



Alaska Teacher Recruitment and Retention Study: Options and Analysis Supporting Retirement Design

Research Presentation

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Retirement Security

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Key Findings

- **Turnover is significantly higher in the DC plan;** efforts to improve retention should focus on those in the defined contribution plan.
- **Other states have not followed Alaska** in moving away from offering a pension.
- **Improved retention would increase teacher effectiveness.**
- There are many important considerations beyond just **offering a DB or not**, including plan design, funding strategies, and the use of a reserve fund. All are viable options.

Key Findings (Continued)

- **Plan demographics and cashflows may impact decision-making** as the TRS and PERS plans move toward a spend-down stage.
- **Pensions are more efficient** at delivering benefits per dollar of cost.

Teacher Retention Findings

Your Workforce has Changed Since 2005

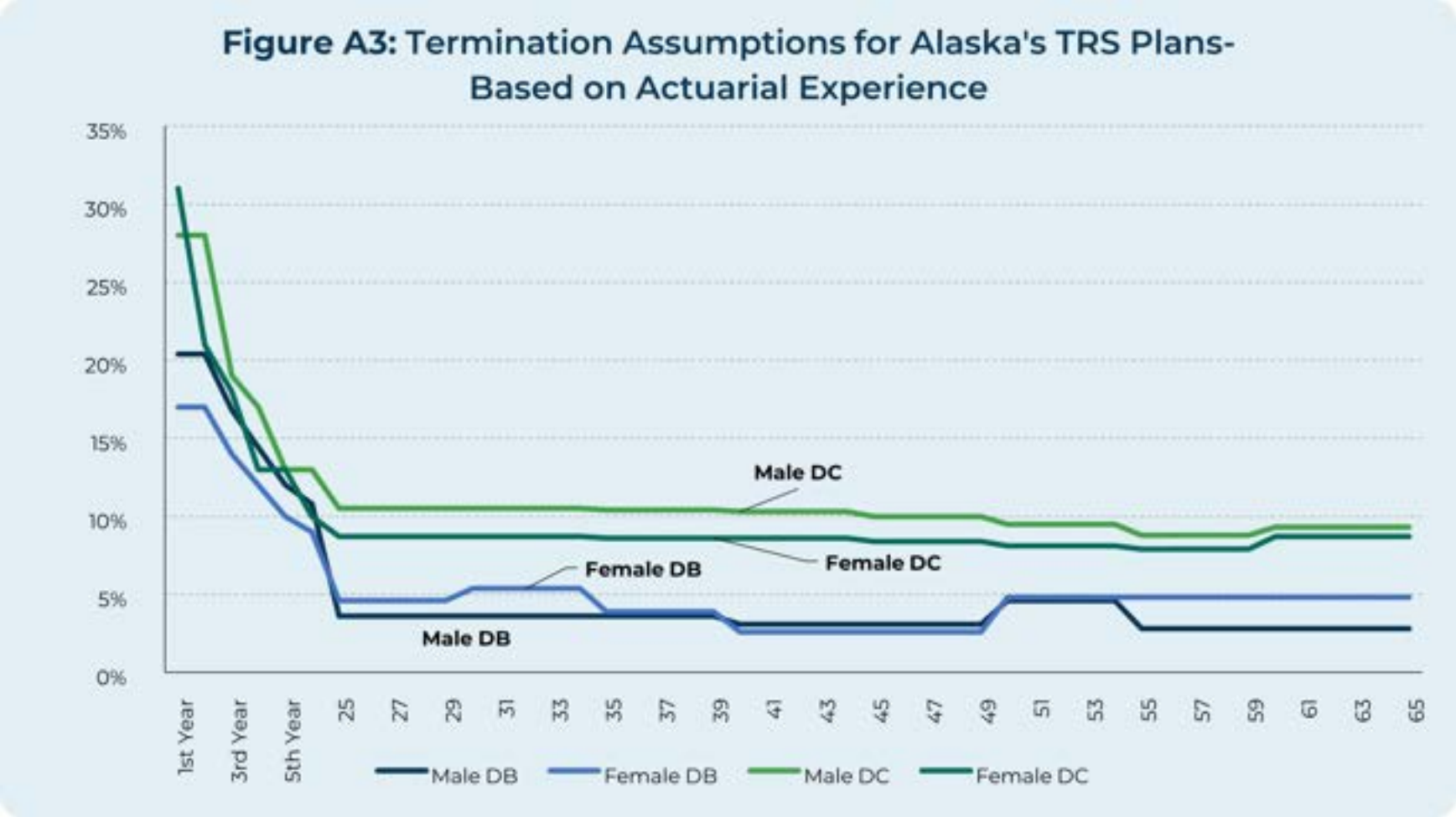
Figure 1: Change in Worker Count by Tenure: 2005 vs. 2021



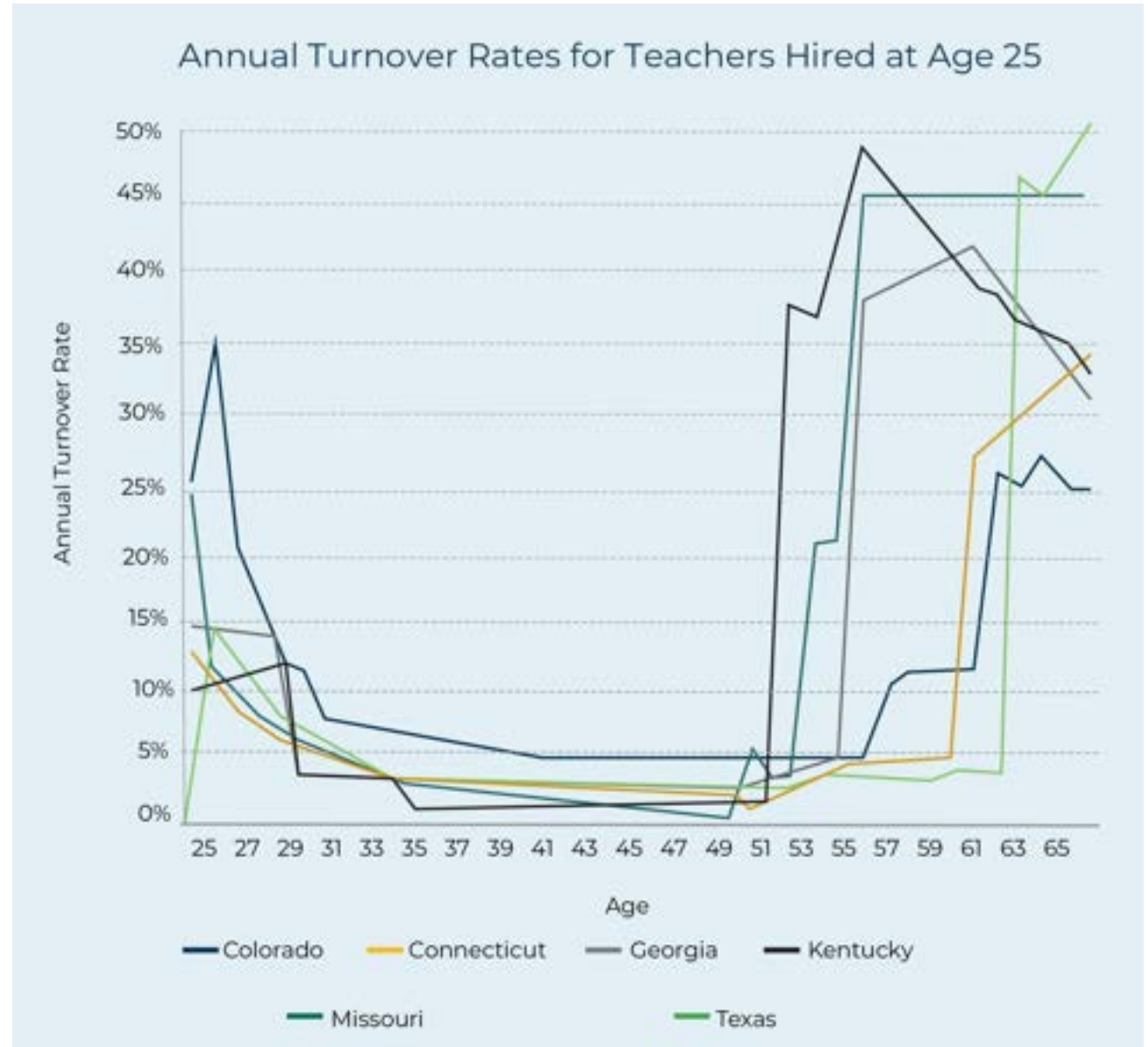
Most of Those Leaving the DC Plans Are Quitting, Not Retiring



