



Will COVID-19 Trigger Teacher Retirements?

Webinar

| August 14, 2020



NATIONAL INSTITUTE ON
Retirement Security

Reliable Research. Sensible Solutions.

Agenda

01. Introductions

02. Research Review

03. Q&A

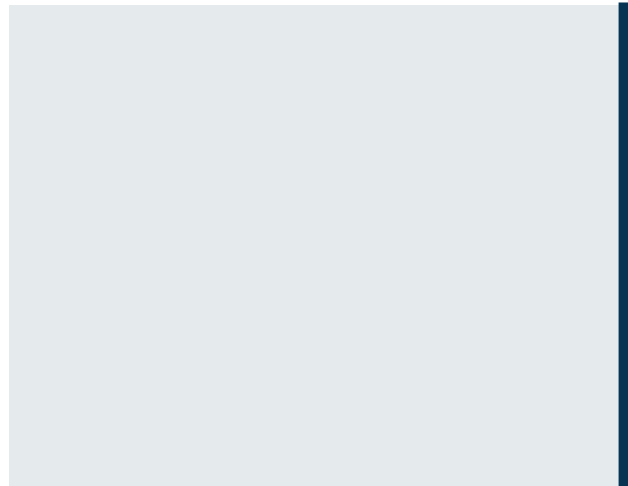


Speakers



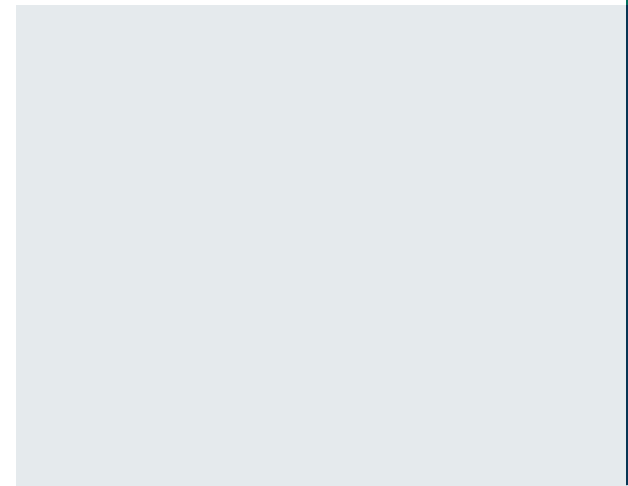
Dan Doonan

NIRS Executive Director



David Lamoureux

CalSTRS Deputy System Actuary



Speakers



Paul Angelo

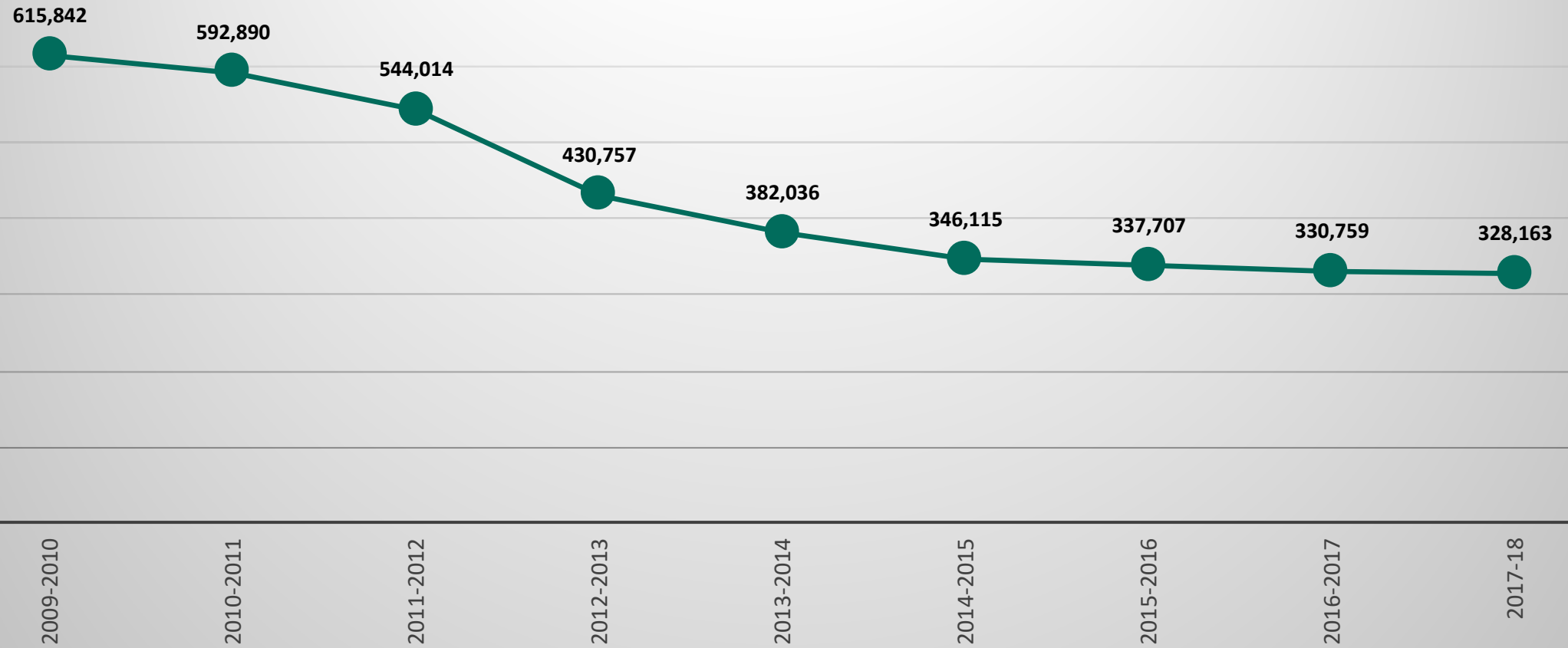
Segal Senior Vice President and Actuary



Rocky Joyner

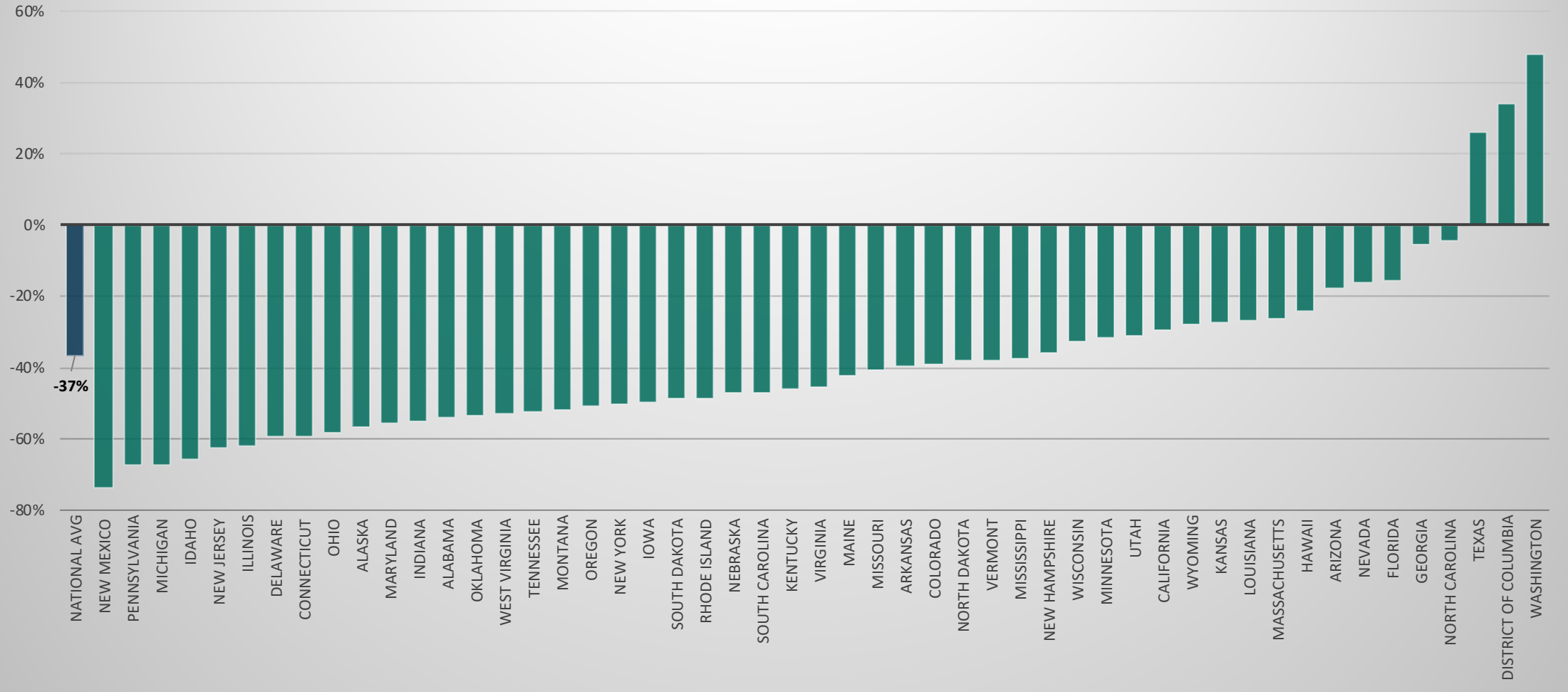
Segal Senior Vice President and Actuary

Number of Students Enrolled in Traditional Education Programs



