

### Overview

The West Virginia Public Employees' Retirement System (PERS) was established in 1961 and serves general state employees in West Virginia, as well as employees of non-state governmental entities who do not participate in another retirement system. The system provides a defined benefit (DB) pension for its 36,573 active employees, and 23,460 retirees and beneficiaries.

A defined benefit (DB) pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. Public sector pensions usually employ a shared financing model whereby both employees and employers contribute to the pension fund over time to manage costs. In contrast, private sector pensions almost always are funded solely by the employer.

Defined benefit (DB) pension benefits often are a function of an employee's years of service and salary at the end of one's career. The benefits are financed by a combination of employer contributions, employee contributions, and investment earnings. Contributions typically are pooled among all employees and invested, with investment decisions made by professional asset managers overseen by trustees.

Research shows that Americans who have the three-legged retirement stool of a defined benefit (DB) pension, Social Security, and individual savings, such as a 401(k)-type plan, generally have the greatest opportunity to achieve financial security in retirement.

### Key Facts

- Employees contribute 4.5% of salary to PERS.
- Employers contribute 14.5% to the fund.
- Each dollar invested by West Virginia taxpayers in PERS supported \$1.73 in total economic activity in the state.



## ▶ Key West Virginia PERS Data<sup>1</sup>

The chart below summarizes the key PERS data, as of June 30, 2012:

|                                         |                                                                                                                                                 |
|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| Total active employees                  | 36,573                                                                                                                                          |
| Total retired members and beneficiaries | 23,460                                                                                                                                          |
| Average annual benefit*                 | \$17,820                                                                                                                                        |
| Employer contribution rate**            | 14.5%                                                                                                                                           |
| Employee contribution rate              | 4.5%                                                                                                                                            |
| Actuarial value of assets               | \$4.5 billion                                                                                                                                   |
| Funded ratio                            | 77.6%                                                                                                                                           |
| Unfunded actuarial accrued liability    | \$1.3 billion                                                                                                                                   |
| Percent of ARC contributed              | 88.2% (2003); 99.3% (2004); 99.6% (2005); 107.7% (2006); 101.2% (2007); 102.1% (2008); 100.0% (2009); 88.0% (2010); 83.3% (2011); 105.3% (2012) |

\* As of June 30, 2010.

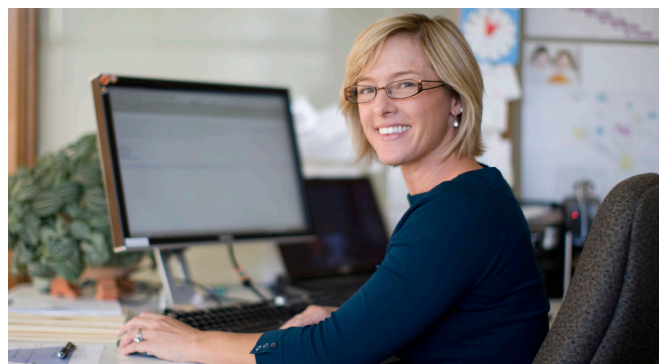
\*\* Employer rate is 14.0% as of July 1, 2012.

## ▶ The Economic Impact of West Virginia Pensions<sup>2</sup>

Expenditures made by retirees of state and local government provide a steady economic stimulus to West Virginia communities and the state economy. Within the state of West Virginia, 2012 expenditures stemming from state and local pensions supported:

- 9,637 jobs that paid \$380.6 million in wages and salaries
- \$1.3 billion in total economic output
- \$225.1 million in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported \$1.00 in total economic activity in West Virginia. Each dollar “invested” by West Virginia taxpayers in these plans supported \$1.73 in total economic activity in the state.



<sup>1</sup> All data, unless otherwise noted, as of June 30, 2012.

<sup>2</sup> Rhee, N. 2014. *Pensionomics 2014: Measuring the Economic Impacts of DB Pension Expenditures*. Washington, DC: National Institute on Retirement Security.

The following provides a snapshot of key data relative to the **West Virginia Public Employees' Retirement System (PERS)**. PERS provides retirement benefits for state employees in West Virginia. The system provides a defined benefit (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

**\$1.73** The total economic activity in West Virginia for each dollar invested by West Virginia taxpayers in PERS.

**\$1.3 billion** Total economic output in West Virginia created in 2009 when public sector retirees spent their pension income.

**\$225.1 million** Federal, state and local tax revenues generated by spending of West Virginia public pension income.

**9,637** Jobs created from pension income spending by West Virginia state and local government retirees.

**36,573** Total active members of the West Virginia PERS.

**\$17,820** Average annual pension benefit for a West Virginia PERS retiree.

**4.5** Percentage of salary that PERS employees contribute from every paycheck to their pension benefit to share the funding responsibility.

**5.0** Median employee contribution rate nationally.

**60** Percentage of pre-retirement income replaced by the defined benefit (DB) plan for a PERS employee with 30 years of service.

**80** Percentage of pre-retirement income from all income sources that is considered adequate for a secure retirement.

All data come from either the West Virginia Consolidated Public Retirement Board or the National Institute on Retirement Security.

