



Is There a Teacher Pension “Crisis?”

Chad Aldeman
March 11, 2015

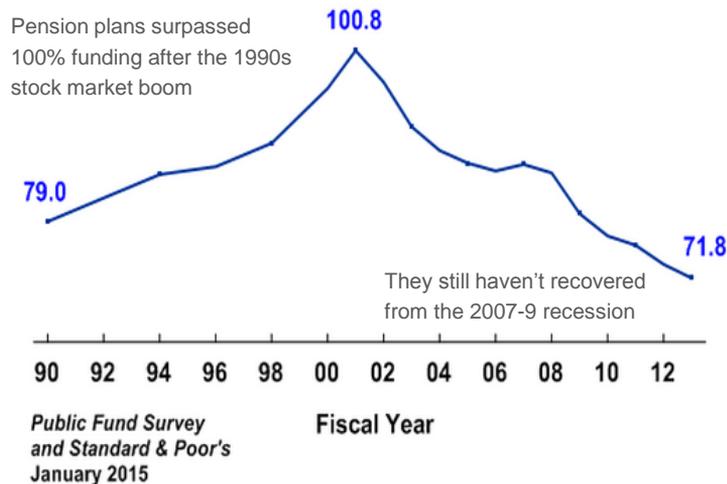


A “crisis” is in the eye of the beholder

- Legislators react to big scary financial numbers
- School districts face the financial consequences
- Teachers pay the ultimate costs: lower base salaries and poor retirement security



As of 2014, states reported teacher pension debt of \$500 billion



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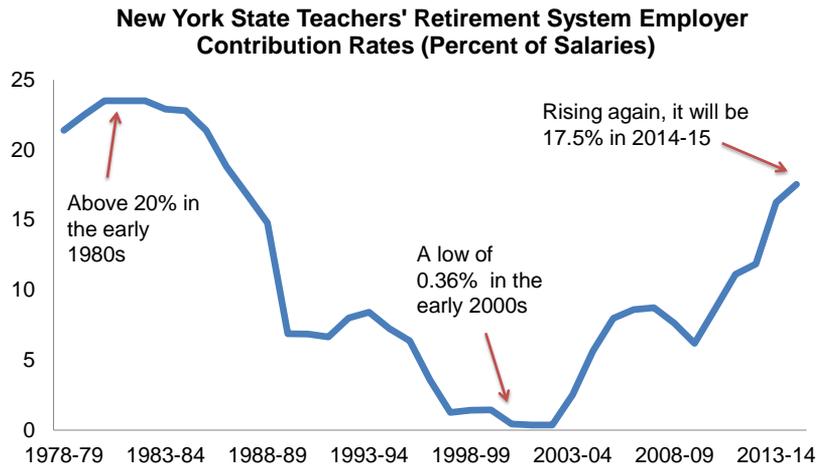
In response to the recent recession, states enacted a number of provisions to shore up their pension funding

- Nearly every state cut costs by adopting *worse* plans for teachers
- Today, workers who stay less than a full career (30-35 years) are worse off than at almost any point in the last three decades
- Despite some recent improvements, all but a handful of states lock teachers into unfair and insecure pension plans

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Less noticeable to teachers, pension costs trickle down to school district budgets

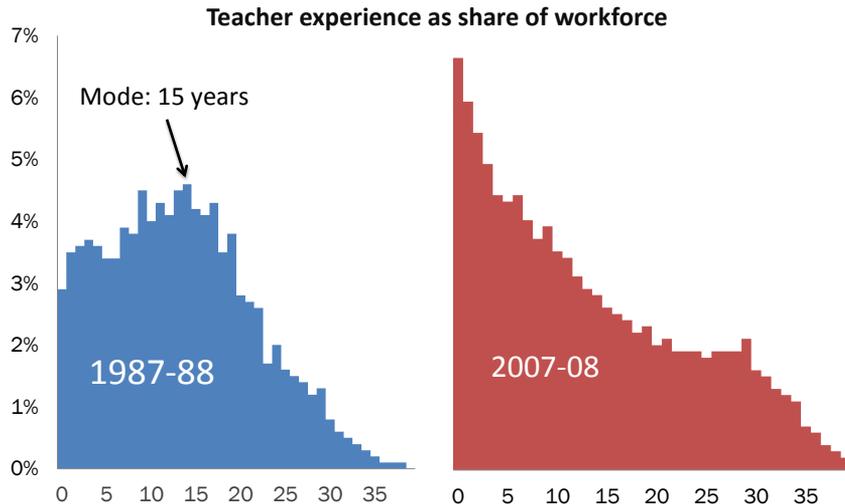


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Perhaps most importantly, pension plans leave the majority of teachers with insecure retirement benefits.

