expect to work longer and save more to reach the benefit level of previously hired employees."
- "...[state] human resource officials say that wage stagnation and the increased cost of benefits for employees is a[n]...immediate concern. To address the savings gap, many plan administrators are providing enhanced financial education and sponsoring and promoting supplemental savings opportunities."

As more benefit costs and management responsibilities are transferred to local government employees, their ability to understand and make financial decisions for themselves will increasingly be linked to their long-term financial security.

OTHER RELEVANT WORKFORCE CHARACTERISTICS

Due to factors such as benefit vesting rules and large portions of the local workforce holding roles that generally do not exist in other sectors (public safety and public education, for example), local employees have longer tenures on average with their public employers than employees in other sectors; in 2016, average local workforce tenure was 8.3 years, relative to 3.7 years in the private sector.[21] Relatedly, as of 2017, the quit rate (quits/total employment) for state and local workers was 20 percentage points lower than the private sector.[22] Given these and extended-term trends, public sector workers, for a range of reasons, are more likely to stay with their employer for longer periods of time, relative to employees in other sectors.

From a human resource perspective, given the time commitments these public servants are making to their employers, it is essential for local governments to provide the educational tools necessary to best position their employees to make informed financial decisions. From an organizational effectiveness perspective, the more in control individuals are of their finances, the less they are to be distracted in other aspects of their life, including their jobs.

SECTION 2:

FINANCIAL LITERACY: WHAT IS KNOWN?

DEFINING AND MEASURING FINANCIAL LITERACY

While definitions for financial literacy in the research literature can vary, they generally contain many similar themes. The National Financial Educators Council defines financial literacy as "possessing the skills and knowledge on financial matters to confidently take effective action that best fulfills an individual's personal, family and global community goals."[23] Researchers from the RAND Corporation suggest a composite definition that includes knowledge, skills, and behavior, defining financial literacy as "knowledge of basic economic and financial concepts, as well as the ability to use that knowledge and other financial skills to manage financial resources effectively for a lifetime of financial well-being."[24] The Organisation for Economic Co-operation and Development (OECD) definition—"a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing"—also includes these three elements.[25]

Terms such as financial wellness, financial education, and financial capability are sometimes used interchangeably with financial literacy, despite distinctions among the terms.[26] This underscores the importance of developing precise measures of financial literacy. Some studies use performance tests to measure financial literacy (assessing knowledge); others use self-assessments, which assess perceived knowledge or confidence in knowledge. While scores on performance tests and self-assessments are related, individuals often think that they know more than they actually do.[27] In addition to self-administered surveys, financial literacy is also measured by some studies through phone or in-person interviews.[28]

In her review of seventy-one studies measuring financial literacy, Huston identifies four general categories of content that are used when measuring financial literacy: money basics (e.g., personal financial accounting basic concepts), borrowing (e.g., loans, credit cards), investing (e.g., savings accounts, stocks and bonds), and protecting resources (e.g., insurance or other risk management activities). The number of items used to measure financial literacy can vary widely across studies. In Huston's analysis, studies ranged from using three items to sixty-eight items.[29] Some of the most commonly used measures of financial literacy are Lusardi and Mitchell's "Big Three," a set of three questions added to the 2004 Health and Retirement Study[30] that measured understanding of the core financial concepts of compound interest, real rates of return, and risk diversification; the 2009 National Financial Capability Study[31] (NFCS) "Big Five," which consists of Lusardi and Mitchell's three questions, along with a question on mortgage interest and a question on bond prices; and the Jump$tart Coalition's biennial survey of high school and college students, which includes more than fifty questions measuring financial literacy.[32]

When measuring financial literacy, it is important to ensure that there are enough items included to measure all content areas that are being evaluated and to use items that measure the financial mistakes that are most common and/or costly.[33] Another method for evaluating financial literacy is using administrative data. Though less common than self-assessments, robust administrative data can be analyzed to identify individuals demonstrating sophisticated financial behaviors, and these behaviors may be used to predict other outcomes of interest. This approach may be particularly helpful in predicting future financial behavior.[34]

THE STATE OF FINANCIAL LITERACY IN THE UNITED STATES

Whether financial literacy is measured using three items or fifty items, one thing is clear: on average, levels of financial literacy among adults in the United States are low. According to the Financial Industry Regulatory Authority (FINRA), nearly two out of three Americans have low levels of financial literacy, with more than half (61 percent) not able to answer more than three of five questions correctly on a financial literacy quiz.[35] On the 2009 NFCS, only 39 percent of respondents answered all three "Big Three" questions correctly.[36] Results of the 2018 P-Fin Index[37] showed that only 16 percent of respondents correctly answered 75 percent or more of 28 questions assessing financial literacy, while 21 percent correctly answered 25 percent or fewer of questions. On the P-Fin Index, comprehending risk was the topic for which respondents demonstrated the lowest level of financial literacy. This is especially problematic given that the majority of financial decisions that individuals make contain some element of risk or uncertainty.[38]

Several demographic factors appear to be associated with financial literacy. The P-Fin Index demonstrated that men tend to answer more questions correctly than women, and those over age 45 answer substantially more questions correctly than those under age 45. It also found a positive association between household income and percentage of correct responses, as well as between education level and financial literacy. Unemployed individuals tend to have lower levels of financial knowledge than employed individuals or retirees, and those who have participated in a financial education class tend to have higher levels of financial literacy. Higher scores on the P-Fin Index were also associated with less financial fragility, a lower likelihood of overdrawing from one's checking account, a higher likelihood of planning for retirement, and a higher likelihood of having investments not related to retirement.[39] Similarly, FINRA reports that Americans with high levels of financial literacy are more likely to plan for retirement and to have an emergency fund. They are also less likely to carry a balance on their credit card or make only the minimum payment on their credit card.[40]