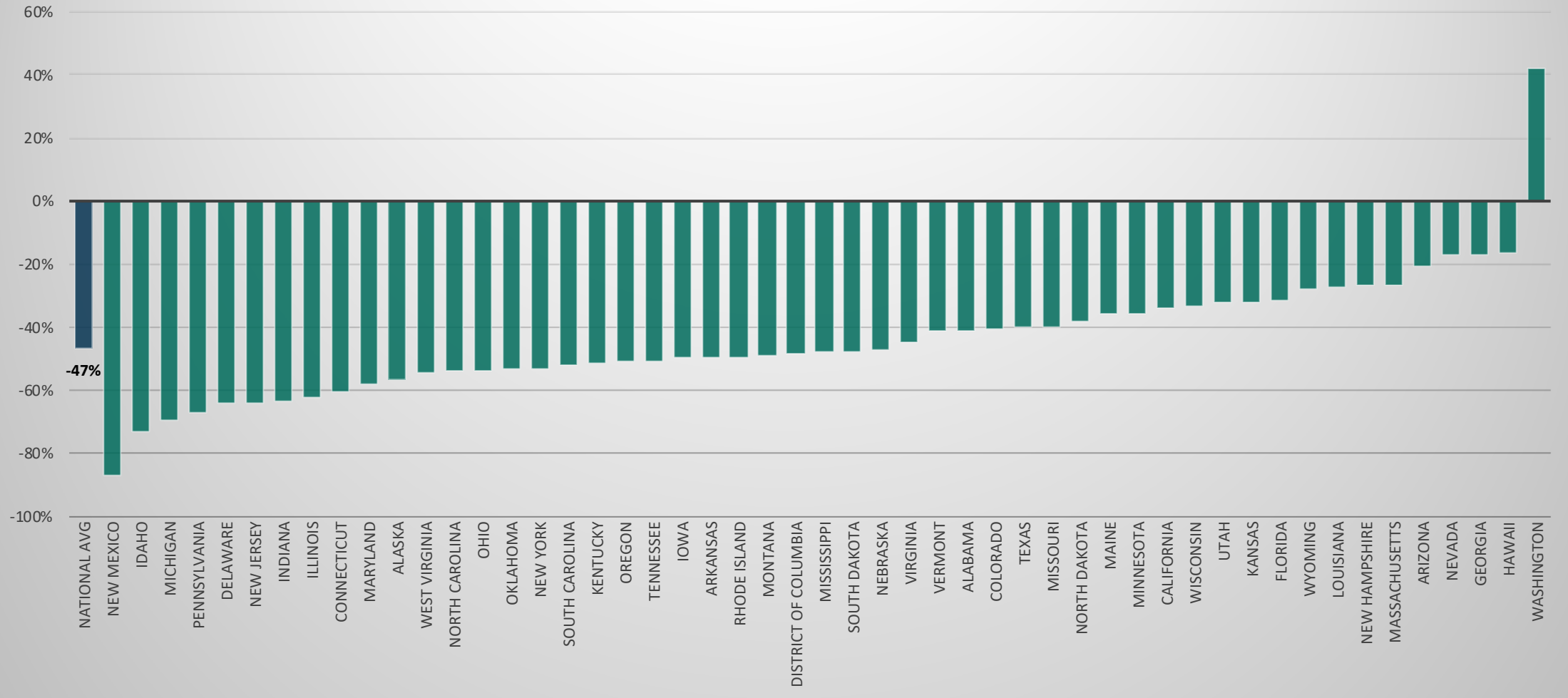
Source: US Dept of Education, Title II: <https://title2.ed.gov/Public/Home.aspx>

Change in Teacher Pipeline 2009-10 through 2017-18



Source: US Dept of Education, Title II: <https://title2.ed.gov/Public/Home.aspx>

Change in Enrollment: Traditional Programs 2009-10 through 2017-18



Source: US Dept of Education, Title II: <https://title2.ed.gov/Public/Home.aspx>

2016 UCLA/CIRP American Freshman Survey: Percent of Freshmen Pursuing Education Majors



Sources: Chronicle of Higher Education: <https://www.chronicle.com/interactives/freshmen-survey> and
 UCLA/CIRP: <https://heri.ucla.edu/publications-tfs/>

