

The Three Rs of Teacher Pension Plans: Recruitment, Retention, and Retirement

Issue Brief

The Three Rs of Teacher Pension Plans:
Recruitment, Retention, and Retirement

By Ilana Boivie

October 2011



**NIRS Interested Parties Webinar
Monday, October 31, 2011, 11:00 AM ET**

**Dial In: (215) 383-1016
Access Code: 142-412-219
Webinar ID: 467-865-570**

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Agenda

- Welcome and Overview
- Report Findings
- Q & A



Introduction

- Defined benefit (DB) plans were first introduced for teachers in the US as early as the turn of the 20th century.
- By 1916, retirement plans were available to school teachers in 33 states, for two purposes:
 - Recruiting diverse, and highly qualified teachers.
 - Creating a more productive workforce that actually saves public employers money, as one dollar in pension benefits was seen as worth more than a dollar in salary.



Why We Did This Study

- Today, the vast majority of US public school teachers participate in a DB pension plan.
- This report analyzes the effectiveness of pensions on teacher retention and overall teacher productivity.
- We draw policy conclusions about the ideal design of teacher retirement systems.



Key Findings

1. Teacher effectiveness increases with experience. Greater teacher retention means higher overall teacher productivity.
2. The cost of teacher turnover is quite high. Additionally, public school teachers turn over less than private school teachers, largely due to their compensation, including pension benefits.



Key Findings (continued)

3. DB pension plans help to recruit and retain highly productive teachers. In 2003, DB pensions retained an additional 22,000 teachers. This increased retention increases the overall quality of public education.
4. The retention effects of DB pension plans also save school districts money. DB pensions save school districts \$273.2 million nationally in teacher turnover costs.



Key Take Away

- DB pensions play an important role in the retention of highly productive teachers.
- This has the dual benefit of:
 - Increasing the overall quality of the US public education system; while also
 - Reducing the costs to taxpayers.



Teacher Effectiveness Increases with Experience

- Education policy literature shows that...
 - Teachers become more effective as they gain experience.
 - Teacher effectiveness increases sharply within the first 3-5 years of teaching.
- Each time a mid-career teacher leaves and is replaced by an inexperienced teacher the school as a whole sees a drop in productivity.
- HR goal to retain mid-career teachers, to maximize the school's overall productivity.



Teacher Turnover Patterns Fit HR Objectives

- Teacher turnover patterns fit the HR objectives of retaining highly qualified teachers.
 - Turnover rates do not seem significantly high.
 - Youngest, least experienced teachers have highest turnover rates.
- 394,139 teachers turned over in 2003...
 - 44% of these left the profession.
 - 56% transferred to another school.



Teacher Turnover Rates

Table 1. U.S. Teacher Turnover Rates

Total Number of Teachers	Teachers Leaving the Profession*	Percentage of Teachers Leaving	Teachers Transferring to Other Schools	Percentage of Teachers Transferring
2,998,795	173,439	5.78%	220,700	7.36%

* Number of teachers leaving the profession does not include leaving due to retirement.

Source: Author's calculations based on Alliance for Excellent Education. 2005. *Teacher Attrition: A Costly Loss to the Nation and to the States*. Issue Brief. Washington, DC: Alliance for Excellent Education. Data from 2003.



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Yet the Financial Cost of Turnover Is High

- Financial cost of turnover is high; recruitment, hiring, administrative processing, training, etc.
- Total cost of 173,400 teachers leaving the profession...