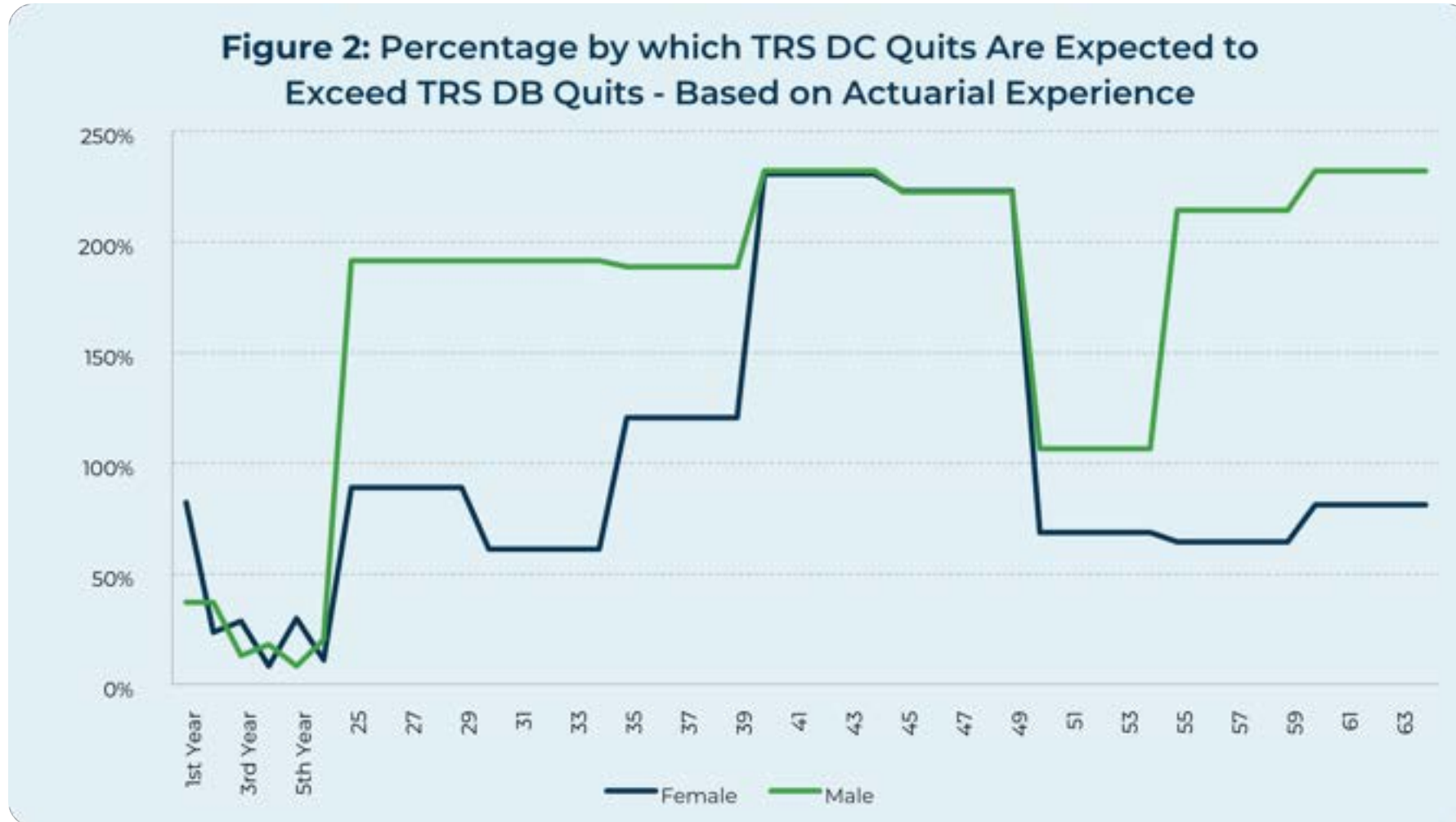
Quits Rates Are Much Higher in DC Plans



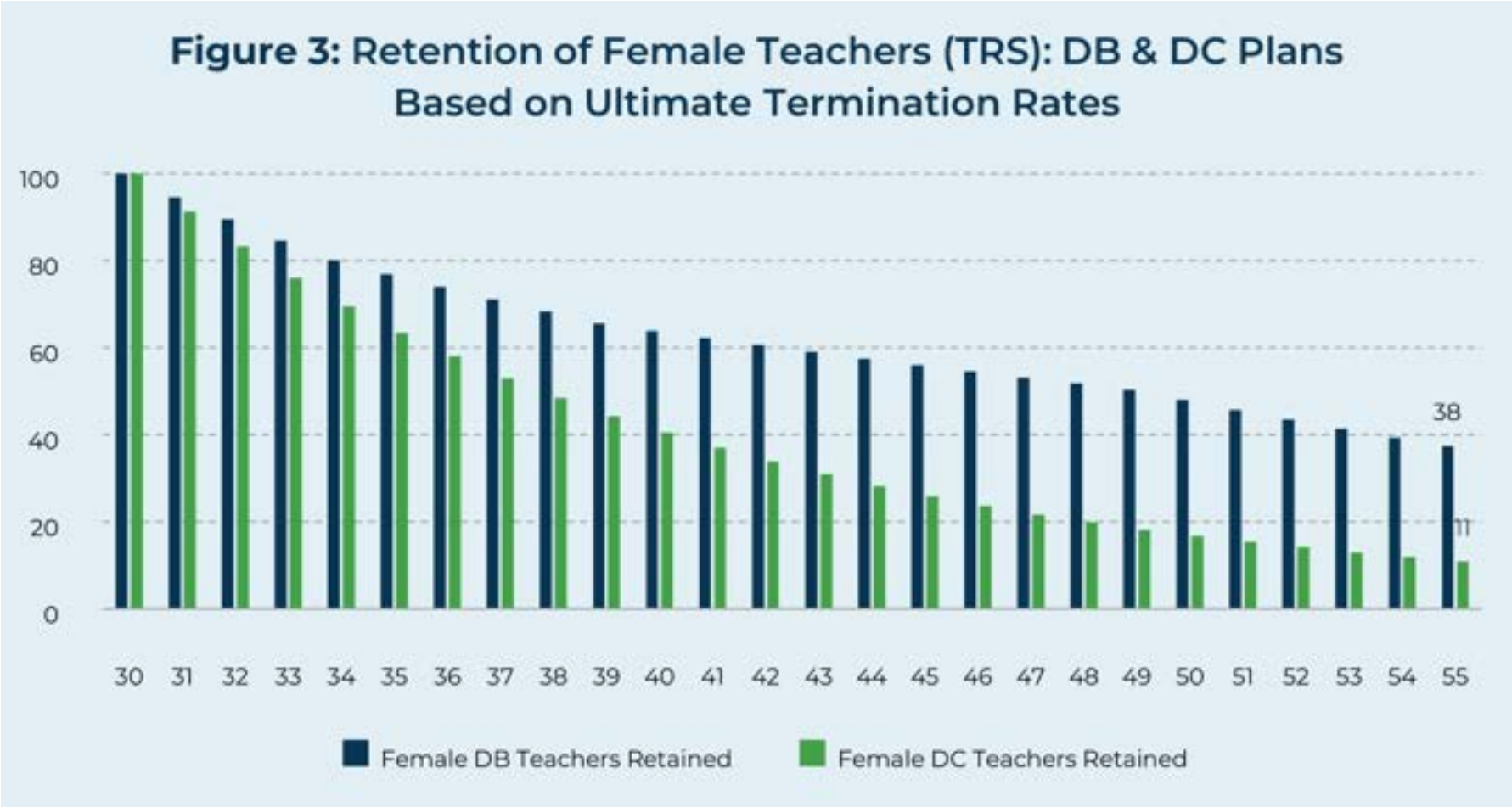
Teacher Turnover is Remarkably Low Throughout Middle of Career in Other States



