

NEW Research

Revisiting the Three Rs of Teacher Retirement Systems: Recruitment, Retention, and Retirement

Issue Brief

Revisiting The Three Rs of Teacher Retirement Systems:
Recruitment, Retention, and Retirement

By Ilana Bolme

September 2017



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NATIONAL INSTITUTE ON
Retirement Security

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Why This Study

- 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, given recent criticisms of DB plans and their workforce management implications.
- Update of 2011 report with more recent data.

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Introduction

- Defined benefit (DB) plans were first introduced for U.S. teachers 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.



Four 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.



Four Key Findings (continued)

3. DB pension plans help to recruit and retain highly productive teachers. In 2009, DB pensions retained an additional 30,000 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 \$131 - \$284 million nationally in teacher turnover costs.



Key Take Aways

- 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.
- Teachers become more effective as they gain experience. 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.
- 230,123 teachers left the profession in 2009.



Teacher Turnover Rates

Table 1: U.S. Teacher Turnover Rates

Total Number of Teachers	Teachers Leaving the Profession	Percentage of Teachers Leaving
3,404,518	230,123	6.8%

Number of teachings leaving the profession does not include leaving due to retirement. Leave rate is a weighted average of state-by-state attrition rates.

Source: Authors calculations based on Alliance for Excellent Education. 2014. "On the Path to Equity: Improving the Effectiveness of Beginning Teachers." Washington, DC.



Yet the Financial Cost of Turnover is High

- Financial cost of turnover is high; recruitment, hiring, administrative processing, training, etc.
- Total cost of 230,123 teachers leaving the profession...

Table 2: National Teacher Turnover Costs

Total Turnover Cost of Teachers Who Leave the Profession (Low Estimate)	\$1,001,052,722
Total Turnover Cost of Teachers Who Leave the Profession (High Estimate)	\$2,178,923,695

Source: Authors calculations based on Alliance for Excellent Education. 2014. "On the Path to Equity: Improving the Effectiveness of Beginning Teachers." Washington, DC.