A large majority of teachers will serve out long careers

- Teachers in the 6 states will typically serve 25 or more years and leave service at age 58 or later.
- Nearly 7 out of 10 will serve until at least early retirement age under current pension rules.
- Many defer retirement past the first eligibility for retirement benefits
- Clearly the benefit designs for most teacher plans encourage this behavior
- The next slides provide context

Teacher Pensions vs. 401(k)s in Six States:

Connecticut, Colorado, Georgia, Kentucky, Missouri, and Texas

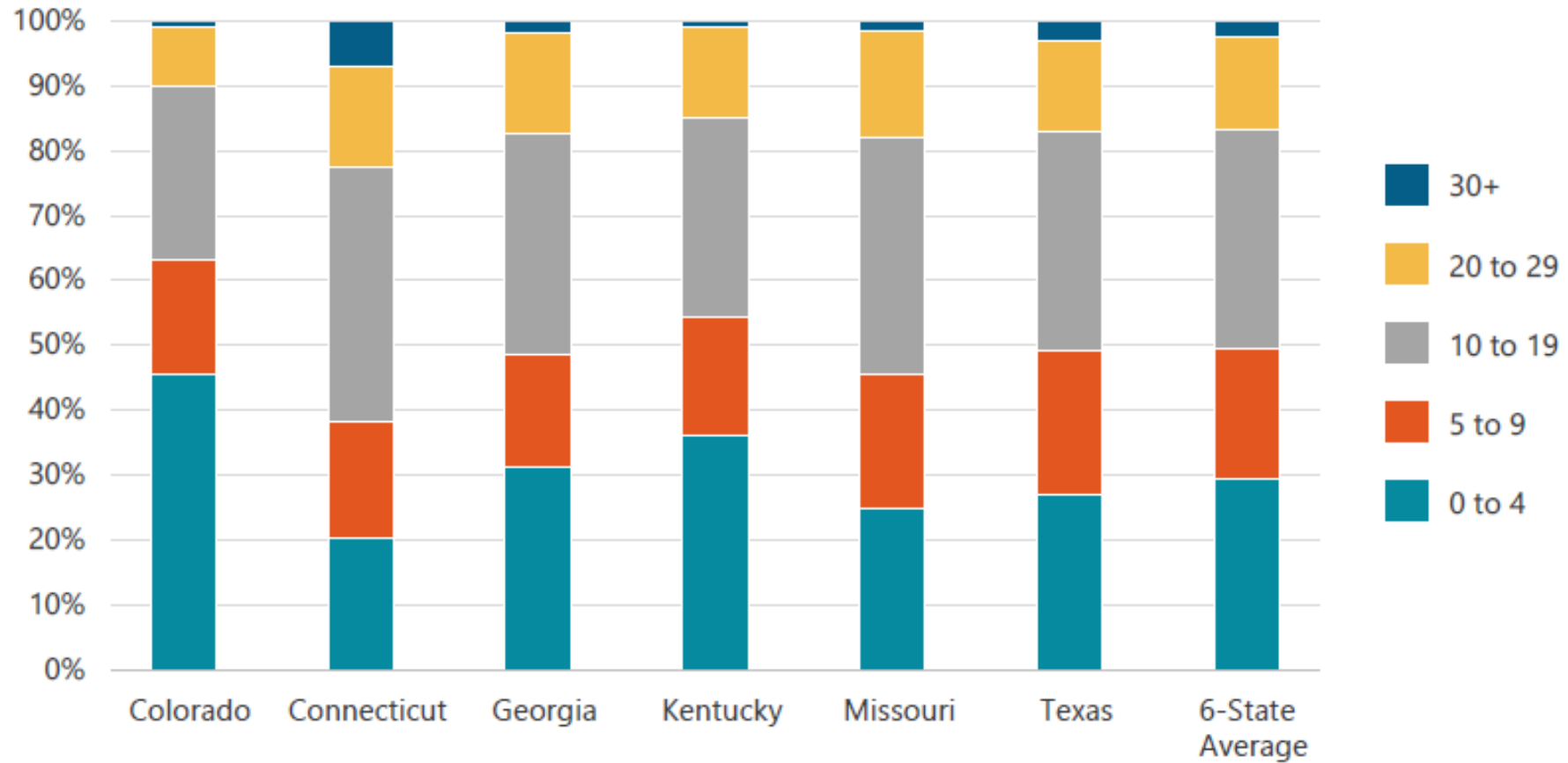


Nari Rhee
Leon F. Joyner, Jr.
January 2019

UC BERKELEY
LABOR
CENTER

NATIONAL INSTITUTE ON
Retirement Security
Reliable Research. Sensible Solutions.

FY 2017 Teacher Service Distribution



Typical teacher will serve 25 years and leave at age 58

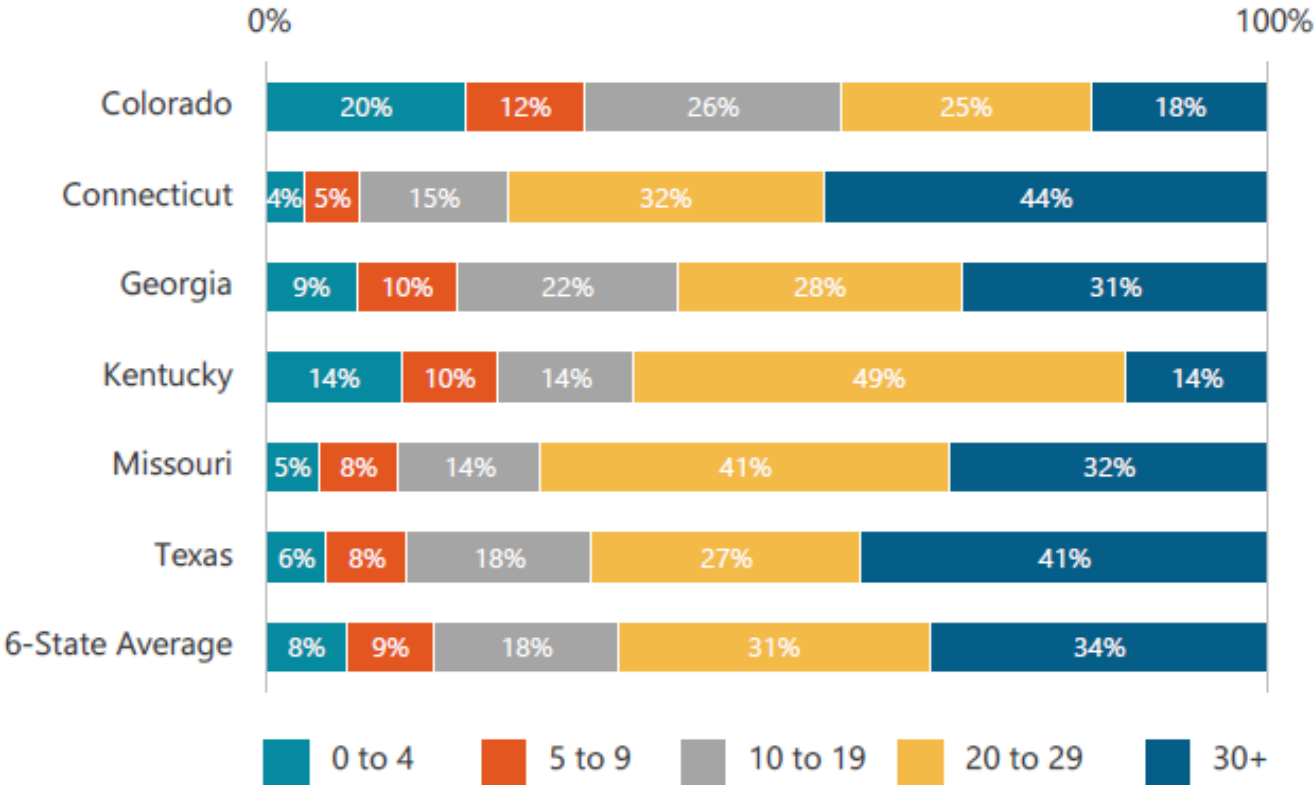
Projected Teacher Median Age and Service Years at Exit, by State