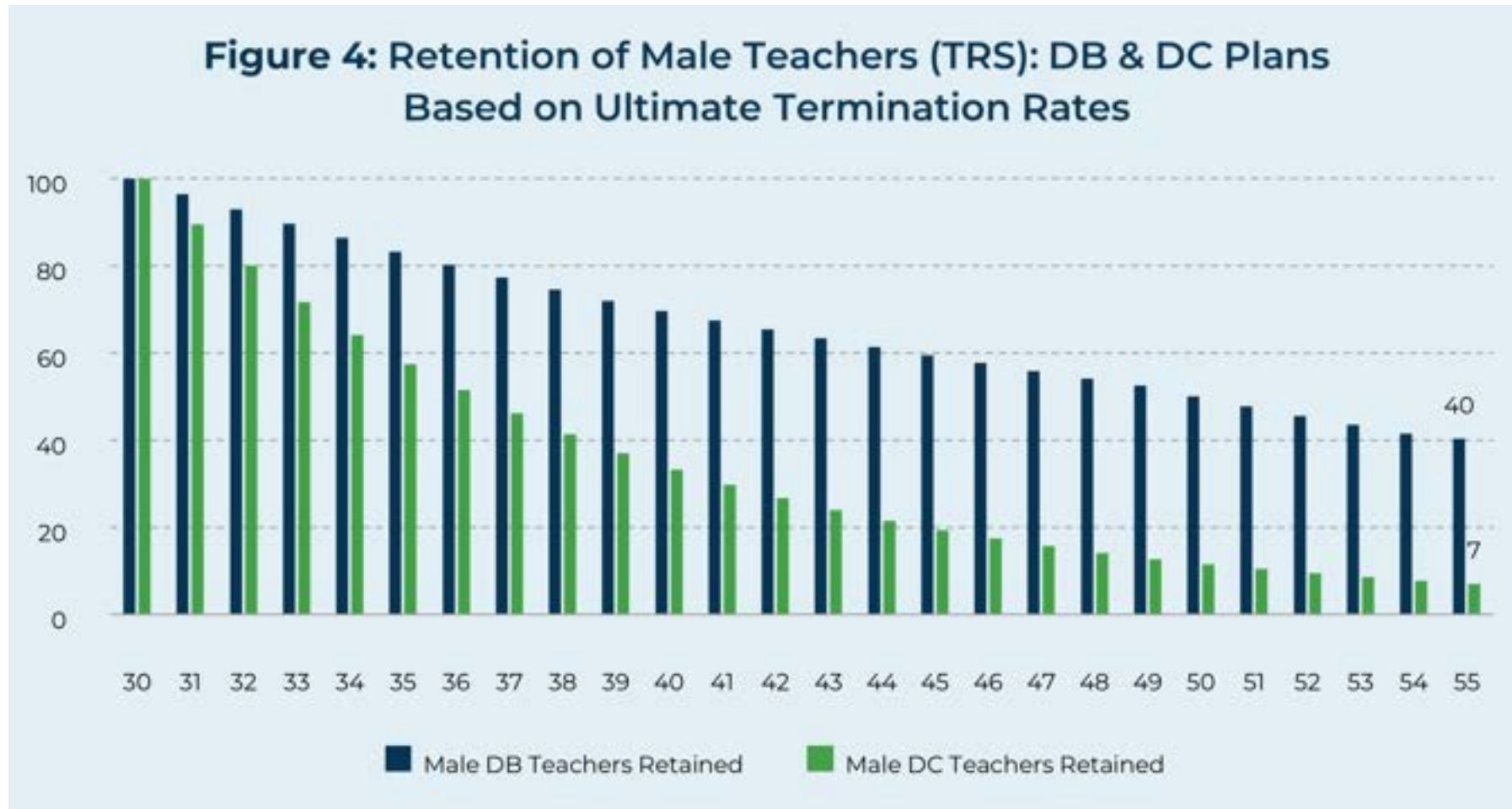
TRS DC Turnover is Much Higher than DB



Female Teachers: How the Seemingly Small Difference Adds Up

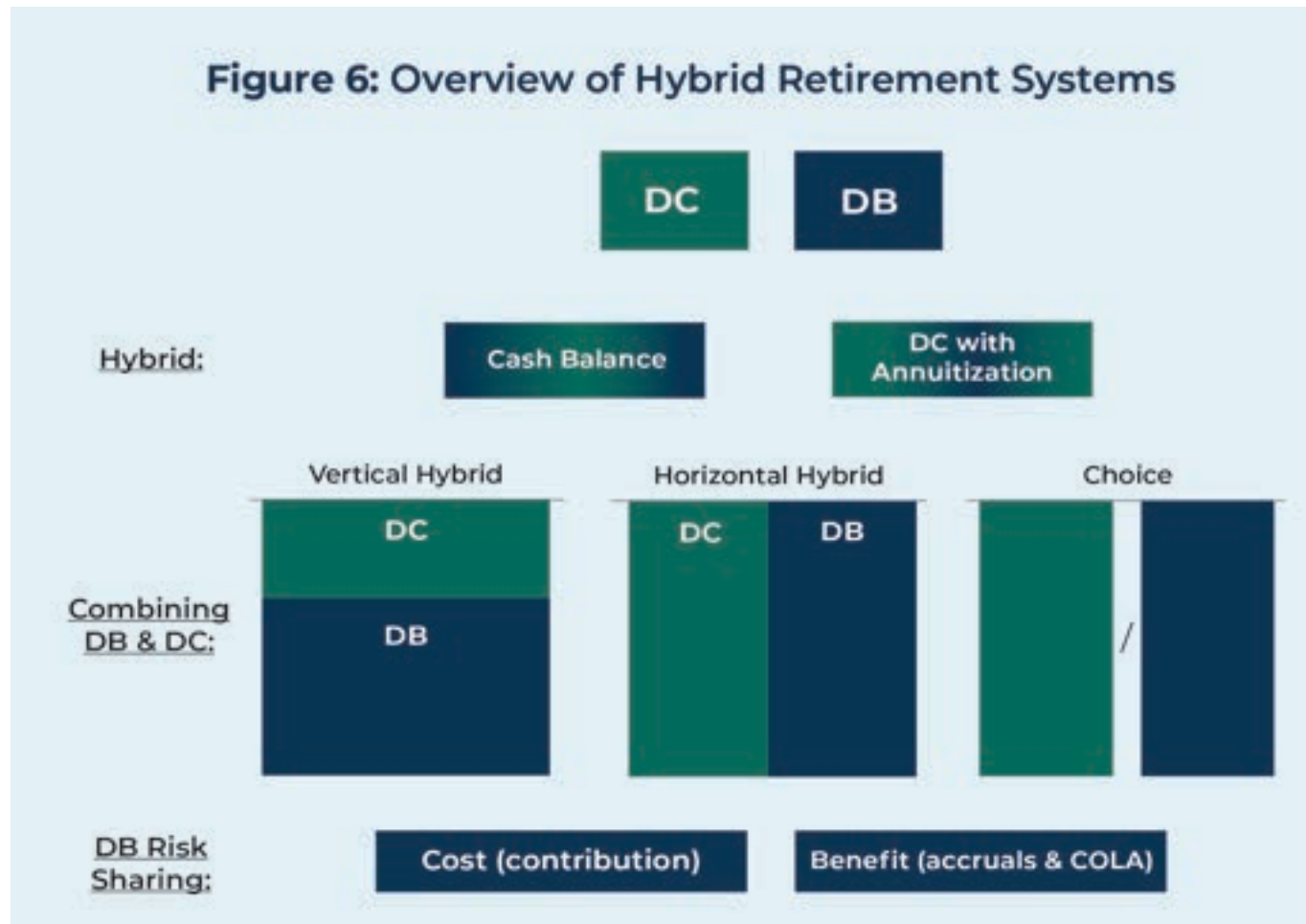


Male Teachers: Even Larger Impact



Plan Types and Benchmarking Alaska's Offerings

Variety of Plan Types Available in the Public Sector

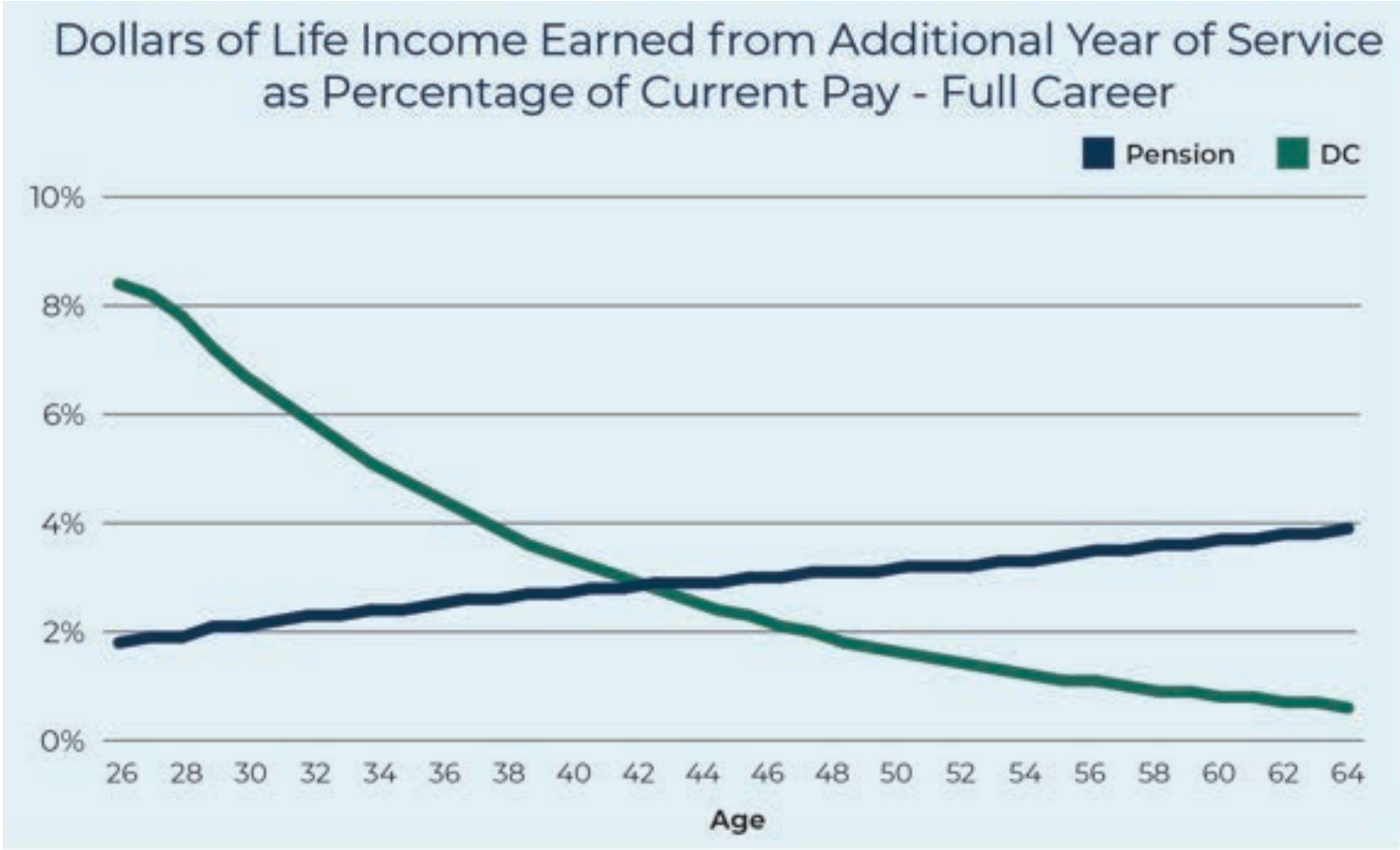


Most States Still Offer Educators a DB Pension Plan

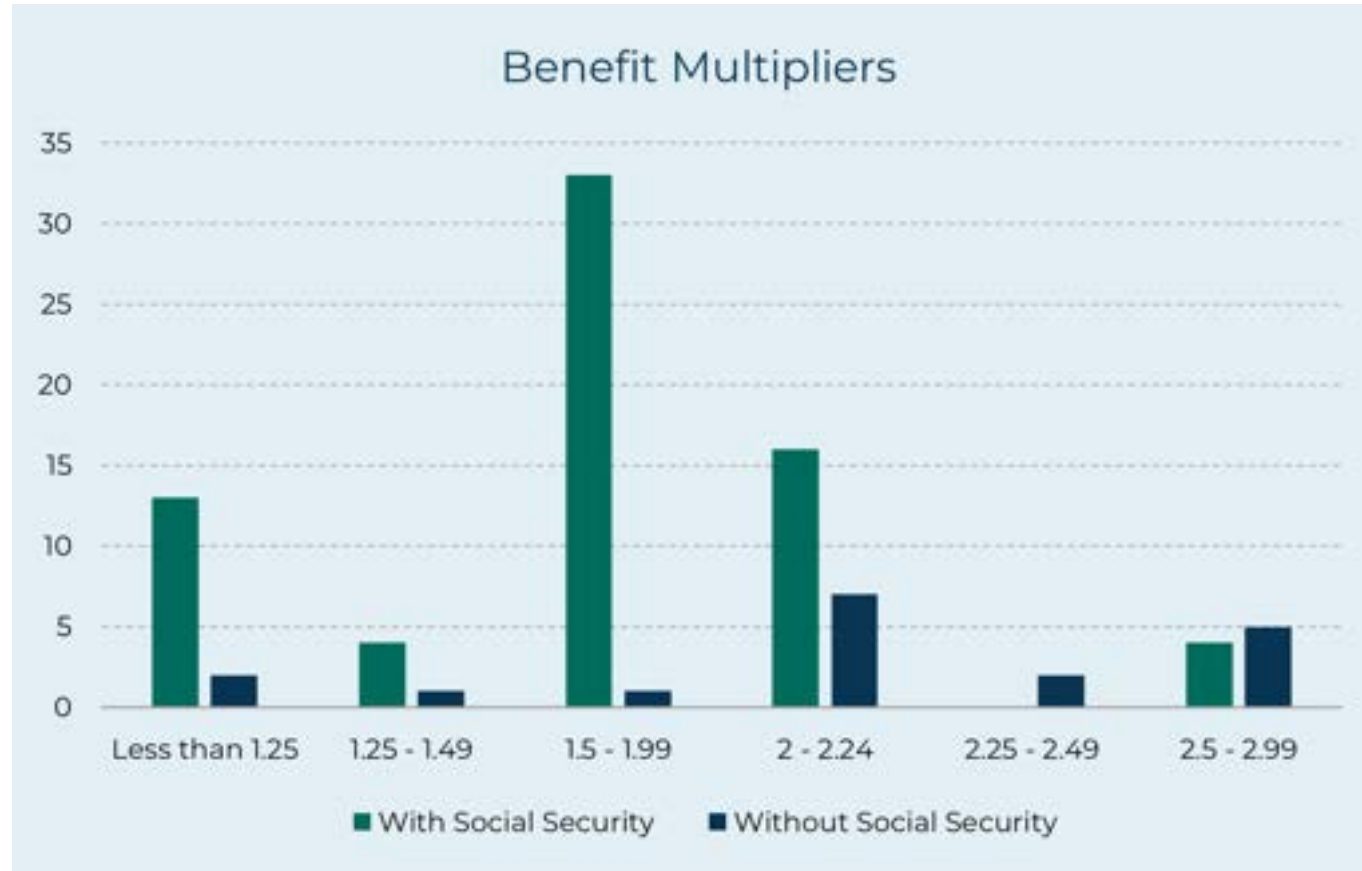
Table 1: Summary of Benefit Offerings Among State-Level Plans for Teachers, Faculty, and Support Professionals				
Social Security States (All or Most)				
	Teachers	ESPs	HEF	HESP
DB (Pension)	AL, AZ, AR, CA, DE, GA, HI, IA, ID, MD, MN, MS, MT, NE, NH, NJ, NM, NY, NC, ND, OK, SD, VT, WV, WI, WY	AL, AZ, AR, CA, DE, DC, GA, HI, ID, IL, IA, MD, MN, MO, MS, MT, NE, NH, NJ, NM, NY, NC, OK, SD, WV, WI, WY	AL, AZ, AR, CA, DE, DC, GA, HI, IA, ID, KS, MD, MN, MS, MT, NE, NH, NJ, NM, NY, NC, ND, OK, SD, WV, WI, WY	