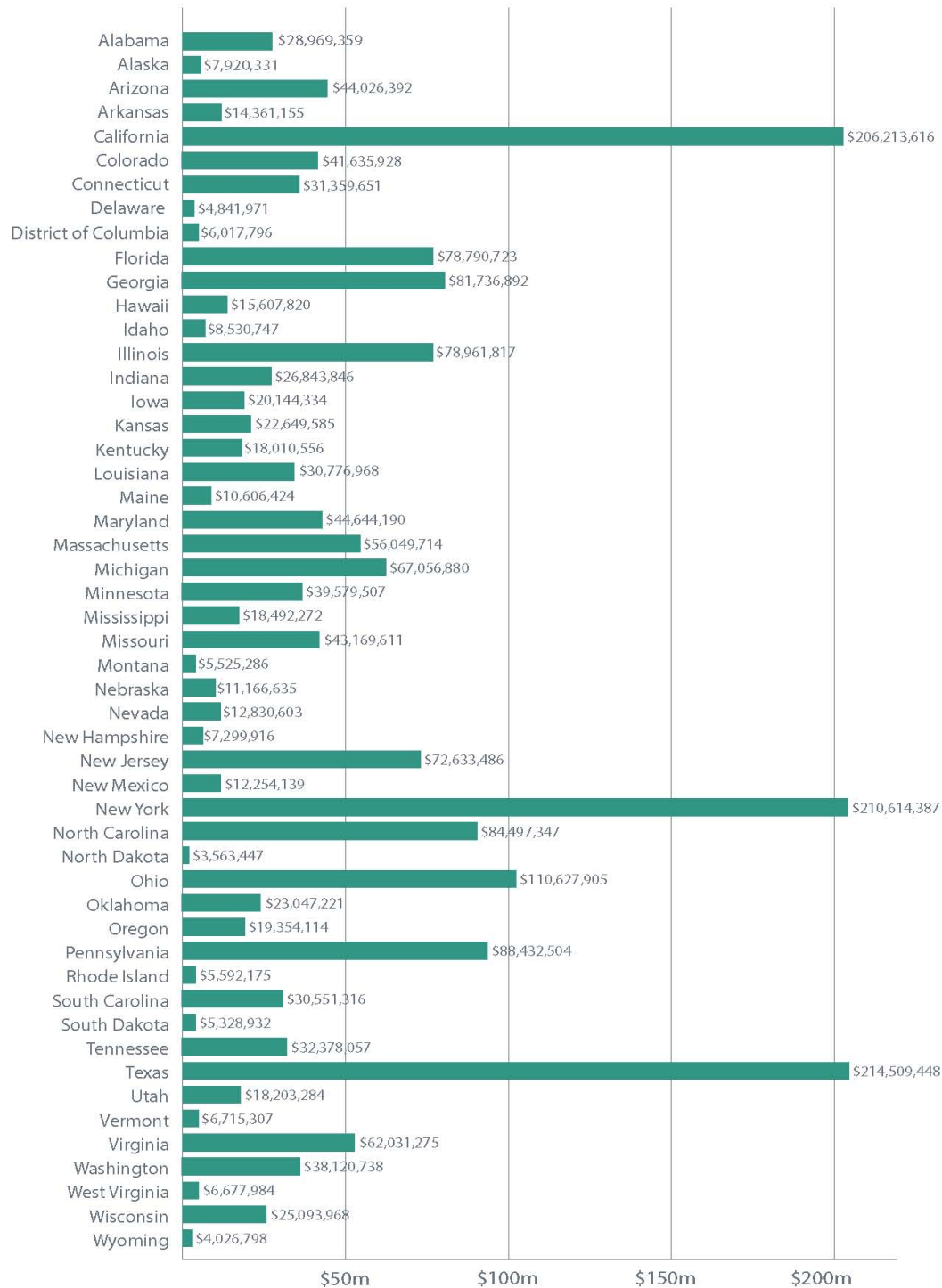
National Teacher Turnover Costs	Total Turnover Cost of Teachers who Leave the Profession	\$2,158,074,356
	Total Turnover Cost per Teacher Leaving	\$12,443

Source: Author's calculations based on Alliance for Excellent Education. 2005. *Teacher Attrition: A Costly Loss to the Nation and to the States*. Issue Brief. Washington, DC: Alliance for Excellent Education. Data from 2003.