Teacher Pension Plans	Median Service Years	Median Age	% with 20+ Years Projected Service
Colorado	17	57	43%
Connecticut	28	60	76%
Georgia	23	57	59%
Kentucky	26	54	63%
Missouri	27	55	73%
Texas	26	62	67%
6-State Average	25	58	65%

Note: Authors' analysis based on retirement system active membership data and actuarial assumptions as of FY 2017. 6-State averages are weighted by teacher membership count.

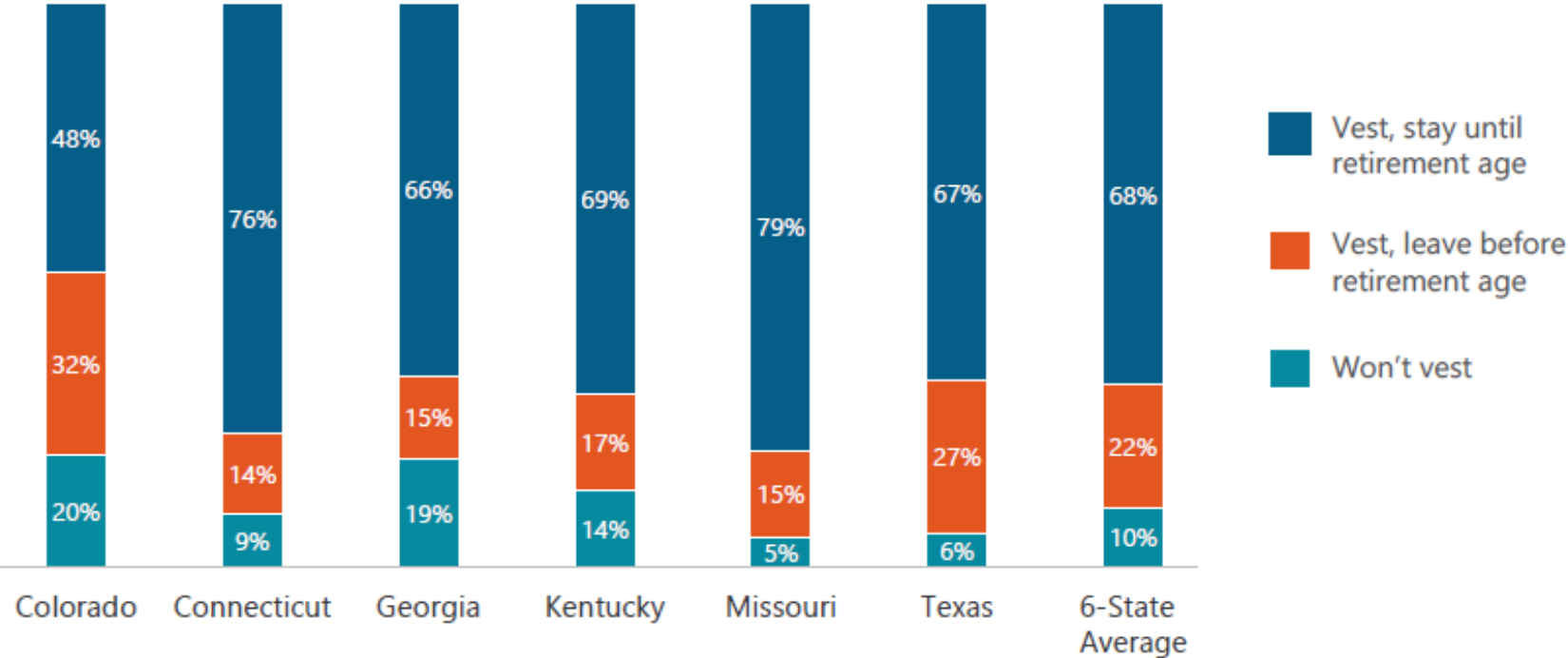
65% of Teachers Will Serve 20+ Years

Distribution of Teachers by Projected Service at Exit



68% of Teachers Will Serve Until Retirement Eligibility

Distribution of Teachers by Vesting and Retirement Eligibility Status at Exit



But what if COVID-19 disrupts pattern?

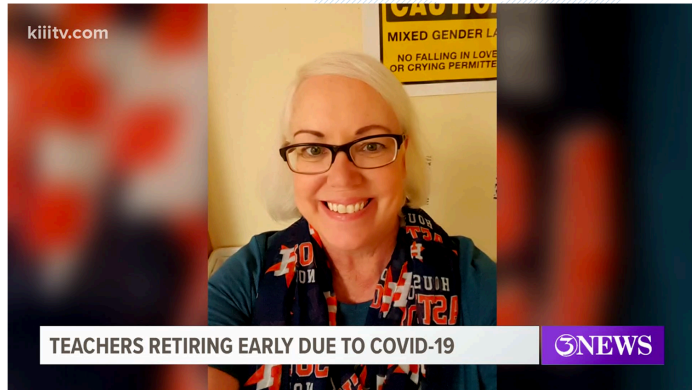
PLANSPONSOR News In-Depth Voices Research Awards Events Magazine

DATA AND RESEARCH | July 22, 2020

Pandemic Causing Older Workers to Leave Workforce Earlier Than Planned

EDUCATION

Local educators retiring instead of facing the risk of being exposed to the coronavirus this coming school year



The New York Times

1,193 Quarantined for Covid. Is This a Successful School Reopening?