For many Americans, making the sound financial decisions that are associated with higher levels of financial literacy is a struggle. According to the 2015 results of the NFCS, 18 percent of individuals report that they spent more than their income in the past year, and 21 percent report having medical bills that are overdue. In contrast, only 46 percent of individuals surveyed report having a "rainy day fund"—enough money set aside to cover three months of unexpected expenses.[41] According to the 2017 America Saves-American Savings Education Council survey, only 38 percent of American households report good or excellent progress in "meeting their savings needs." Only 23 percent of households are saving any of their income, and only 45 percent know their net worth, which is associated with higher levels of saving.[42]

These day-to-day financial skills are critical, especially as individuals take an increasingly active role in the management of their finances. As researcher Annamaria Lusardi explains, "Just as it was not possible to live in an industrialized society without print literacy—the ability to read and write—so it is not possible to live in today's world without being financially literate....Financial literacy is an essential tool for anyone who wants to be able to succeed in today's society, make sound financial decisions, and—ultimately—be a good citizen."[43] Many consumers recognize the importance of financial literacy and their need for help in obtaining the skills it requires. According to the results of the 2016 Consumer Financial Literacy Survey, 75 percent of respondents agree—and 24 percent strongly agree—that they could benefit from advice and answers to everyday financial questions from a professional.[44] While consumers can turn to several sources for programs that improve financial literacy (e.g., schools, government), one of the most common sources is employer-based financial literacy programs.

THE BUSINESS CASE FOR EMPLOYER-BASED FINANCIAL LITERACY PROGRAMS

With the average American spending approximately one-third of his or her working adult life at their place of work, the workplace is a logical choice for where to offer financial literacy programs. Not only is the workplace a natural candidate in terms of time spent there, but work is where many important decisions about allocation of finances are made.[45] Employers provide information about other benefits, already have important information about the financial lives of their employees (e.g., salary and benefits, life events), and are trusted by employees to provide financial advice.[46] Studies show that 85 percent of Americans report feeling financial anxiety, and 36 percent feel like their anxiety has increased over the last three years.[47] These feelings of stress over finances do not disappear when a person arrives at work. Nearly one out of three workers reports that finances have been a distraction to them at work, and employees spend an average of thirteen hours per month worrying about finance-related issues at work.[48]

Virginia Retirement System (VRS)

Recognizing that benefit structures were changing for public employees with the implementation of a new hybrid retirement plan, VRS, working with a private sector vendor, introduced a financial wellness program in 2017. The objective was to educate local and state employees who are members of the statewide system and others not in the system but interested in learning about financial best practices. Via both a public website and private web portal, the program offers content on developing a personal budget, managing student loans and other debt, investing, retirement planning, credit cards, banking, rent and mortgages, insurance, taxes, and other topics. Content is offered in reading, game, infographic, and video formats. When members are logged into the portal, they receive educational content tailored to their age and tenure demographics, and income bands related to their work type. Assessments within the portal allow members to track their knowledge gains after working through the learning modules. All content offered is vetted and framed as educational information, not advice. Overall, the VRS program complements the work of VRS counselors, call center staff, and other internal and external stakeholders that work with system members on retirement and financial planning.

For more information see:
https://www.varetire.org/financial-wellness/

The potential benefits of employer-based financial literacy programs are not limited to employees. *Employers* have a vested interest in ensuring the financial literacy (and financial health) of their employees. Employers who invest in their workers' financial health see benefits through such means as increased productivity; improved job satisfaction; higher employee retention rates; better utilization of 401(k) plans, health savings accounts, and flexible savings accounts; lower levels of employee stress; and reduced absenteeism and presenteeism. Financial health can help reduce health insurance costs, helping contain employer costs for group insurance. It can also enhance an organization's reputation and serve as a competitive recruitment offering.[49]

When workers do not feel in control of their financial situation, they are more likely to become distracted in other areas of their lives, including work. This can manifest itself in missing work to take care of finance-related issues or missing work due to mental or physical health issues that arise from financial stress. Workers dealing with high levels of financial stress are twice as likely to use sick leave when they are not ill.[50] Some workers, especially those who do not receive paid sick leave and/or are in danger of losing their job if they take leave, may show up to work but are unable to be productive due to stress about their finances. The costs of absenteeism or presenteeism are substantial for employers. According to a study by MetLife, workers dealing with personal financial matters on the job cost employers an average of $7,000 per employee per year.[51]

COMPONENTS OF FINANCIAL LITERACY PROGRAMS

When thinking about providing a financial literacy program, there are a number of components for employers to consider. Three key questions that need to be answered when developing an employer-based financial literacy program are: (1) What topics will be covered?; (2) How will the content be delivered?; and (3) How will the effectiveness of the program be evaluated?