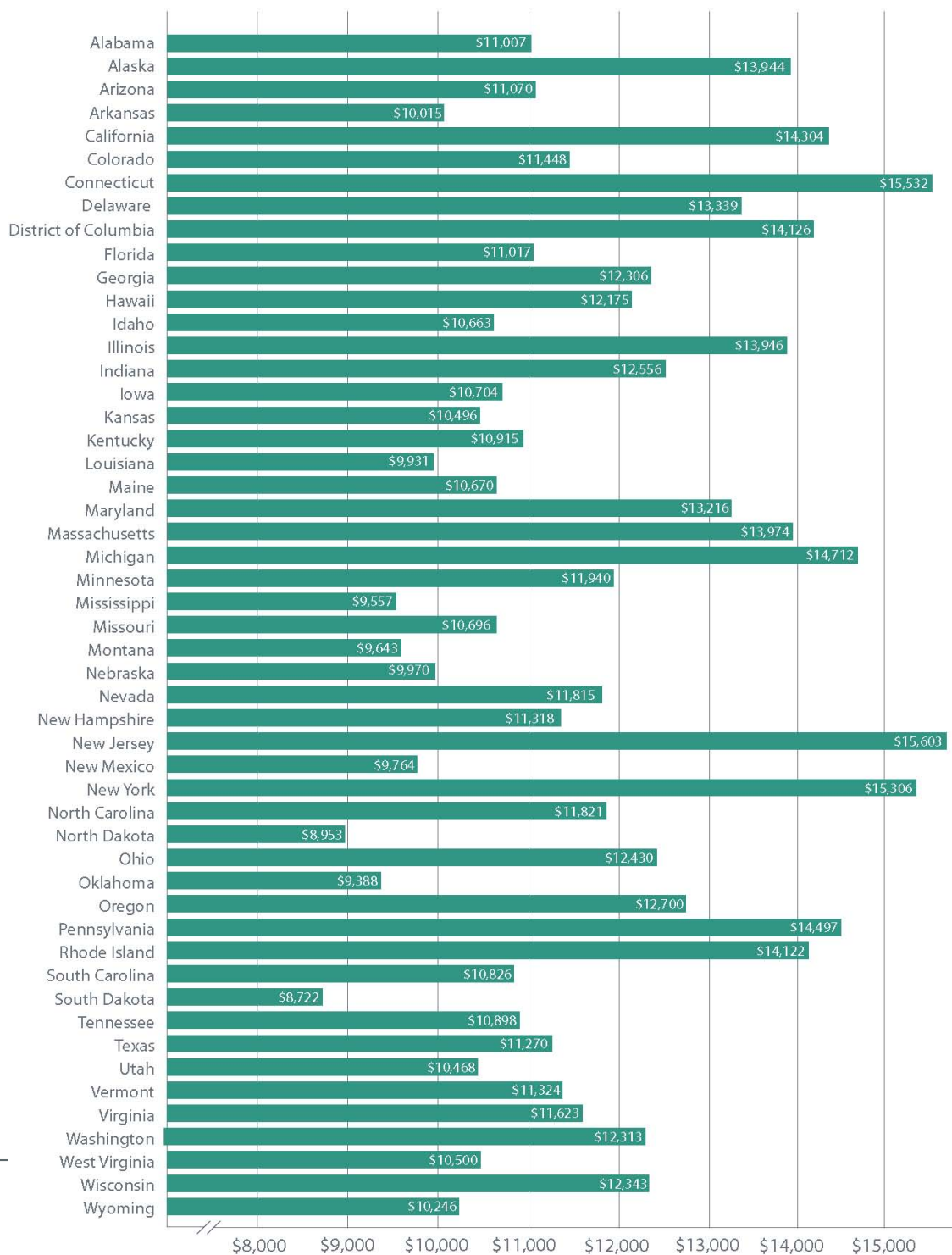
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Figure 1. Total Turnover Cost of Teachers who Leave the Profession, by State



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Figure 2. Total Turnover Cost per Teacher Leaving, by State



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DB Pension Plans Increase Retention of Effective Teachers

- Retirement literature shows that DB pension plans serve to:
 - Attract a high quality workforce.
 - Reduce employee turnover.
 - Encourage “efficient retirement.”
- These findings hold especially true for the public school teachers.



DB Pension Plans Can Increase Teacher Productivity

- Retirement literature shows that DB plans can increase employee productivity in general.
- Education literature shows that more experienced teachers are better teachers.
- DB plan helps retain highly qualified teachers, which increases overall teacher quality.
- One study: Teacher effectiveness could fall by 4.3% and 1.2% should teacher pensions be replaced by DC or cash balance plans.



In Reducing Turnover, the DB System Saves Schools Money

- Since DB pensions reduce turnover, they have the added benefit of saving schools money on turnover costs.
- Nationally, nearly 22,000 teachers are more likely to stay as a result of their DB plan.
- Reduced attrition due to DB pension yields **\$273.2 million in cost savings nationwide** (financial costs only).



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In Reducing Turnover, the DB System Saves Schools Money