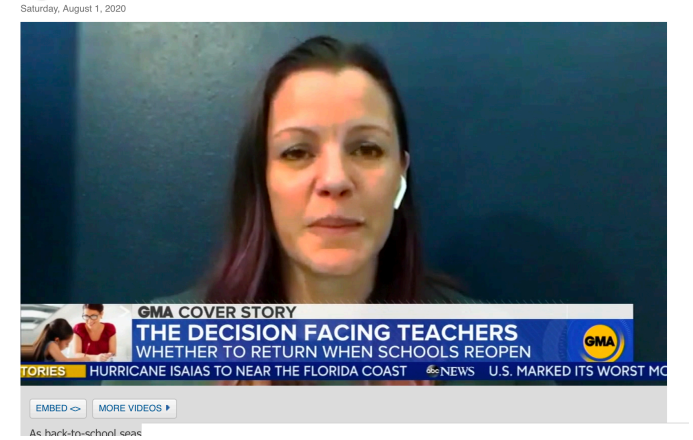
A suburban Atlanta county opened its schools amid controversy and a growing case count, previewing a difficult national back-to-school season.

'Too many unknowns': Tallahassee 3rd grade teacher retires early due to COVID-19 concerns



BACK TO SCHOOL

Fearing back-to-school COVID-19 exposure, some teachers opt for safety, sparking worries of staffing shortages



This could lead to greater retirements than predicted with possible consequences

- Increased benefit payouts, potentially creating cash flow issues
- Increase in required contributions for pension plans
- Teacher shortages
- Where will replacement teachers be found?
- What is a Pension Board or School District to do?
- Will COVID be considered a “line of duty” disability (NYC schools has enacted this)
- Or (as has started in some states), will laws be adopted that limit liability for employers and others from claims relating to COVID-19 exposure?

What are implications if retirements spike?