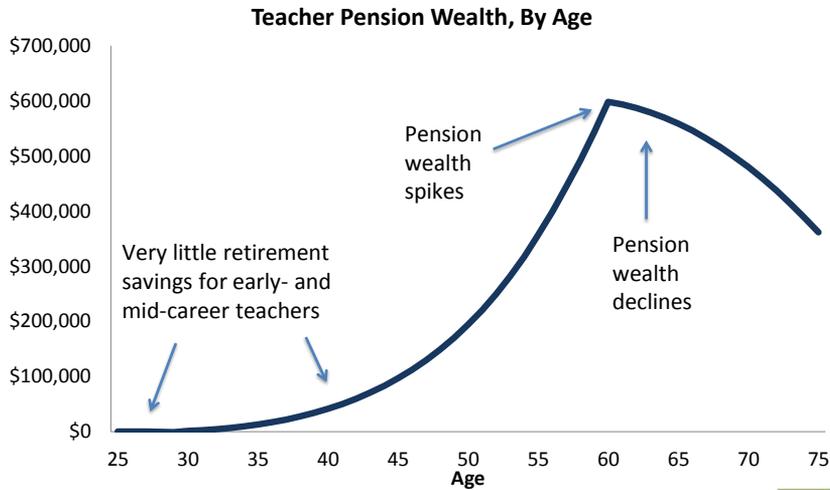
The teaching workforce has become more mobile...



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...But pension plans are heavily back-loaded



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The vast majority of teachers will fail to qualify for secure retirement benefits

Long vesting requirements

Most states require **5 years** of service for a teacher to qualify for a pension. 17 states require **10 years**

Minimal benefits for mid-career teachers

In the median state, teachers must wait **24 years** before their pension is worth more than their own contributions and interest

Portability penalties

A 30-year teacher who splits her career between two states can **lose more than half her pension wealth**

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These limitations make Social Security critical for teachers

Benefits of Social Security to workers

- ✓ Portable
- ✓ Inflation-protected
- ✓ Progressive benefit formula
- ✓ Low risk
- ✓ Lasts a lifetime

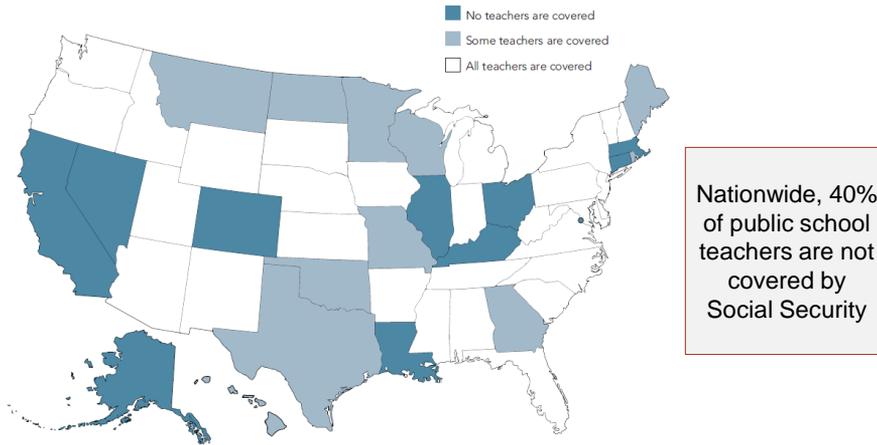
Social Security covers 160 million American workers (over 95% of all workers)

Over 6.5 million government workers, including 1.2 million teachers, remain uncovered

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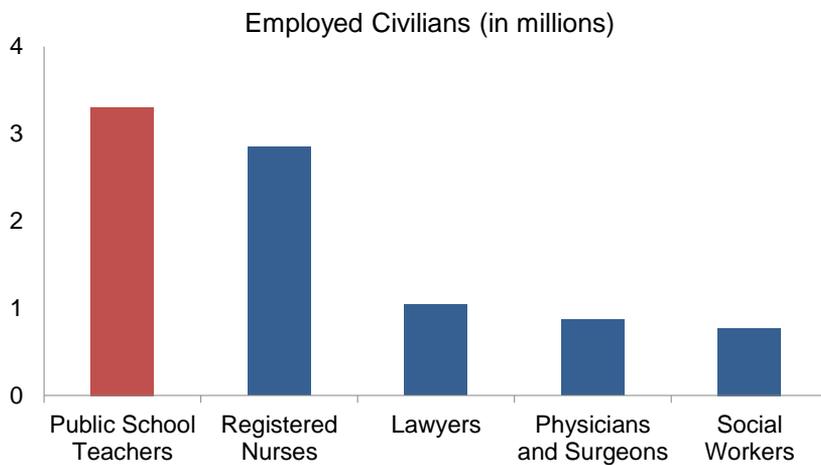
But many states have chosen not to offer teachers Social Security benefits



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Due to the size (not to mention the importance) of the teaching workforce, this is a national problem



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How can I learn more about this issue?

For more information, visit:



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