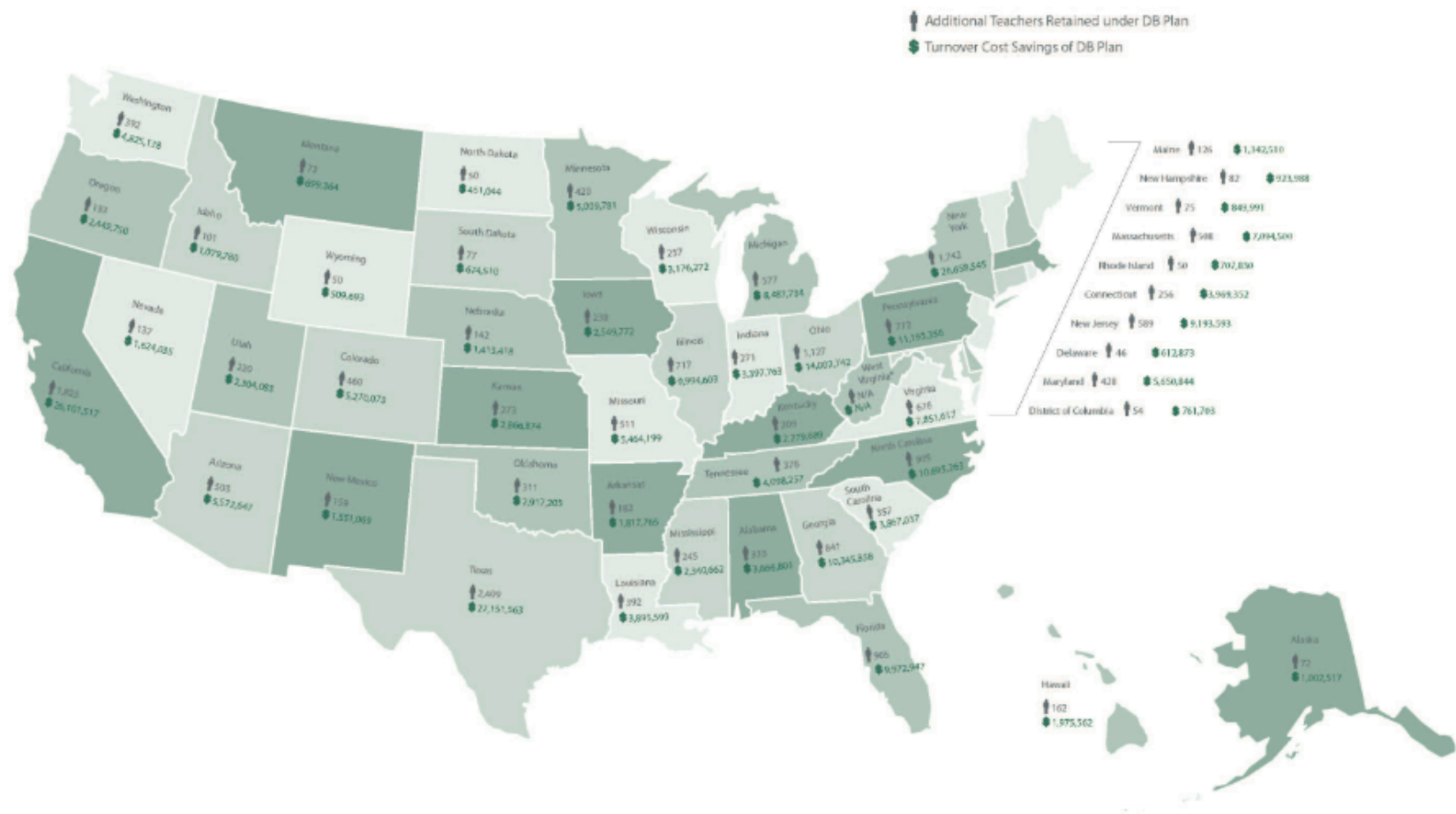
National Teacher Turnover Cost Savings Associated with DB Plans	Projected Leave Rate Under DC Plan	6.52%
	Additional Teachers Retained Under DB Plan	21,953
	Turnover Cost Savings of DB Plan	\$273,158,556

Estimated from Munnell, A.H., Haverstick, K., and Sanzenbacher, G. 2006. "Job Tenure and Pension Coverage." CRR Working Paper 2006-18. Chestnut Hill, MA: Center for Retirement Research at Boston College. Alliance for Excellent Education. 2005. *Teacher Attrition: A Costly Loss to the Nation and to the States*. Issue Brief. Washington, DC: Alliance for Excellent Education. Detailed information available in the Technical Appendix.



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In Reducing Turnover, the DB System Saves Schools Money



Conclusion: DB Plans Increase Teacher Quality, Reduce Costs

- This report analyzes the effectiveness of pensions on teacher retention and overall teacher productivity, and finds:
 - DB pensions retain effective teachers longer.
 - 5.78% of public school teachers left the profession in 2003; the cost of turnover is \$12,443 per teacher.
 - DB pensions helped to retain an additional 22,000 teachers nationwide in 2003.
 - This retention saved \$273.2 million in teacher turnover costs across the nation's school districts.



Conclusion: DB Plans Increase Teacher Quality, Reduce Costs

- DB pensions play an important role in the retention of highly productive teachers. This has the dual benefit of:
 - Increasing the overall quality of public education
 - Reducing the costs to taxpayers.
- With economic challenges facing states, this should give solace to policymakers.
- Keeps taxpayer costs low while offering high quality public education.



Questions?

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