Is There a Teacher Pension “Crisis?”

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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

Pension plans surpassed 100% funding after the 1990s stock market boom

They still haven't recovered from the 2007-9 recession

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

New York State Teachers’ Retirement System Employer
Contribution Rates (Percent of Salaries)

Rising again, it will be
17.5% in 2014-15

Above 20% in the early 1980s

A low of 0.36% in the early 2000s

Perhaps most importantly, pension plans leave the majority of teachers with insecure retirement benefits.
The teaching workforce has become more mobile...

Teacher experience as share of workforce

Mode: 15 years

1987-88

2007-08

...But pension plans are heavily back-loaded

Teacher Pension Wealth, By Age

Very little retirement savings for early- and mid-career teachers

Pension wealth spikes

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

<table>
<thead>
<tr>
<th>Long vesting requirements</th>
<th>Most states require <strong>5 years</strong> of service for a teacher to qualify for a pension. 17 states require <strong>10 years</strong></th>
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<tbody>
<tr>
<td>Minimal benefits for mid-career teachers</td>
<td>In the median state, teachers must wait <strong>24 years</strong> before their pension is worth more than their own contributions and interest</td>
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<td>Portability penalties</td>
<td>A 30-year teacher who splits her career between two states can <strong>lose more than half her pension wealth</strong></td>
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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
But many states have chosen not to offer teachers Social Security benefits

Nationwide, 40% of public school teachers are not covered by Social Security

Due to the size (not to mention the importance) of the teaching workforce, this is a national problem
How can I learn more about this issue?

For more information, visit:

TeacherPensions.org
FIXING AN UNFAIR AND INSECURE SYSTEM

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