AL, AZ, AR, CA, DE, DC, GA, HI, IA, ID, MD, MN, MO, MS, MT, NE, NH, NJ, NM, NY, NC, OK, SD, WV, WI, WY
DB, Plus DC Component	OR, RI, TN, VA	OR, RI, TN, VA	OR, RI, TN, VA	OR, RI, TN, VA
Choice: DB or Combo (DB/DC)	WA	WA, KY	WA, KY	WA
DB; Optional DC Choice	SC	MT, ND, SC, VT	CA, SC	CA, MT, ND, SC, VT
Choice: Combo or DC	FL, MI, IN, PA, UT	FL, MI, IN, PA, UT	FL, MI, IN, PA, UT	FL, MI, IN, PA, UT
Cash Balance	KS	KS		KS
Non-Social Security States (Some, Few/None)				
	Teachers	ESPs	HEF	HESP
DB (Pension)	CA, CO, CT, DC, IL, KY, LA, ME, MA, MO, NV, TX	CA, CO, CT, GA, KY, LA, ME, MA, NV, TX	CA, CO, CT, KY, ME, MA, MO, NV	CA, CO, CT, KY, ME, MA, NV
DB, Plus DC Component			IL	IL
Choice: DB or Combo (DB/DC)	WA	WA	WA	WA
DB; Optional DC Choice			CO, LA, TX	CO, LA, TX
Choice DB, DC or Combo	OH	OH	OH	OH
DC-Only	AK	AK	AK	AK

Note: The University of Missouri is DC only.