The number of topics covered and the content of the topic(s) that are included within a given financial literacy program are varied and can depend on a number of factors, such as what the goals of the program are, the needs of the program's audience, and what kind of resources an organization has, among other considerations.[52] For employer-based programs, one of the most commonly offered topics is **planning for retirement.**[53] Other topics addressed can vary widely, from **spending vs. saving** and **rainy day funds** to **planning for college** and **home ownership**, to **paying off debt and loans** to **non-bank borrowing.**[54] Conducting a needs assessment, whether through a survey, informally, or by looking at existing data on employee characteristics can help determine the most relevant topics for a given organization's employees. Understanding employees' current levels of financial literacy, what financial issues concern them most, and their financial behaviors provides insights into how to tailor the program.[55]

The channels through which a financial literacy program is provided are as diverse as the topics that the programs cover. In addition to factors such as size of the workforce and availability of resources influencing mode of delivery, various workforce characteristics (e.g., how dispersed workers are geographically, whether workers are in an office environment or out in the field, workers' preferred modes of communications[56]) can also help employers hone in on the best ways to reach their workers. For some, this might take the form of **in-person programs**, such as seminars or "lunch and learns." This mode can be particularly effective for organizations with many workers at a single location, and using pre-existing materials can reduce costs. In addition to group events, some employers offer financial coaching, in which employees can receive advice for reaching their individual financial goals through one-on-one sessions, either in person or over the phone.[57]

When employees are more spread out or work different shifts, **prerecorded and live webinars** allow workers to digest information at their own pace and to share the content with others (e.g., spouses, dependents). While materials can be **paper-based** (e.g., pamphlets, newsletters, newspapers/magazines) or made available **online** (e.g., websites, videos), resources offered online have the added benefit of being fairly easy to update, ensuring that employees are receiving relevant, accurate, and timely information.[58] In addition to offering materials for download or viewing online, some employers are also using **mobile technology** to deliver financial literacy programs (e.g., through apps, texts, or gaming).

While many programs are offered on a **one-time basis**, others are scheduled around **"milestone" events** in an employee's life. When employees are first hired, they are asked to make many decisions about benefits that have a significant impact on their long-term financial health. The onboarding process is a critical juncture, especially as individuals may be more open to new ideas as they are going through the big change of starting a new job. Similarly, as employees near retirement, their thoughts often turn to an assessment of how they are doing financially and what their future needs may be. Offering financial literacy programs at this time can help employees make sound decisions as they start the transition from work to retirement.[59]

No matter what topics are covered in a financial literacy program, or how the program is delivered, evaluating the effectiveness of the program is a critical component that is often overlooked in the development of such programs. Financial literacy programs should be developed with measurable outcomes to determine whether goals set for the program are being achieved.[60] Common short-term measures of success include program participation rates, program participant satisfaction, self-reported increases in financial literacy, and measures of immediate changes in financial behaviors (e.g., how much an employee is contributing to their 401(k) plan).[61] Similar to initial needs assessments, evaluations of workplace financial literacy programs can occur formally or informally, through modes such as surveys, analysis of administrative data, or informal feedback.[62]

Program evaluations can take the form of formative evaluations (understanding the effectiveness of the process of implementing the program) or summative evaluations (understanding the impact of the program on the outcomes of interest).[63] Both types of evaluations are critical to understanding how to make improvements to the program and the desired goals of the program. While the evaluation of employer-based financial literacy programs is critical, there are several challenges that organizations face in trying to conduct a rigorous evaluation. These include isolating the effects of the program (often multiple modes of delivery are utilized, and the results are bundled together), determining how long the duration of a financial literacy program should be (e.g., Is a few hours sufficient? What do preferences depend on?), and identifying the long-term effectiveness of the programs (e.g., are changes in financial literacy and subsequent financial behaviors long-lasting?).[64] Despite these challenges, a thorough evaluation plan is critical to identifying what is working and what improvements need to be made to the program.[65]

FINANCIAL LITERACY PROGRAMS IN THE PUBLIC SECTOR

Since the benefit reforms of the Great Recession, state and local government workers have been facing an increasingly complex challenge in financial decision making, primarily due to more options for retirement and other benefits selections, and a shift in responsibility for these decisions and the risks associated with these decisions falling on public sector employees rather than on the employers.[66] While public sector workers tend to be more prepared for retirement than private sector workers, research indicates that they are still not adequately prepared for retirement.[67] Many state and local government workers are aware of this and concerned about gaps in income replacement. According to a 2016 retirement confidence survey of state and local government workers by SLGE and TIAA Institute, public sector workers reported low levels of confidence that they will be able to retire at the age that they want to, that they are saving enough money to live comfortably in retirement, and that they will receive all of the pension and retiree health care benefits to which they are entitled once they do retire.[68]

Jurisdictions across the United States are taking notice of the challenges associated with benefit reforms and retirement "decision-making overload," and are incorporating financial literacy into their benefit offerings. One such example is from the Chapel Hill-Carrboro City Schools district in North Carolina. The school system worked to decrease the number of supplemental retirement programs to teachers through a competitive bidding process, steps that have been shown to benefit both employers and employees by reducing fees in supplemental retirement plans and increasing employee savings.[69] At the same time the school system was streamlining its supplemental retirement offerings, it added in financial literacy components. These included an orientation event that provided information to employees about the plan provider offerings; a presentation tailored to new employees during onboarding; seminars offered by the investment advisor vendor on multiple campuses explaining the changes being implemented; information on plan details on the school system intranet; and one-on-one counseling by the investment advisor vendor.

At the state level, North Carolina's state treasurer is also working to direct employees on where to find the financial tools the state offers and to educate employees on how to understand and use them. The state is partnering with outside organizations (e.g., state employee credit union, churches) to present this

City of Los Angeles, California

The City of Los Angeles Personnel Department has taken a proactive approach to educating employees on financial issues. For example, the city offers detailed, user-friendly calculators that help project needed retirement income and how current savings align with that need. Personnel Department staff also focus on their communications to and engagement with city employees to educate them about investment benchmarks and choices, understanding risk, and other topics. In addition, the Los Angeles Public Library offers a comprehensive "Money Matter$" guide to city residents and employees, among other interested parties, on savings, credit, investments, budgeting, financial planning, and consumer protection. Aside from online resources, events are hosted multiple times per month at library branches across the city on topics such as setting financial goals, Social Security benefits, cryptocurrencies, and a range of other financial wellness subjects.