Liability

Payroll

OPEB

Retirement
Eligibility Rules



Paul Angelo

Segal Senior Vice President and Actuary

Modeling Risk



CalSTRS Review of Funding Levels and Risks

Investment Risk

Potential for lower returns
and increased market volatility

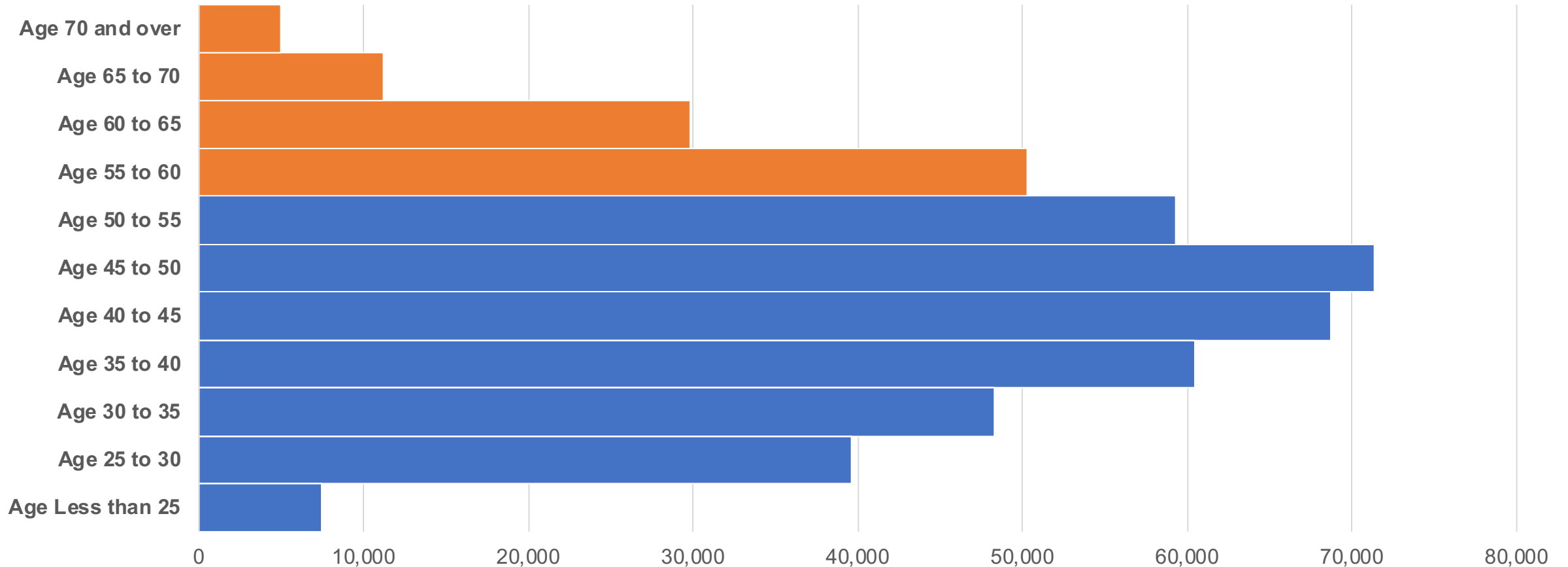
Longevity Risk

Members living longer in retirement

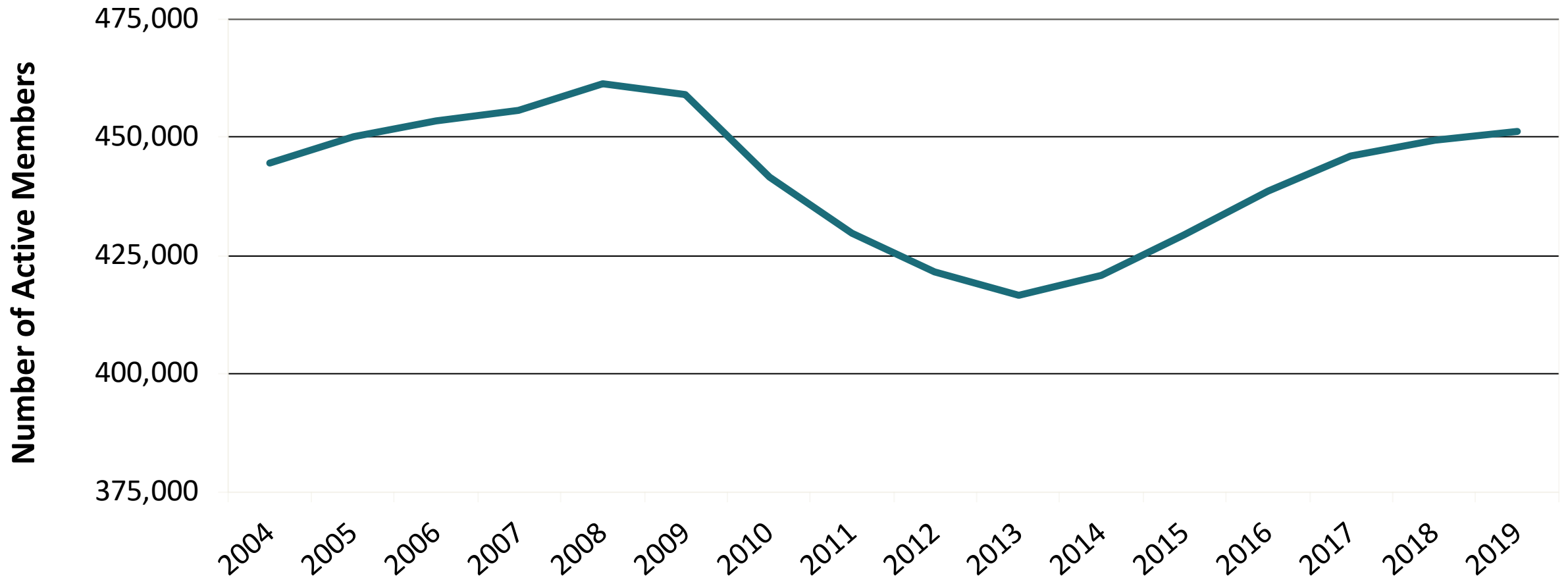
Membership and Payroll Growth Risk

Affects incoming contributions
if membership base declines

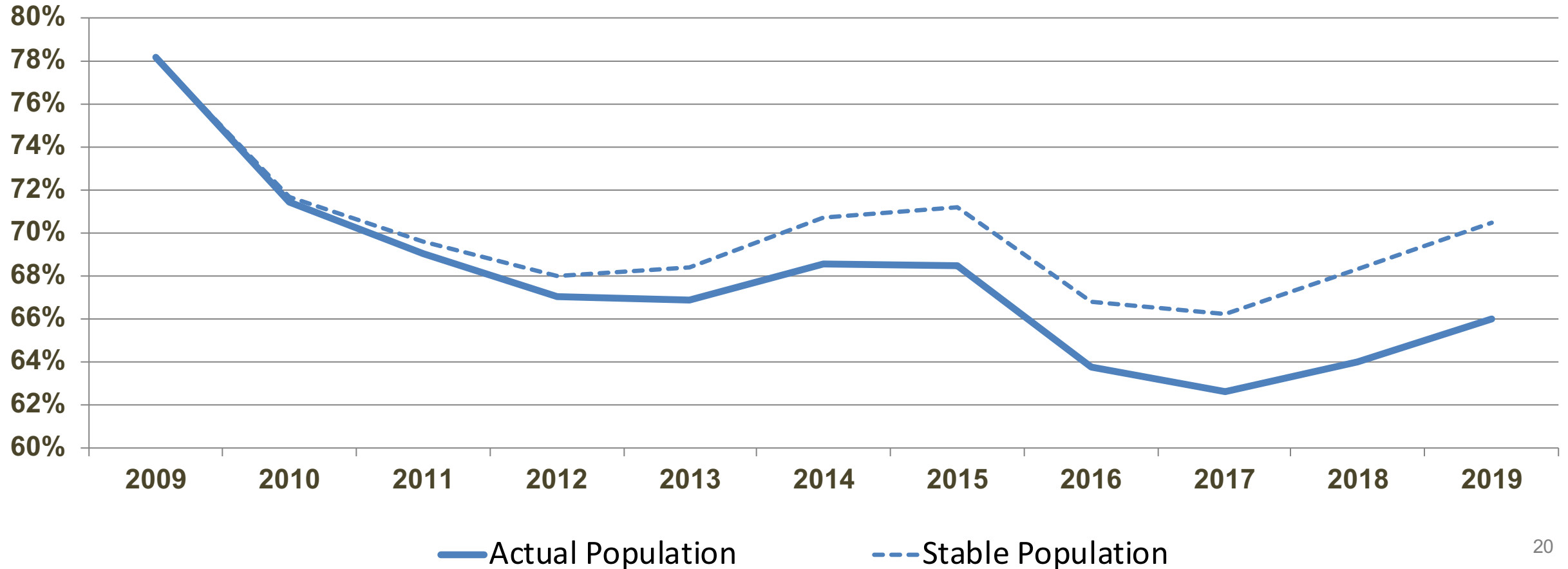
Distribution of CalSTRS Active Members by Age Group



Number of Active Members for the Last 15 Years (Defined Benefit Program Only)



Impact of Membership Fluctuations on Funded Status

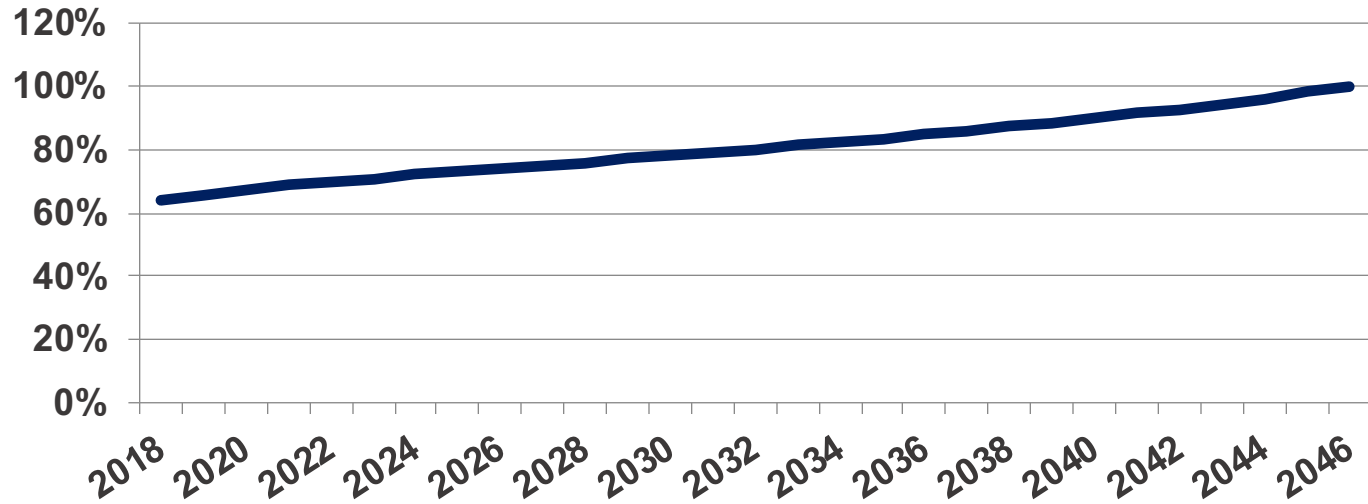


Modeling the Impact of a Recession and Recovery

- Scenario #1 – “Dot Com Bubble”
 - 2000 to 2008 period
- Scenario #2 – “Financial Crisis”
 - 2008 to 2018 period