Early Years in a DC Plan Generate the Most Life Income

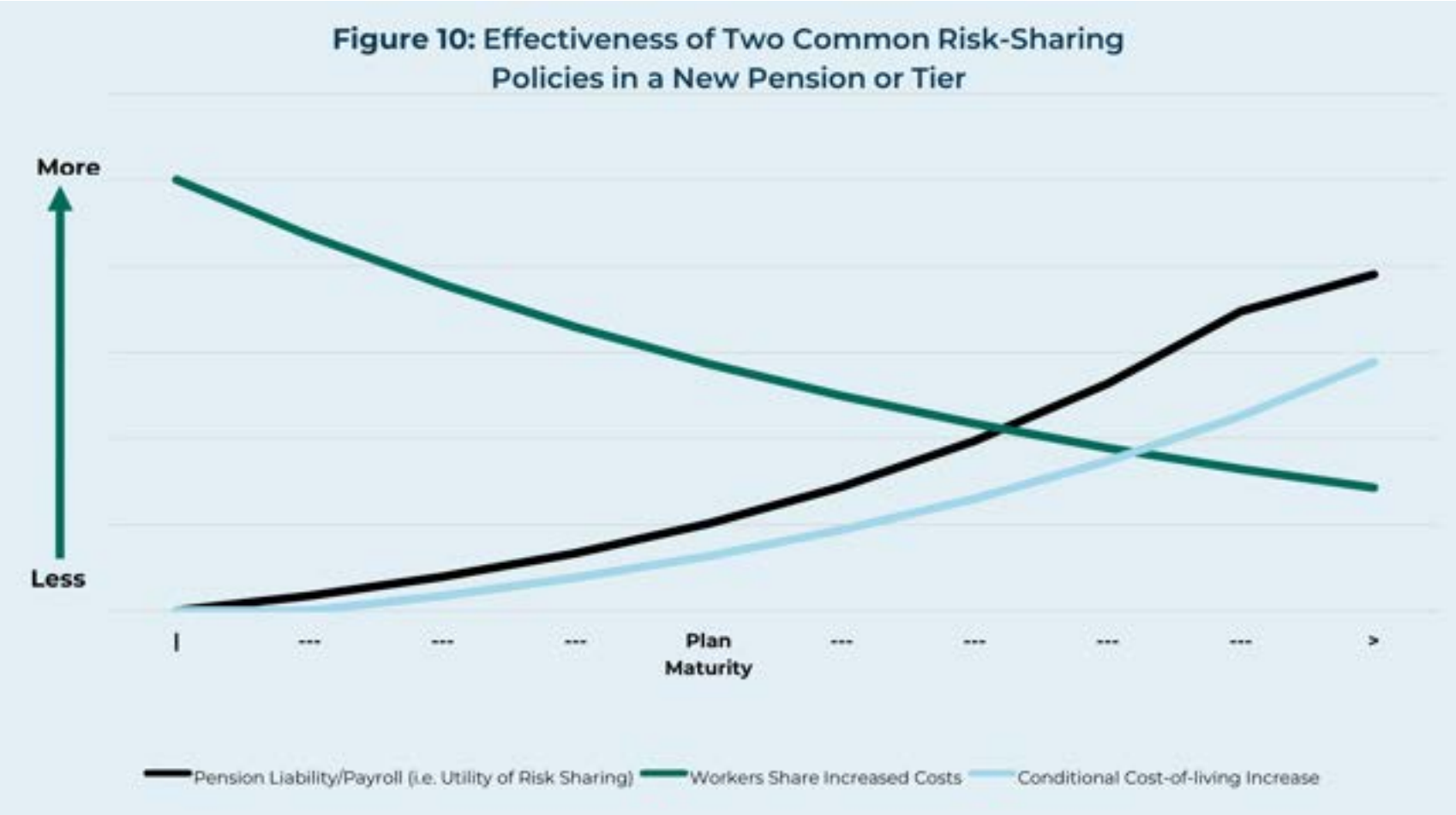


Plans Without Social Security Coverage Tend to Have Higher Benefit Multipliers



Strategies to Produce Stable Costs and Risk-Sharing Observations

Effectiveness of Risk-Sharing Provisions Changes as a Plan Matures

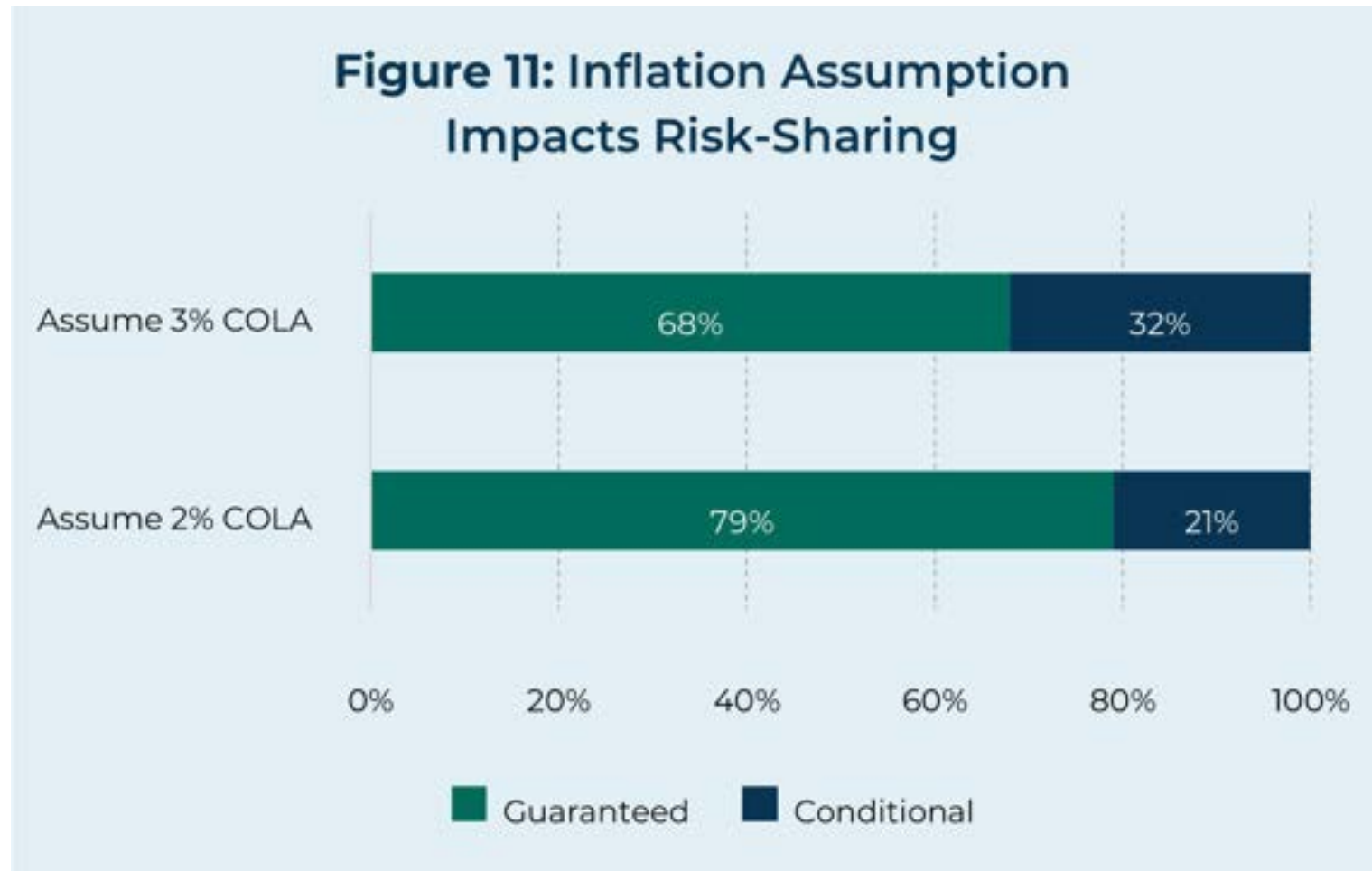


Conditional PRPAs Have Greater Impact in More Mature Plans

Table 2: Evaluating Conditional PRPAs in HB 220 as Plan Matures

Plan Maturity	% of Participants Receiving Benefits	% of Liabilities for those Receiving Benefits	Liabilities as % of Payroll	Reduction in UAL if 3 PRPAs Skipped
Newer Tier	11%	22%	199%	8%
Established Tier	31%	49%	444%	18%
Retiree-Heavy Tier	77%	76%	2288%	28%