### Overview

The West Virginia State Teachers' Retirement System (TRS) was established on July 1, 1941 to provide retirement benefits for teachers and school service personnel. TRS is a defined benefit plan that currently has approximately 35,807 active members and 31,913 retired members.

A defined benefit (DB) pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. DB pension benefits in TRS are a function of an employee's years of service and salary at the end of one's career and are funded by a combination of employer contributions, employee contributions, and investment earnings based on decisions made by professional asset managers overseen by trustees.

In 1991, TRS was closed to new members, as part of a "funding solution." New teachers were placed in the Teachers Defined Contribution (TDC) plan, which made it more difficult to finance the unfunded obligation for existing teachers. By 2004, teachers in the TDC plan had amassed very little in the way of assets for retirement as the investment returns in the teachers' individual accounts were much lower than those earned by TRS. The state decided that effective July 1, 2005, that all newly hired teachers would be enrolled in TRS. Also, teachers in the DC plan were given the option to stay in the DC plan or move into the DB plan; an overwhelming 78% of these teachers opted to move into TRS.<sup>1</sup>

Switching back to the DB pension was projected to save \$1.2 billion in the first 30 years. Moreover, since 2005, West Virginia has shown the discipline to better fund the TRS defined benefit pension by making extra contributions. This has improved the TRS funding level, which increased from 24.6% on June 30, 2005 to 53.7% on June 30, 2012. While active employees in TRS had declined to 17,728 as of June 30, 2005 because employees hired after 1991 became members of the TDC plan, the active employee covered by TRS had more than doubled as of June 30, 2012.

Research shows that Americans who have the three-legged retirement stool of a defined benefit (DB) pension, Social Security, and individual savings, such as a 401(k)-type plan, generally have the greatest opportunity to achieve financial security in retirement.

### Key Facts

- Employees contribute 6% of salary to TRS.
- Employers contribute 7.5% of salary to the fund for most teachers.
- Each dollar invested by West Virginia taxpayers in TRS supported \$1.73 in total economic activity in the state.

## Key TRS Data<sup>2</sup>

The chart below summarizes the key TRS data, as of June 30, 2012:

|                                         |                                                                                                                                                  |
|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| Total active employees                  | 35,807                                                                                                                                           |
| Total retired members and beneficiaries | 31,913                                                                                                                                           |
| Average annual benefit*                 | \$27,480                                                                                                                                         |
| Employer contribution rate              | 7.5% for post-1991 teachers; 15.0% for pre-1991 teachers                                                                                         |
| Employee contribution rate              | 6.0%                                                                                                                                             |
| Actuarial value of assets               | \$5.1 billion                                                                                                                                    |
| Funded ratio                            | 53.7%                                                                                                                                            |
| Unfunded actuarial accrued liability    | \$4.5 billion                                                                                                                                    |
| Percent of ARC contributed              | 98.6% (2003); 98.6% (2004); 105.5% (2005); 190.1% (2006); 454.2% (2007); 107.5% (2008); 94.3% (2009); 91.4% (2010); 106.4% (2011); 105.3% (2012) |

\* As of June 30, 2010.

## The Economic Impact of West Virginia Pensions<sup>2</sup>

Expenditures made by retirees of state and local government provide a steady economic stimulus to West Virginia communities and the state economy. Within the state of West Virginia, 2012 expenditures stemming from state and local pensions supported:

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Each dollar paid out in pension benefits supported \$1.00 in total economic activity in West Virginia.

Each dollar “invested” by West Virginia taxpayers in these plans supported \$1.73 in total economic activity in the state.

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<sup>1</sup> For more information, see Olleman, M. and I. Boivie. 2011. *Decisions, Decisions: Retirement Plan Choices for Public Employees and Employers*. Washington, DC: National Institute on Retirement Security.

<sup>2</sup> All data, unless otherwise noted, as of June 30, 2012.

<sup>3</sup> Rhee, N. 2014. *Pensionomics 2014: Measuring the Economic Impacts of DB Pension Expenditures*. Washington, DC: National Institute on Retirement Security.



The following provides a snapshot of key data relative to the **West Virginia State Teachers' Retirement System (TRS)**. TRS provides retirement benefits for public school employees in West Virginia. The system provides a defined benefit (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

**\$1.73** The total economic activity in West Virginia for each dollar invested by West Virginia taxpayers in PERS.

**\$1.3 billion** Total economic output in West Virginia created in 2009 when public sector retirees spent their pension income.

**\$225.1 million** Federal, state and local tax revenues generated by spending of West Virginia public pension income.

**9,637** Jobs created from pension income spending by West Virginia state and local government retirees.

**35,807** Total active members of TRS.

**\$27,480** Average annual pension income for a retired teacher in West Virginia.

**6.0** Percentage of salary that employees contribute from every paycheck to their pension benefit to share the funding responsibility. Nationally, the median employee contribution rate is 5%.

**60** Percentage of pre-retirement income replaced by the defined benefit (DB) plan for a new teacher with 30 years of service. A replacement ratio of 80% from all income sources is considered adequate for a secure retirement.