Projected Funded Status and Contributions Rates

Projected Funded Status

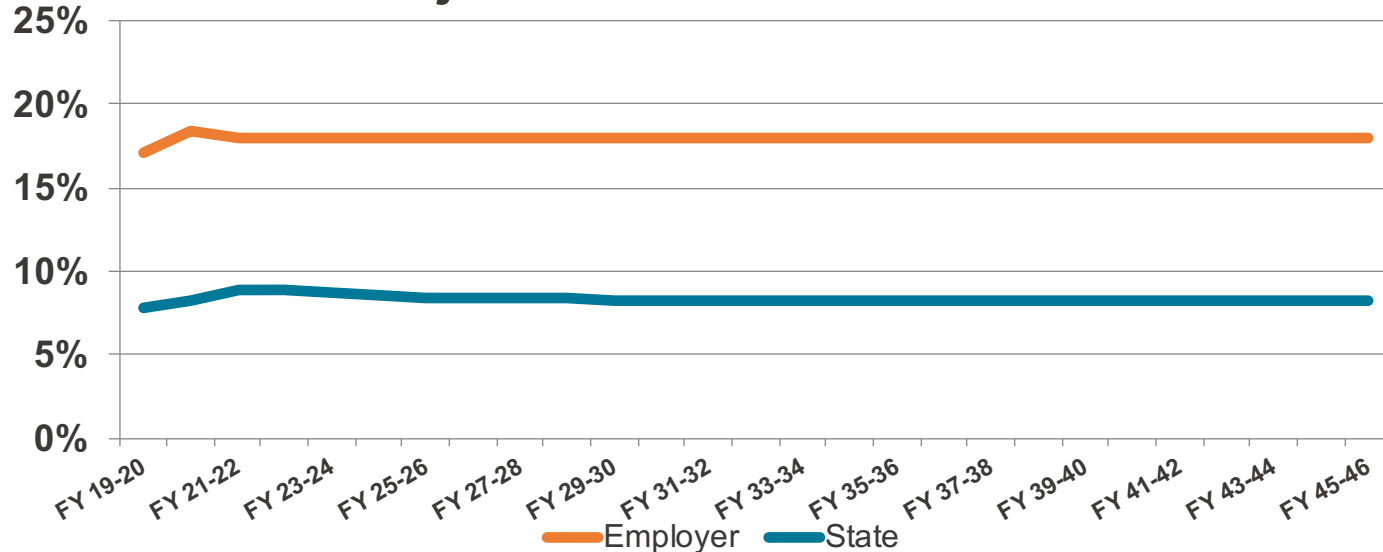


Base Scenario

7% return each year
3.50% annual payroll growth

Funded Status in 2046: 99.9%

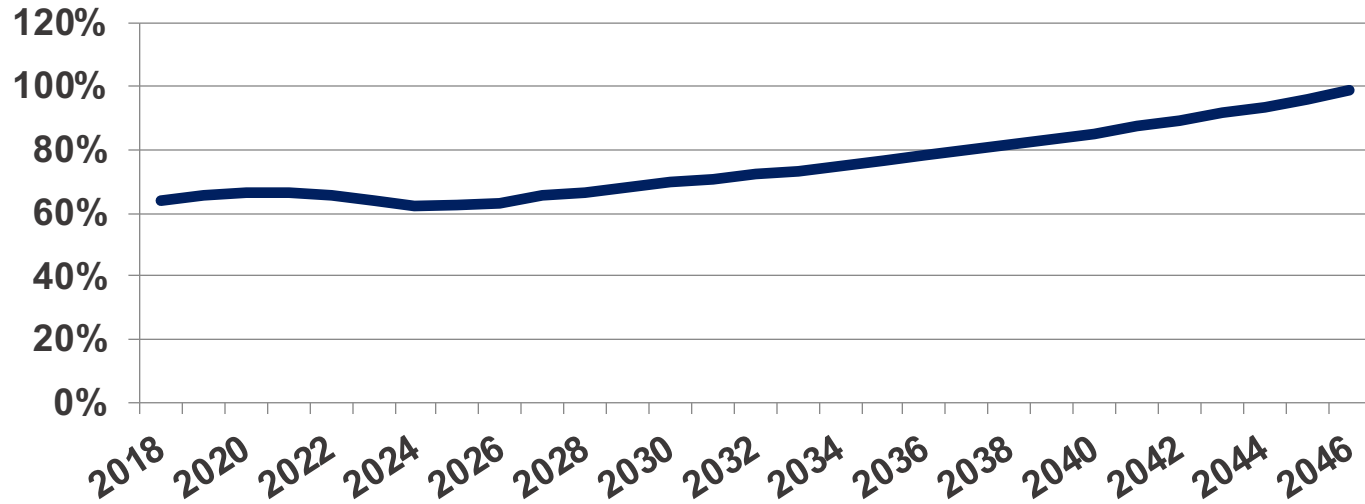
Projected Contribution Rates



Unfunded Actuarial Obligation	Eliminated by 2046
Employers' Share	YES
State's Share	YES
Unallocated	NO