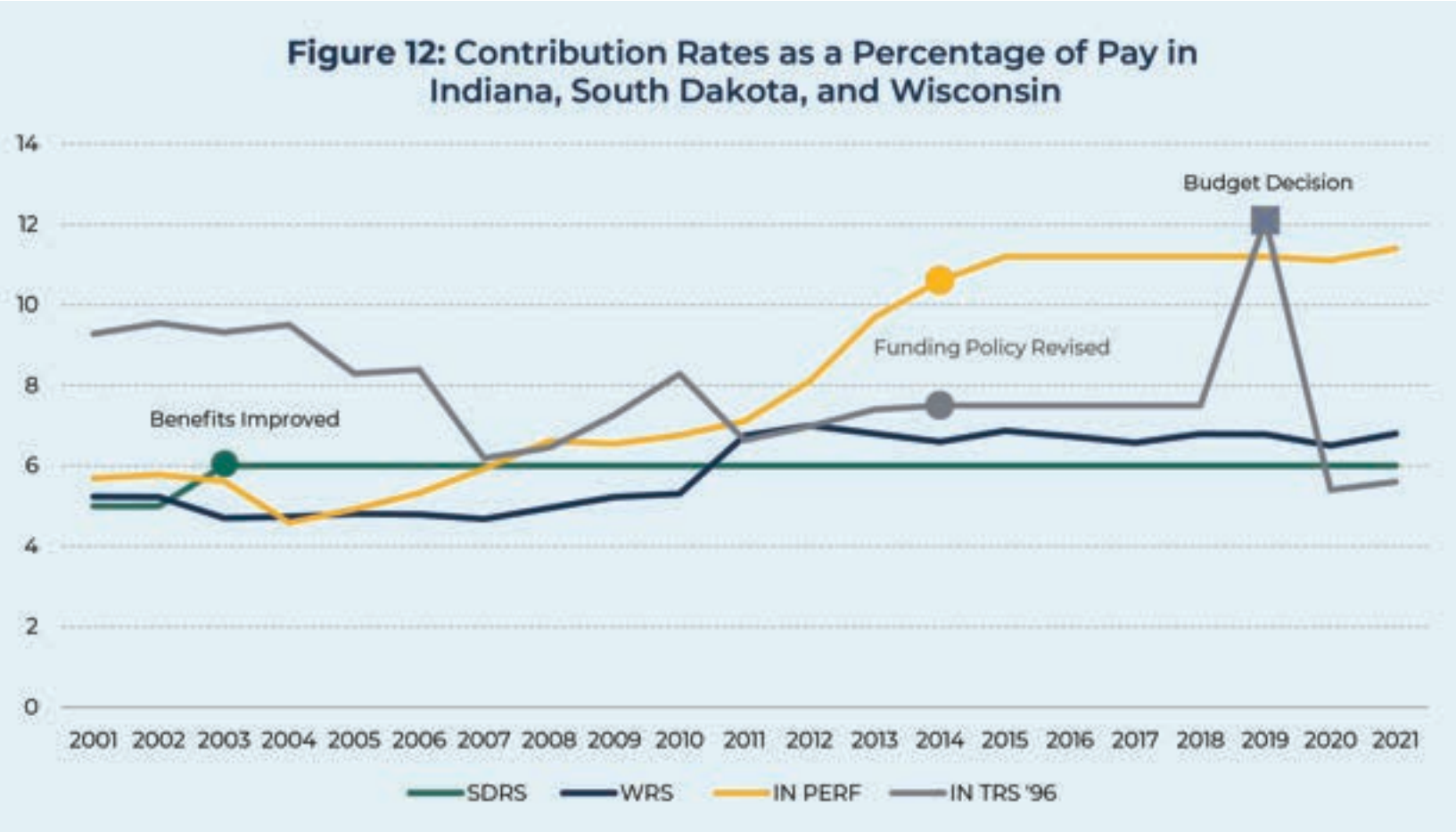
Assuming a Larger Conditional COLA Has a Greater Impact on Risk-Sharing



Cost Stability Strategies and Observations on Other States

Table 3: Strategies to Produce Stable Costs Employed by Four States	
Wisconsin WRS	Automatic Benefit Adjustments & Cost Sharing
South Dakota SDRS	Automatic Process Triggered by Policy
Indiana INPRS	Funding Policy
Tennessee CRS	Use of Reserve Fund & Risk Sharing