For more information see:
https://slge.org/assets/uploads/2015/06/City-of-L.A.-CSLGE-Presentation-Final-Montagna.pdf

https://www.lapl.org/money-matters

information to employees. The state is developing more tailored materials (e.g., different information for active employees and retirees), increasing its online presence, and focusing on common day-to-day challenges, not just on long-term savings for retirement. While feedback on the program has been positive, several challenges have been noted, such as reaching employees who are not at a computer all day or effectively distributing information with increasing budget constraints.[70] Plan administrators and human resource officials in a number of other states, such as Indiana, Colorado, Missouri, Virginia, South Carolina, California, and Tennessee, also are working with employee groups to enhance the financial education of their workers.[71]

While the programs described above are great examples of how state and local governments are incorporating financial literacy into their benefit programs, the public sector still has a way to go in terms of the prevalence of financial literacy programs. Since 2009, SLGE—in coordination with the International Public Management Association for Human Resources (IPMA-HR) and the National Association of State Personnel Executives (NASPE)—has been conducting surveys on workforce issues facing state and local employers. In 2018, the survey asked HR directors for the first time about whether their jurisdiction offers financial literacy programs to their employees. Less than half of respondents (47.5 percent) reported offering such a program (43.5 percent did not offer one, and 9 percent were unsure whether they offered one). While it is encouraging that many employers are offering such programs, it is also concerning that more are not doing so, for several reasons. The same survey found that only 25 percent of HR directors feel that their employees are prepared financially for their retirement. In addition, despite the reported low levels of financial literacy, only 30 percent of HR directors reported financial literacy as a workforce issue important to their organization.[72]

ADDRESSING THE FINANCIAL LITERACY NEEDS OF LOW- AND MIDDLE-SKILL WORKERS

As mentioned previously, the effectiveness of a financial literacy program is increased to the extent that it is tailored to meet the needs and the preferences of the individuals for whom it is intended.[73] Taking into consideration the unique challenges and needs of state and local government employers with low levels of education, low-income levels, and those for whom English is not the primary language spoken at home, among other groups is critical to ensuring that employer-based financial literacy programs are relevant and helpful to all employees, especially those who may need the information the most.

In a review of financial literacy programs for low-income adults, the Finance Project identified three recommendations for best practices for effective programming for this group:

- Choosing a program that incorporates relevant information and practical examples
- Choosing an appropriate setting and program provider
- Choosing a model that encourages participants to finish the program.[74]

Employees are more likely to be engaged when programs include content that is relevant to their specific concerns. For low-income individuals, this may include information on public benefits programs, such as the Earned Income Tax Credit. Programs should be sensitive to different levels of financial literacy, and the use of practical examples may be helpful in making the content relevant and memorable. Partnering with community-based organizations (CBOs) may be a particularly effective method for delivering information. CBOs are likely to have a better understanding of the needs of the residents of the communities they serve, and individuals are likely to have greater levels of trust in program providers that they are familiar with. Partnering with a CBO may also allow for more convenient times and locations for workers who are in the field and have limited time and resources to travel to attend programs. Developing programs that are culturally relevant can help participants become—and remain—engaged with financial literacy programs. Some individuals from foreign countries may need assistance with understanding how financial practices differ in the United States. Offering small incentives for participation (e.g., a meeting with a financial advisor, a calculator, a certificate of completion) may also encourage participants to complete the program.[75]

A 2015 report by the Governmental Accountability Office (GAO) echoes these recommendations, and offers several additional ones for reaching traditionally underserved communities. In addition to tailoring the topics, the GAO report recommends converting complex terms into easy-to-understand language and offering materials in multiple languages. Using mobile technology and social media can be particularly effective mechanisms for delivering information, as even those workers who do not have regular access to computers use mobile devices at this point. Along with offering incentives, compensating employees for the time that they spend in financial literacy programs is another way to encourage completion of employer-based programs. Finally, in addition to suggesting partnering with CBOs, the GAO report notes the potential benefits of peer training, using unions to expand outreach, and even working with recent organization retirees to communicate information.[76]

Virginia's Department of Human Resources is one example of a jurisdiction utilizing innovative approaches to reach underserved populations. When the department realized that its financial literacy programs were not reaching those who needed it the most, the department decided to work with a credit union to offer an employee loan program as an alternative to payday loans. As part of this program, employees have up to six months to pay back loans of up to $500 twice a year, which have less than a 1 percent charge-off rate. To participate in this program, employees must take basic financial literacy courses. The offering of this program has allowed the department to better identify who may be most in need of financial literacy programs and most susceptible to predatory loan practices. As of 2015, loans totaling more than $10 million have been made through this program to state workers—all of whom had participated in financial literacy programs.[77]

City of Augusta, Georgia

Augusta's Housing and Community Development Department partnered with a local urban development nonprofit and regional bank to provide a "Lunch & Learn" weekday financial literacy series for city employees. These events are hosted at the convenient, central locations of the municipal building or main library, every two months. The lunchtime workshops cover topics such as buying versus renting a home, credit, budgeting/saving, and appropriately managing student loan debt, among other related topics. These offerings are organized in coordination with financial education modules, offered on weekends, and geared toward the general public, especially those interested in the city's home ownership down payment loan program.