Figure 1: Teacher Attrition Rates, by State

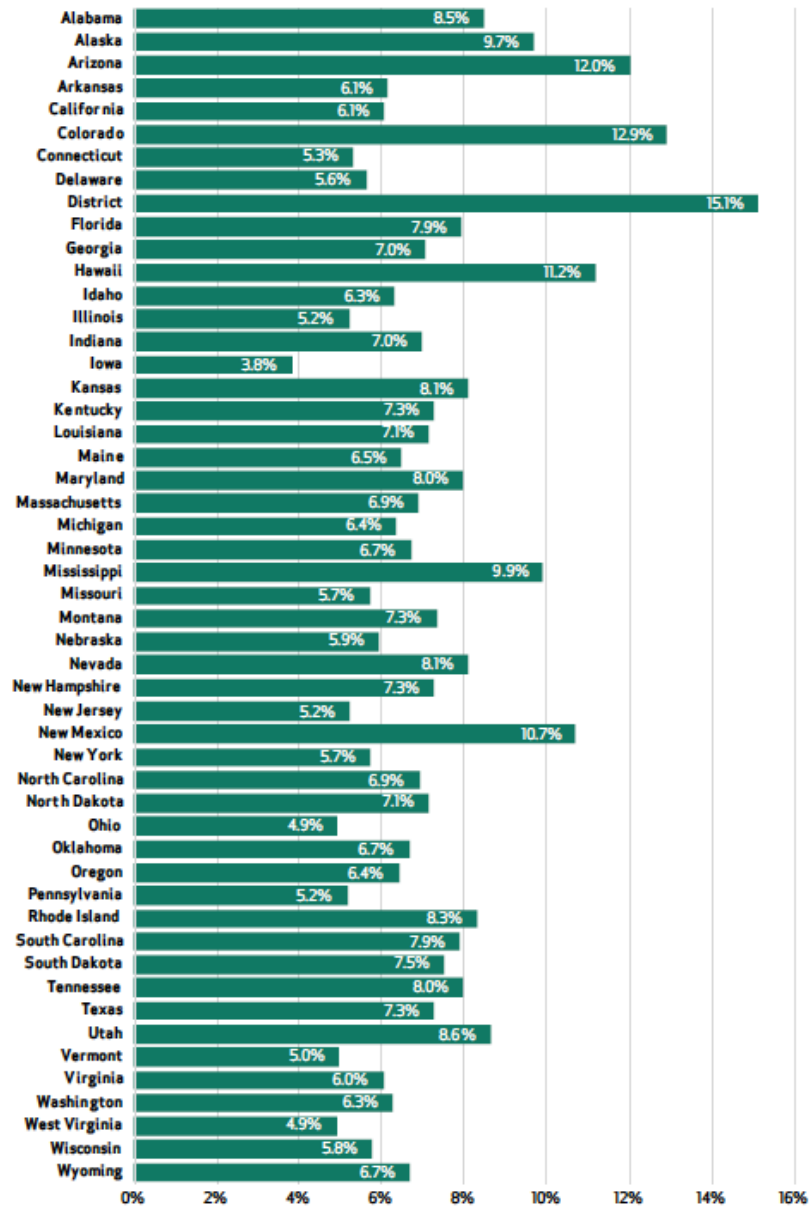


Figure 2: Total Turnover Cost of Teachers who Leave the Profession, by State



Data for Alaska is not applicable, as teachers were offered only a DC plan in 2009.



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 tenure 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 30,000 teachers are more likely to stay as a result of their DB plan.
- Reduced attrition due to DB pension yields between **\$130.7 million and \$284.4 million in cost savings nationwide** (financial costs only).



In Reducing Turnover, the DB System Saves Schools Money

Table 3: National Teacher Turnover Cost Savings Associated with DB Plans

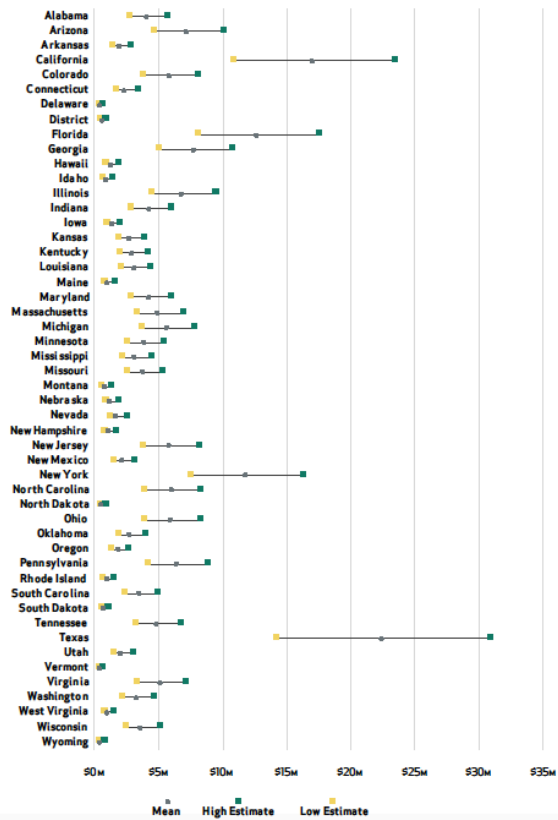
Projected Leave Rate Under DC Plan	7.6%
Additional Teachers Retained Under DB Plan	29,934
Turnover Cost Savings of DB Plan (Low Estimate)	\$130,659,492
Turnover Cost Savings of DB Plan (High Estimate)	\$284,397,671

Estimated from Munnell, Alicia H., Kelly Haverstick, and Geoffrey T. Sanzenbacher. 2006. "Job Tenure and Pension Coverage." Working Paper 2006-18. Chestnut Hill, MA: Center for Retirement Research at Boston College. And Alliance for Excellent Education. 2014. "On the Path to Equity: Improving the Effectiveness of Beginning Teachers." Washington, DC.



In Reducing Turnover, the DB System Saves Schools Money

Figure 3: Teacher Turnover Cost Savings Associated with DB Plans, by State



Data for Alaska is not applicable, as teachers were offered only a DC plan in 2009. For a description of the low and high estimate calculations.



Conclusion: DB Plans Increase Teacher Quality, Reduce Costs

- This report analyzes the effectiveness of pensions on teacher retention and overall teacher productivity, and finds:
 - 6.8% of public school teachers left the profession in 2009, at a cost of \$1 – \$2.2 billion per year.
 - DB pensions helped to retain an additional 29,934 teachers nationwide in 2009.
 - This retention saved between \$130.7 million and \$284.4 million in teacher turnover costs across the nation's school districts.

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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.

DB pensions keep taxpayer costs low while offering high quality public education.

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Questions?



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