IN, SD & WI Have Kept Contribution Rates Stable Over Past Two Decades

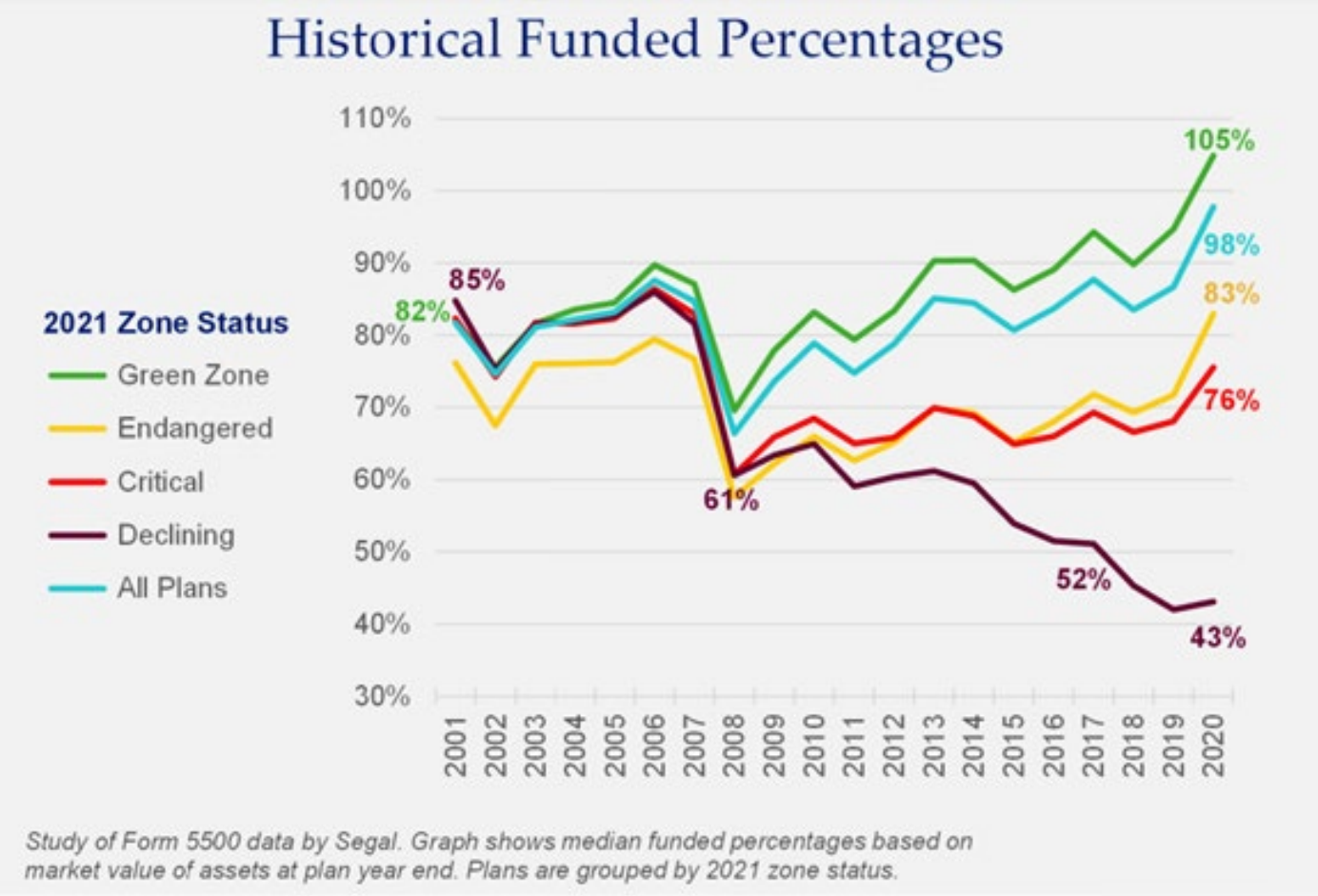


Contribution Rates Have Been Much Higher in the Two Alaska Plans

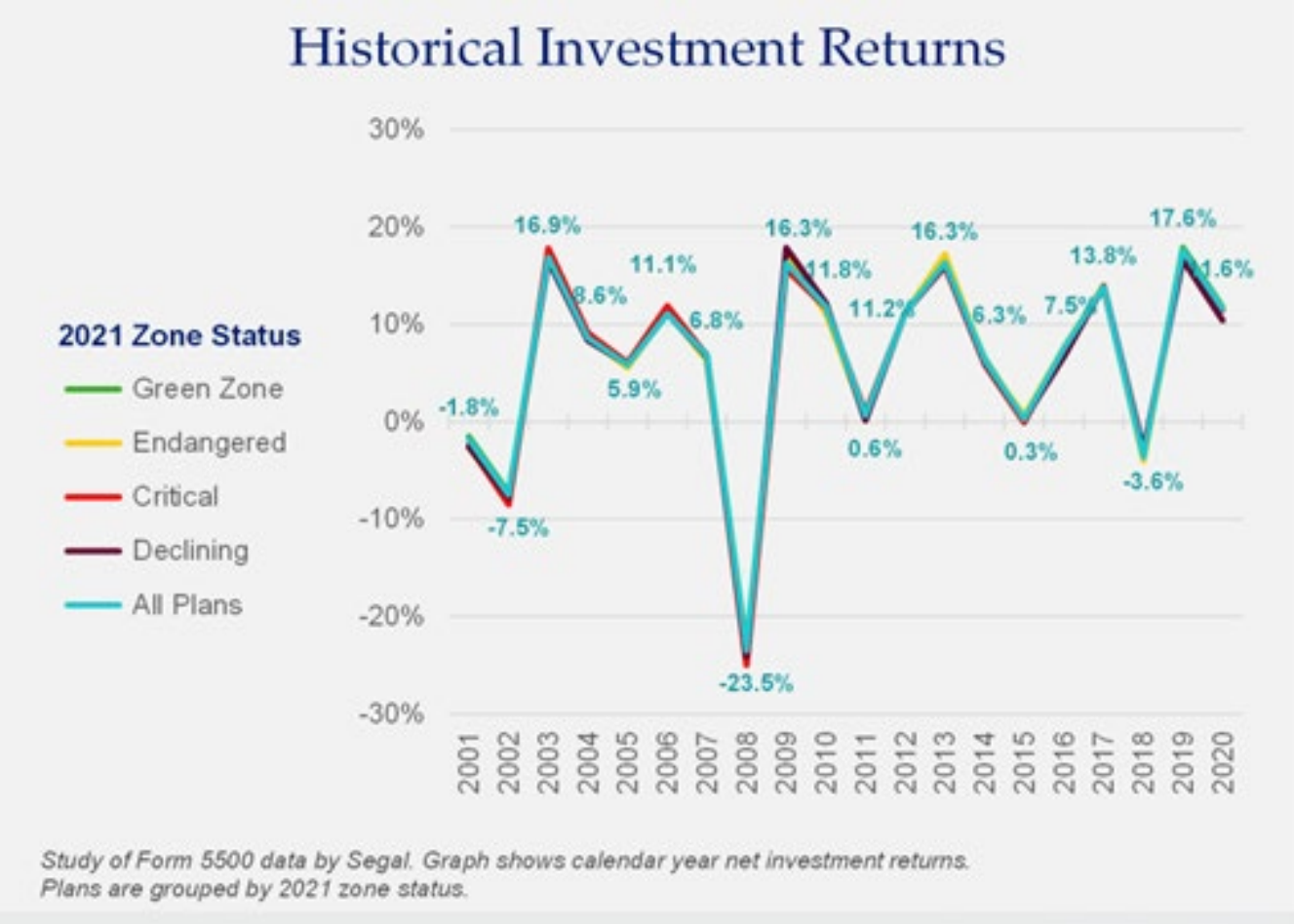


The Role of Plan Demographics: A Warning from Multiemployer Systems

Funded Percentages of Private Sector Multiemployer Plans Have Diverged



Investment Returns Among Private Multiemployer Plans Have Been Similar



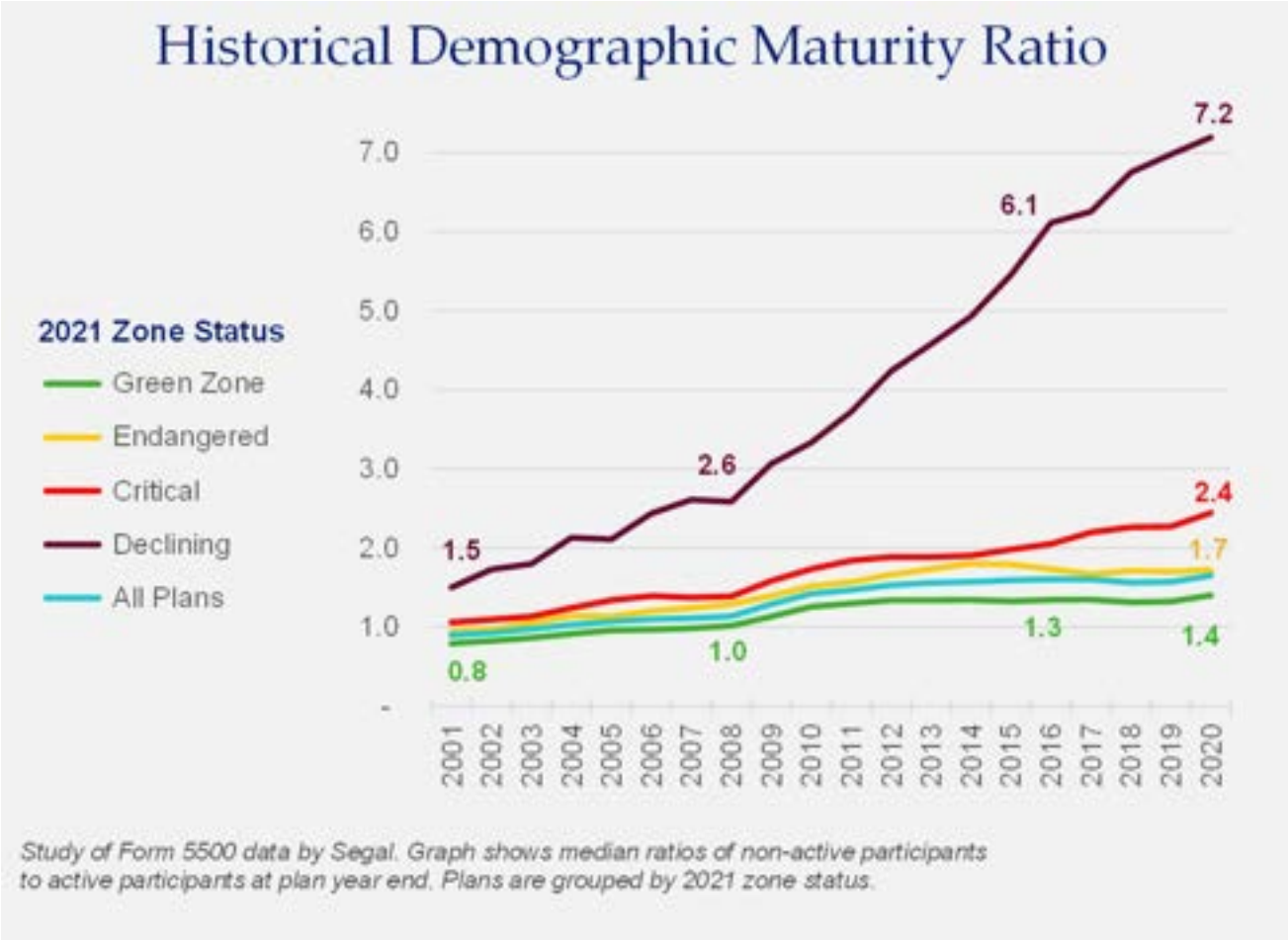
Multiemployer Plans Facing Greatest Challenges Have Increased Contributions Most