For more information see:
https://www.augustaga.gov/DocumentCenter/View/8452/City-Employee-Homeownership-Workshop-Flyerpdf

https://www.augustaga.gov/2335/Financial-Literacy

SECTION 3:

Financial Literacy in Local Government

To understand the current status of financial literacy offerings in local government, SLGE implemented a nationwide survey to assess the prevalence and characteristics of local government financial literacy programs. The themes explored covered motives behind financial literacy program development, topics within these programs, how these programs are delivered to the local government workforce, and how these programs are evaluated. Importantly, the survey also explored if and how these financial literacy programs are tailored to meet the needs of middle- and low-income employees. For those who responded that their jurisdiction did not offer a financial literacy program, the survey asked about reasons for not offering a program and whether various cohorts had expressed interest in such programs.

The survey was first administered to **elected local government council members** from across the United States, of which 95 responded.[78] Twelve percent of respondents reported that their local government offers a financial literacy program to its public employees; 38 percent reported that they do not offer one, and no such program is being planned; 3 percent reported that they are currently planning one; and 47 percent were not sure if their jurisdiction offered one. When asked why their jurisdiction was not offering a financial literacy program, the most common responses were leadership not identifying it as a priority (67 percent), lack of financial resources (37 percent), and human resources staff not identifying it as a priority (33 percent). The majority (68 percent) of respondents who reported not offering a program said that no specific employee groups or age demographics had expressed interest in financial literacy programs.

Given that many of these respondents did not know whether their jurisdiction offered a financial literacy program to its public employees, SLGE then sent the survey to **local government human resource directors**, who may have more information about existing programs and often are key stakeholders in the development and administration of a local government's financial literacy program.[79] These HR professionals' local governments were diverse in geographic region and size of population served.[80]

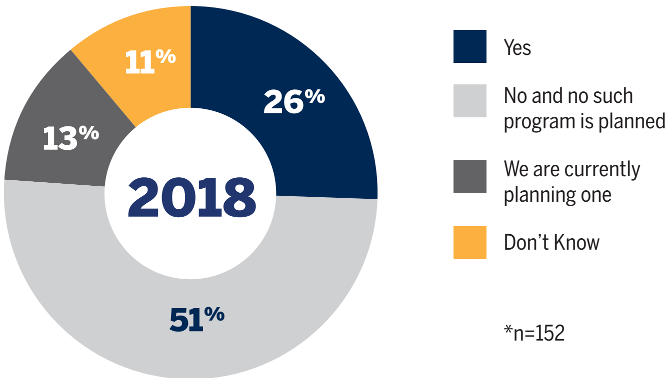
PREVALENCE OF FINANCIAL LITERACY PROGRAMS

As can be seen in *Figure 4*, more than one-quarter of the 152 respondents (26 percent) reported that their local government offers a financial literacy program to its local employees, while another 13 percent report that their jurisdiction is currently planning one.

When respondents who reported no plans to offer a financial literacy program were asked why this was the case, the most common responses were leadership not identifying it as a priority (45 percent), lack of internal resources, and lack of financial resources (both 30 percent). While 50 percent of respondents not offering a program reported that no employee groups or age

FIGURE 4

Prevalence of Financial Literacy Program in Local Governments, 2018 survey*



*n=152

demographics had expressed interest in financial literacy programs, 26 percent reported interest from employees approaching retirement, while 22 percent reported interest from mid-career employees. Staff with a bachelor's degree and staff in the field had also expressed interest (both reported by 16 percent of local governments without financial literacy programs).

PROGRAM BACKGROUND

Among those offering financial literacy programs, 95 percent reported that human resources staff were the main champions of the program's adoption. Appointed leadership were the main champions for 23 percent of programs, while employees were the main champions for 15 percent of the programs.

Local governments were most likely to begin offering programs due to most employees (38 percent) or certain groups of employees (23 percent) needing the training and requests from employees for the training (31 percent). The majority of programs have been in place for two to three years (35 percent) or four or more years (35 percent).[81]