**79** Percentage of teachers who chose to switch out of the defined contribution plan and into TRS.

**\$22 million** Cost savings to the state due to the overwhelming number of teachers who chose to switch into TRS, as TRS is much more cost-efficient than the defined contribution plan.

All data come from either the West Virginia Consolidated Public Retirement Board or the National Institute on Retirement Security.

### Overview

As early as the turn of the 20th century, American legislators seemed to understand the importance of teacher quality to students' education. A 1917 report on public education noted that, "A school teacher's work is personal, direct, and positive. It works for the good or the ill of each pupil."<sup>1</sup>

### Key Facts

- Employees contribute 6% of salary out of each paycheck to the pension fund.
- The average retirement benefit is \$27,480 per year, or \$2,290 per month.
- TRS covers 35,807 active school employees and 31,913 retired school employees and beneficiaries.
- Teachers are paid 14.3% less than comparable private sector workers.
- The pension replaces 60% of pre-retirement income for a teacher with 30 years of service.
- Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement.

Defined benefit (DB) pension plans were first introduced for teachers in the United States to help with the recruitment of high quality educators, and as an incentive to keep those educators in the teaching profession. By 1916, some form of retirement plan was available to public schoolteachers in 33 states. It was thought that such a retirement system might serve two purposes: 1) bringing more diverse, and highly qualified teachers into the profession; and 2) 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.<sup>2</sup>

Public school teachers in West Virginia have pension coverage through the West Virginia State Teachers' Retirement System (TRS).

TRS covers 35,807 active employees of public educational institutions, and 31,913 retired school employees and beneficiaries. Employees contribute 6.0% out of each of their paychecks to the pension fund. The average retirement benefit is \$27,480 per year, or \$2,290 per month.

The TRS pension replaces 60% of pre-retirement income for a teacher with 30 years of service. Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement.

## Teachers Receive Lower Compensation

Public employees receive lower wages than their private sector counterparts. Even after accounting for pensions and other benefits, on average, state and local workers receive 7% less than those in the private sector.<sup>3</sup> More specifically, teachers are paid 14.3% less than comparable private sector workers—and this pay gap has increased in the last decade.<sup>4</sup> Teacher pensions play an important role in offsetting the financial impact of lower salaries.

Research shows that pensions are reliable and relieve retirement anxiety. Some 82% of Americans indicated that those with pensions are more likely to have a secure retirement, and 82% believe all workers should have access to a pension plan.<sup>5</sup>

## Pensions Help Retain Quality Teachers in West Virginia<sup>6</sup>

Better teachers are experienced teachers. DB pensions help to retain highly productive teachers longer, as compared with individual defined contribution (DC) accounts, because teachers highly value their DB pension benefits.

Nowhere is this seen more clearly than in West Virginia. In 1991, the state TRS was closed to new members, who were placed in a defined contribution (DC) plan. In 2004, teachers in the DC plan had amassed very little in the way of assets for retirement. The state decided that effective July 1, 2005, all newly hired teachers would be enrolled in TRS. Teachers in the DC plan were given the option to stay in the DC plan or move into the DB plan. Overwhelmingly, these teachers chose the traditional pension, and more young members than expected transferred: 69% of those age 65 to 69 transferred; 81% of those 45 to 64 transferred; and 76% of members under age 40 transferred. Due to the popularity of the DB take-up, the state ended up saving an estimated \$22 million in retirement costs, and DB plans are more cost-efficient than DC plans.

### About NRTA

NRTA: AARP's Educator Community is a national umbrella organization for the nation's largest network of retired educators. For nearly 65 years, NRTA has worked with state and local Retired Educators Associations (REAs) across the country on areas of mutual interest in advocacy and community outreach.

Collectively, NRTA and REAs engage and advocate on behalf of nearly one-million retired educators. Our shared priorities are to protect earned pension benefits and to assure access to affordable retiree healthcare. Additionally, NRTA helps inspire and honor the work of REA volunteers through NRTA's With our Youth! national recognition program.

<sup>1, 2</sup> Graebner, W. 1978. Retirement in education: The economic and social functions of the teachers' pension. *History of Education Quarterly*, 18(4), 397-417.

<sup>3</sup> Heywood, J., and K. Bender. 2010. *Out of Balance: Comparing Public and Private Sector Pay over Twenty Years*. Washington, DC: National Institute on Retirement Security.

<sup>4</sup> Allegretto, S., S. Corcoran, and L. Mishel. 2008. *Teachers' Pay Continues to Slide*. Washington, DC: Economic Policy Institute.

<sup>5</sup> Oakley, D, and K. Kenneally. 2013. *Pensions and Retirement Security 2013: A Roadmap for Policy Makers*. Washington, DC: National Institute on Retirement Security.

<sup>6</sup> For more information, see Olleman, M. and I. Boivie. 2011. *Decisions, Decisions: Retirement Plan Choices for Public Employees and Employers*. Washington, DC: National Institute on Retirement Security; and Boivie, I. 2011. *The Three Rs of Teacher Pension Plans: Recruitment, Retention, and Retirement*. Washington, DC: National Institute on Retirement Security.