Projected Funded Status and Contributions Rates

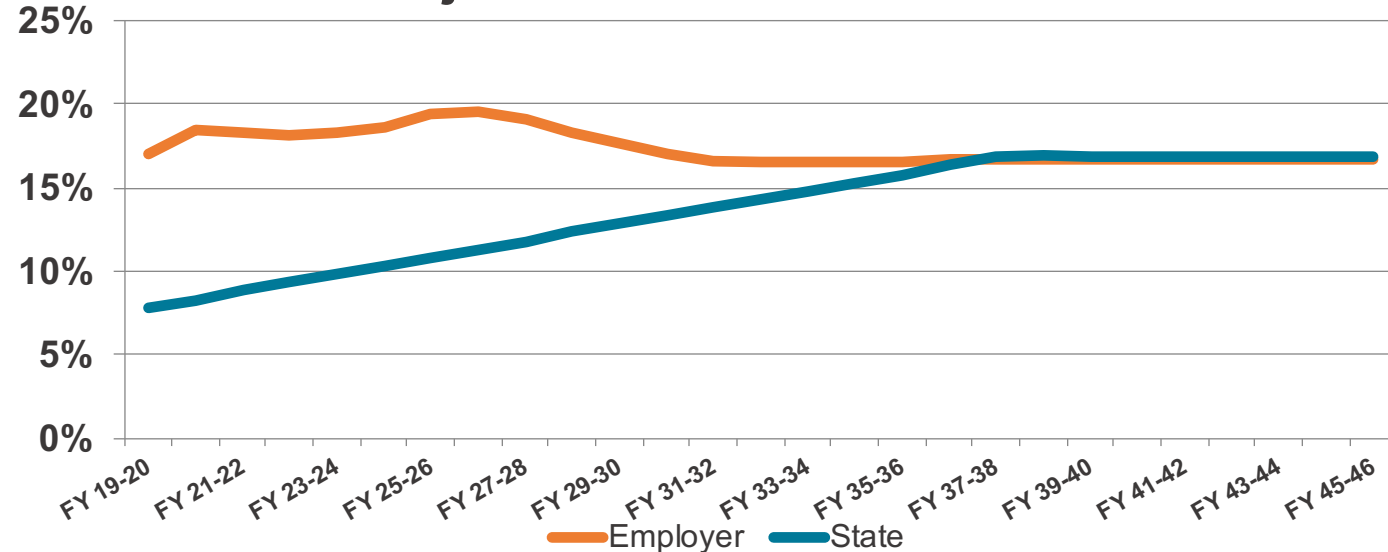
Projected Funded Status



Recession and Recovery
Scenario #1
Dot Com Bubble

Funded Status in 2046: 98.8%

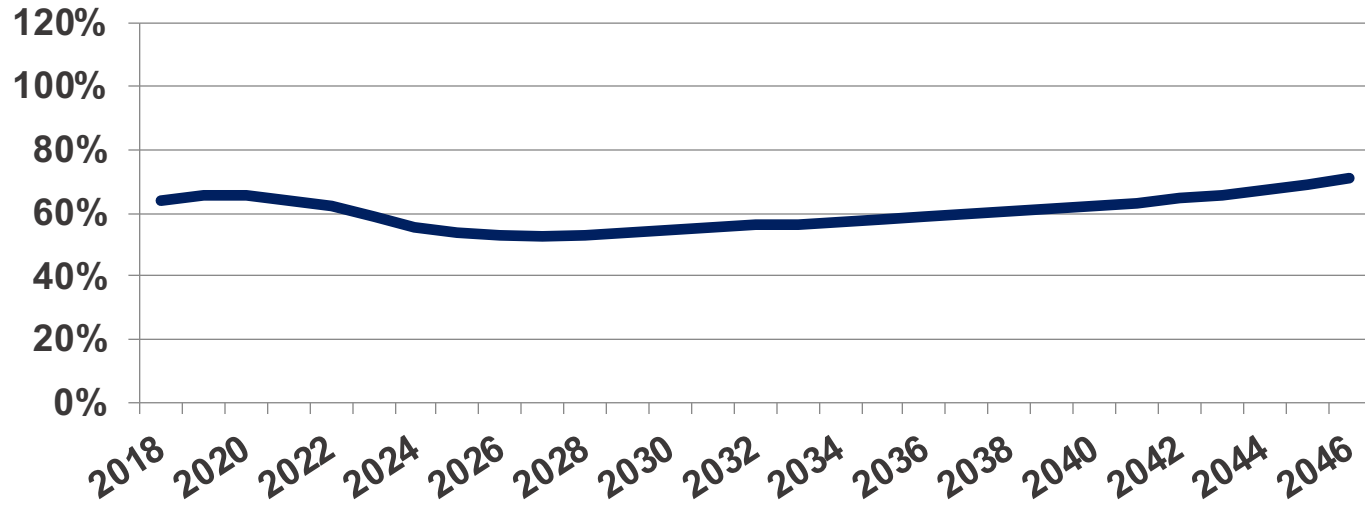
Projected Contribution Rates



Unfunded Actuarial Obligation	Eliminated by 2046
Employers' Share	YES
State's Share	YES
Unallocated	NO

Projected Funded Status and Contributions Rates

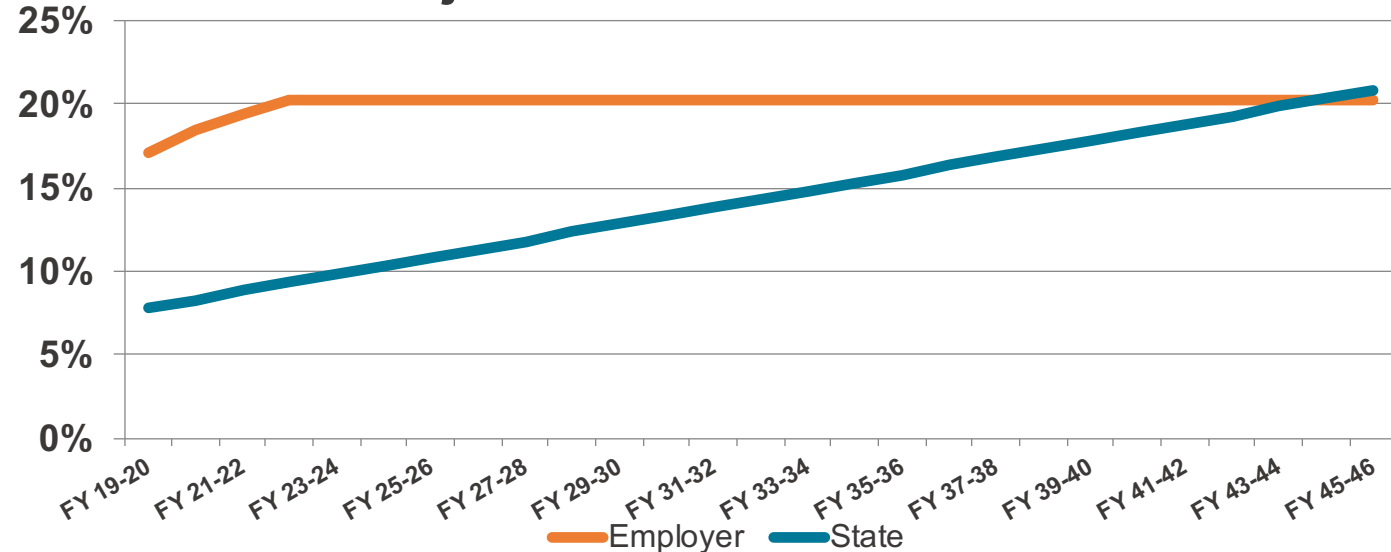
Projected Funded Status



Recession and Recovery
Scenario #2
Financial Crisis

Funded Status in 2046: 71.0%

Projected Contribution Rates



Unfunded Actuarial Obligation	Eliminated by 2046
Employers' Share	YES
State's Share	NO
Unallocated	NO

Questions