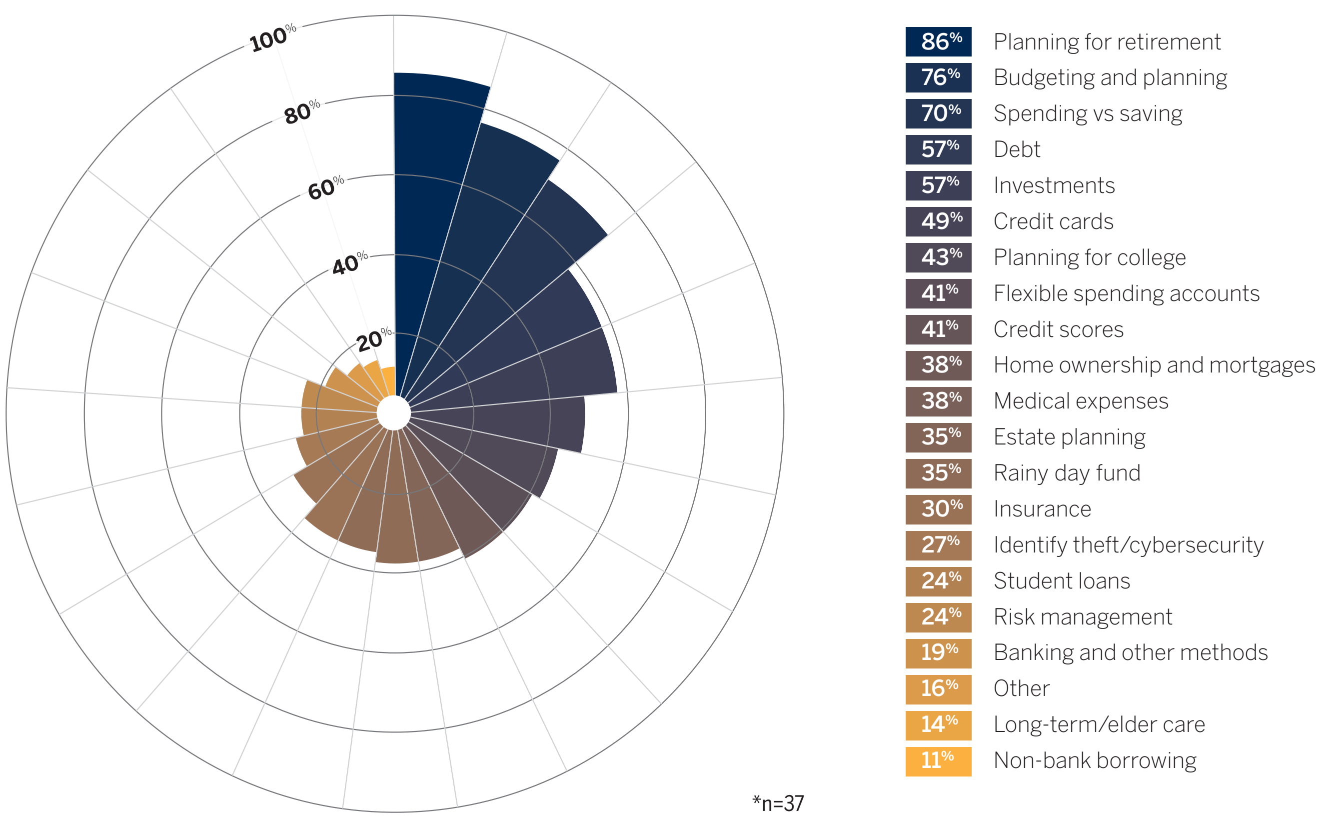
PROGRAM TOPICS AND MODE

Respondents were asked to select all of the content areas covered by their financial literacy program. As can be seen in *Figure 5*, more than three-quarters of financial literacy programs being offered by local governments cover the topics of planning for retirement and budgeting and planning, and more than half of financial literacy programs address debt and investments. In contrast, topics that were covered by less than 20 percent of programs included banking and payment methods, long-term care/elder care, non-bank borrowing, and other topics.[82]

Local governments use a variety of modes to deliver their financial literacy programs. The most common ways that the programs are offered are through in-person class or workshop (76 percent), lunchtime group briefings (54 percent), and one-on-one in-person coaching or through online materials (both at 43 percent). Only three programs reported using mobile apps to offer the content of a program.

FIGURE 5

Topics Covered in Local Government Financial Literacy Program, 2018 Survey*



*n=37

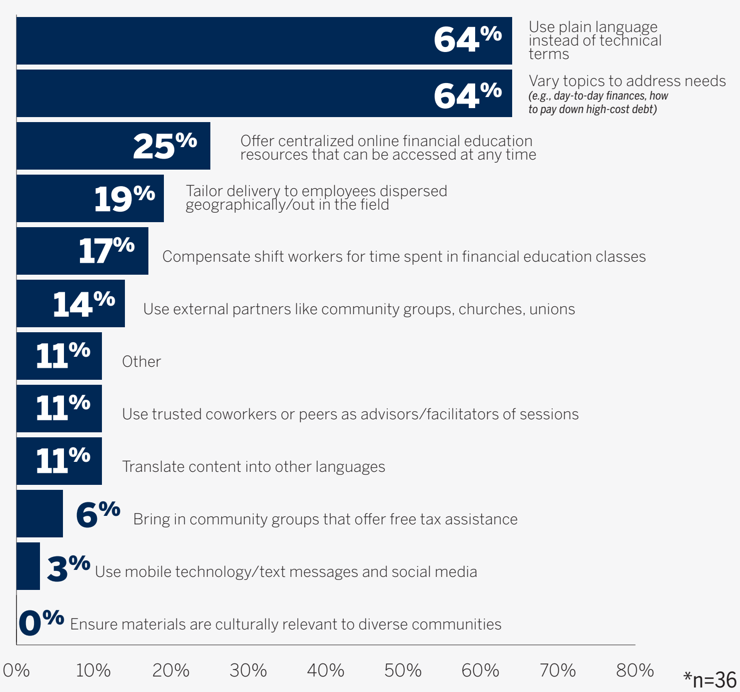
ADMINISTRATION AND PARTICIPANTS

When local governments offer a financial literacy program, it is usually made available to the entire workforce (91 percent of programs). About one-third of jurisdictions also offer the program to non-employees, such as spouses and dependents. More than one-quarter tailor programs to different career/life stages (e.g., new staff, those changing careers, recent graduates, those approaching retirement).

Programs are most often developed by a nongovernmental source (e.g., academic group, banking institution, non-profit) (43 percent) or by a combination of local government, other government, and nongovernmental sources (35 percent) Similarly, the programs are most often administered by a nongovernmental source (38 percent) or a combination of local government, other government, and nongovernmental sources (24 percent).[83]

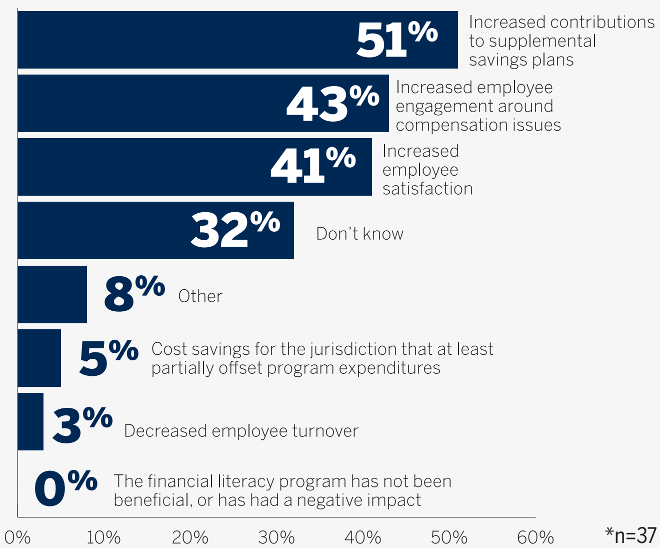
While local governments are using a variety of methods to address different populations, particularly those with limited education, efforts to engage those for whom English is not their primary language at home or those in different age groups are generally not yet widespread. As can be seen in *Figure 6*, employers most frequently report using plain language instead of technical terms and varying the topics to address needs (e.g., day-to-day finances, how to pay down high-cost debt) (both 64 percent). These two tactics were the only methods utilized by more than 25 percent of programs. Only 3 percent of programs use mobile technology/text messages and social media, and no programs report ensuring that materials are culturally relevant to diverse communities.

FIGURE 6
How to Address Different Populations regarding Financial Literacy, 2018 Survey*



*n=36

FIGURE 7
Benefits of Financial Literacy Program, 2018 Survey*



*n=37

PROGRAM IMPACT AND EVALUATION

While only 23 percent of respondents report that the cost of their financial literacy program has been calculated, human resources staff still report deriving a number of benefits from their financial literacy programs. As can be seen in *Figure 7*, the most commonly reported benefits are increased contributions to supplemental savings plans (51 percent), increased employee engagement around compensation issues (43 percent), and cost savings for the jurisdiction that at least partially offset program expenditures (41 percent). No jurisdictions reported the program having a negative impact. When jurisdictions collect information on program impact, it is most often through informal feedback (46 percent), participation rates or other metrics (43 percent), or through a survey or assessment (30 percent). It is worth noting that nearly one-third of programs do not currently measure the performance of their financial literacy program; even fewer (28 percent) currently have a website that describes the program.

SECTION 4:

Recommendations for Practitioners

OVERVIEW OF RECOMMENDATIONS

While the programs highlighted in previous sections of this report are great examples of how local and state governments are incorporating financial literacy into their benefit programs, the public sector still has significant room for improvement in terms of the prevalence of financial literacy programs and breadth of offerings. Both the survey results and anecdotal evidence suggest that employers are strongly encouraging employees to participate in retirement planning. While planning for retirement is incredibly important, this is not sufficient.

Financial literacy covers more than retirement—it encompasses a variety of topics such as emergency savings, repayment of student loan debt, home ownership and mortgages, college savings, non-bank borrowing, and medical expenses. A comprehensive financial literacy program should take a holistic approach, understanding how these topics are interconnected.

The finding that only 26 percent of survey respondents report that their local government offers a financial literacy program to its local employees, and 13 percent report that their jurisdiction is currently planning one, suggests a tremendous opportunity for states and localities to take steps that will increase these numbers.

While it may seem overwhelming at first to figure out how or where to even begin, there are several concrete steps that public sector employers can take as they begin to develop a financial literacy program. While needs will vary by jurisdiction, we offer seven general principles for consideration by practitioners.

Principles for Consideration

Assess employee needs and preferences.

One of the first priorities for champions of financial literacy programs should be to conduct an assessment to better understand the needs and preferences of employees with regard to financial literacy programs. What topics are they interested in (e.g., saving for education, emergency funds, retirement, college savings, debt repayment)? Through what modes (e.g., in-person workshops, mobile technology, e-mail) would they like to receive the information? When would they like to receive the information (e.g., at onboarding only, after a qualifying life event, at regular intervals)?

Feedback can be solicited through a survey, an e-mail query, or by informal conversations with employees. Whether these assessments are formal or informal, **it is only through an understanding of employee needs and preferences that employers can develop a truly effective financial literacy program that will garner buy-in from both employers and employees.**

Communicate the business case for financial literacy to senior leadership.

Once employers have assessed the needs and preferences of their employees, it is **important to develop a communications plan that emphasizes the importance—and specifically lays out the business case—to senior leadership for offering a financial literacy program. Organization leadership needs to know how providing financial literacy programs is related to other organizational outcomes of interest (e.g., reducing health care costs, increasing productivity, improving morale and retention).**

When respondents to the survey who reported no plans to offer a financial literacy program were asked why they were not offering a program, the most common response was that leadership had not identified it as a priority (45 percent). Working with champions of financial literacy within the organization to develop a communications program is critical to garnering leadership support for the initiative, which in turn enhances employee support and the potential of the program to meet both employer and employee needs.

Develop culturally relevant, tailored materials.

When offering a financial literacy program, especially to those with limited education or those for whom English is not their primary language at home, **it is important to convert complex terms into easy-to-understand language, to provide culturally relevant materials, and to offer the materials in multiple languages.** In some instances, translating materials into another language may not be sufficient, and terminology still must be taught. For example, when individuals fill out forms related to retirement, they need to know terms such as beneficiary, which may be a new concept depending on their background. Further, some individuals from foreign countries may need assistance with understanding how financial practices in the United States differ from the practices of their home country. As one example, several Latin American countries do not have retirement and insurance programs the way they are operationalized in the United States. This is an important barrier to address.

Principles for Consideration

Offer the program to non-employees, such as spouses and dependents.

Survey results indicated that when local governments offer a financial literacy program, it is usually made available to the entire workforce (91 percent of programs). In addition, about one-third of jurisdictions also offer their financial literacy programs to non-employees, such as spouses and dependents. This is an important strategy often used in retirement planning, especially as employees near eligibility for retirement. **Employees do not exist in a vacuum. Their financial decisions are influenced by—and impact—those around them.** Many spouses jointly decide when to retire, so financial literacy on the part of a spouse/partner is critical to employee decision making. Similarly, as more and more older adults are cared for by a family member, the financial literacy of an employee's dependents can affect issues such as retiree health care costs, impacting a business's bottom line.

Utilize technology to deliver information.

With a vast majority of Americans having access to technology such as mobile devices and computers, employers should be thinking about how they can leverage technology to communicate with employees about financial literacy and deliver content that can be viewed anywhere and at any time. Despite the frequent use of mobile technology, especially among younger individuals, the survey of HR directors found that only 3 percent of local government financial literacy programs use mobile technology/text messages and social media. **Not only is use of technology such as text messages a low-cost solution, but it is needed to stay competitive with the private sector**, where text messages are increasing in prevalence, along with reminders and nudges such as "Tomorrow is payday, think about what you plan to save today."

Encourage participants to act on what they have learned.

One measure of success that is commonly used by financial literacy programs is completion of a program. Clearly, finishing a program is an important first step—but it is just that, a first step. A more complete measure of the effects of a financial literacy program is what employees go on to do with the information. Do those who complete the program put more money into their retirement accounts? Do they ask for fewer advances in salary or are they less likely to take out retirement funds with penalty? **When choosing a model for a financial literacy program, ensure that it not only encourages participants to finish the program, but that it also encourages them to act on what they have learned.** Financial knowledge is important, but then that knowledge needs to be put to good use.

Evaluate program impact.

In focusing on developing and offering a financial literacy program, one key component that may get overlooked is evaluation of the program. In SLGE's survey of HR directors, nearly one-third of respondents reported that they do not currently measure the performance of their financial literacy program, and only 23 percent reported that the cost of their financial literacy program has been calculated. **Developing metrics that assess the impact of the program on outcomes of interest such as contributions to supplemental savings plans, employee engagement around compensation issues, and cost savings for the jurisdiction that at least partially offset program expenditures would enable employers to understand which elements of the program are working and which are not.** Employers can then use the results of the evaluations to engage in continuous quality improvement of the program, keeping it fresh, relevant, and effective.

SECTION 5:

Conclusion

This report has presented a landscape assessment of local government employee financial literacy programs by providing background on the local government workforce, conducting a review of the literature on what is known about financial literacy, collecting and reporting on data regarding financial literacy program offerings from a survey of elected officials and human resource directors from local governments across the United States, providing insights gained from discussions with city managers and budget officers, and outlining recommendations for practitioners, focusing on program topic and mode, tailoring programs to diverse groups (e.g., local workers for whom English is a second language, those with lower levels of income or education), and assessing results.

Understanding the landscape of employer-provided financial literacy programs for local government workers is a critical first step in identifying approaches for increasing financial literacy and the sound financial decisions that go along with a solid understanding of finance-related concepts. In a sense, it is one piece—albeit a very important piece—needed to solve a larger puzzle. To provide information that helps individuals to take control of their finances, it is critical not only to understand what programs employers are offering, but to also assess how employees feel about the programs that are being offered to them and what they are looking for in a financial literacy program. By exploring financial literacy programs from the local government employee perspective, employers can then understand where the gaps are between what is being offered and what employees need. It is only then that effective solutions can be developed to help bridge the gap and local governments can empower their workforces to make sound financial decisions that improve their health and well-being, along with the employer's bottom line.

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79 Based on the International City/County Management Association's (ICMA) database of local government contacts, SLGE identified 941 HR directors or other HR personnel (only selecting one per jurisdiction), and sent the survey to these individuals. The survey was fielded June 19 – July 3, 2018. A total of 343 individuals (37 percent) opened the e-mail invitation. Of those who opened the invitation, 152 individuals completed the survey, for a response rate of 44 percent. On September 25, 2018, the Center for State and Local Government Excellence hosted a roundtable, "Is Your Workforce Financially Literate," at the ICMA annual conference in Baltimore, MD, Participants of this roundtable (~50) were city and county managers, assistant managers, and other local government leaders. The discussion during the roundtable reinforced the project's survey findings.

80 Respondents represented jurisdictions from 32 states across the United States and the District of Columbia, and served populations ranging from under 3,000 individuals to populations of more than 1 million individuals.

81 An additional 15 percent did not know how long the financial literacy program had been in place.

82 Other topics included General Financial Overview 101, rebuilding credit, and programs individually tailored to the participant (e.g., coaching, one-on-one counseling).

83 An additional 24 percent of programs are administered by the local government alone.

Center for State & Local Government Excellence

Helping state and local governments become knowledgeable and competitive employers

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The Center for State and Local Government Excellence (SLGE) helps local and state governments become knowledgeable and competitive employers so they can attract and retain a talented and committed workforce. SLGE identifies leading practices and conducts research on public retirement plans, health and wellness benefits, workforce demographics and skill set needs, and labor force development. SLGE brings state and local leaders together with respected researchers. Access all SLGE publications and sign up for its newsletter at slge.org and follow @4govtexcellence on Twitter.

777 N. Capitol Street NE | Suite 500 | Washington DC 20002-4290 | 202 682 6100 | info@slge.org