Annualized Investment Returns

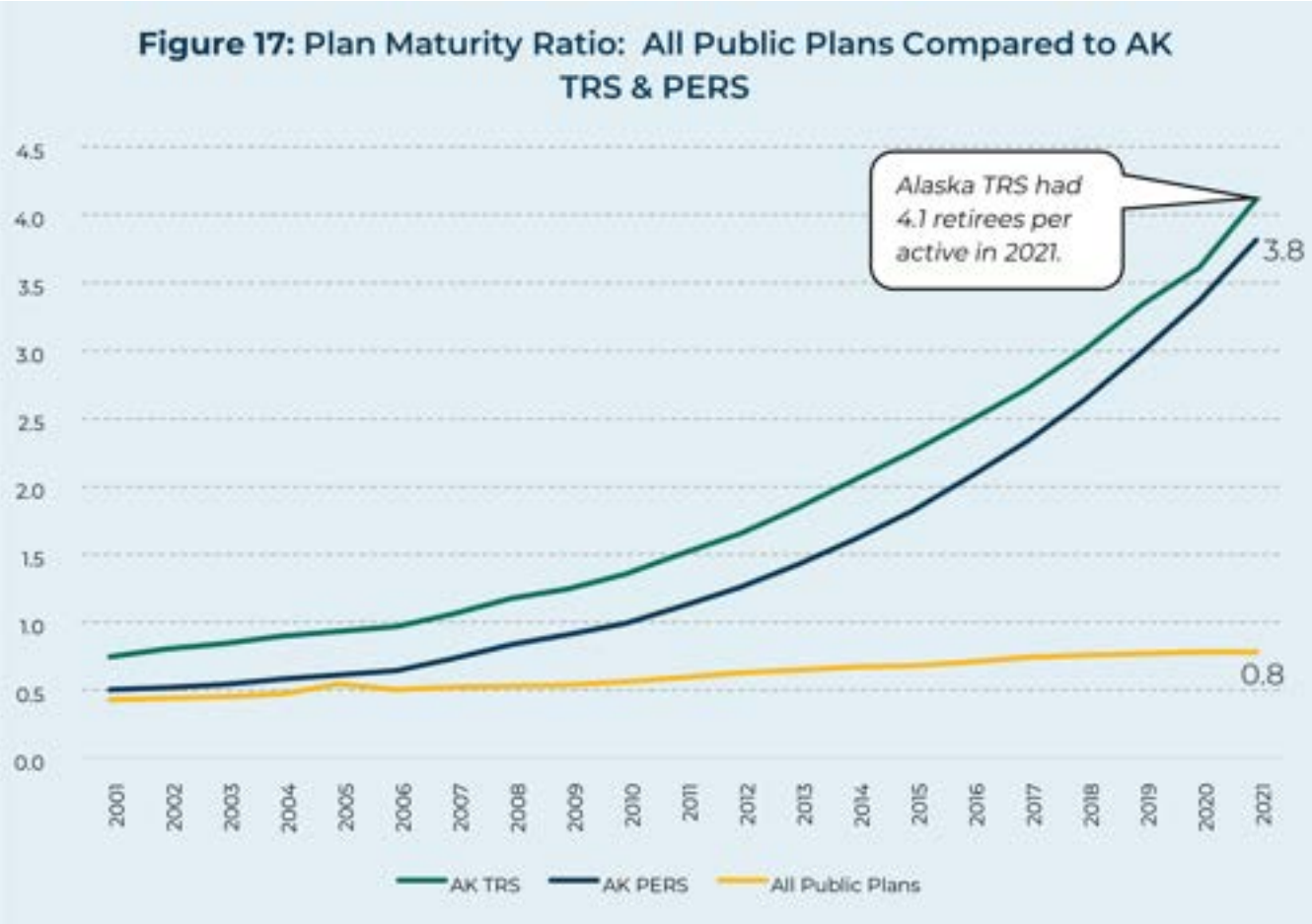
2021 Zone Status	2001-2015	2001-2020
Green Zone	4.8%	5.9%
Endangered	4.6%	5.7%
Critical	5.5%	5.6%
Declining	4.6%	5.6%
All Plans	4.7%	5.8%

Study of Form 5500 data by Segal. Exhibit shows cumulative net investment returns for calendar year plans. Plans are grouped by 2021 zone status.

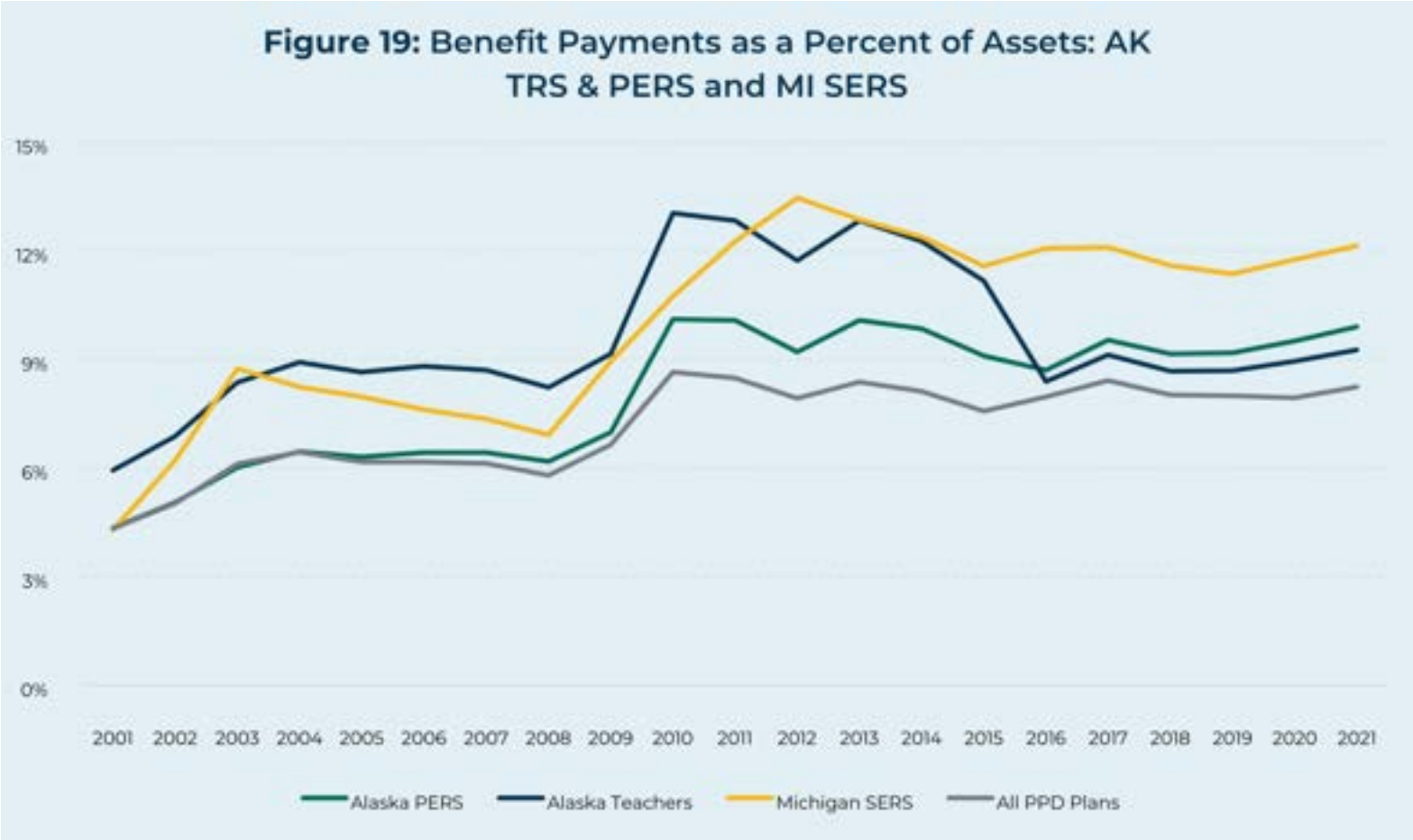
Plan Demographics Have Had the Greatest Impact on Multiemployer Plans



Plan Demographics for the Two AK Plans Have Diverged from Other Public Plans



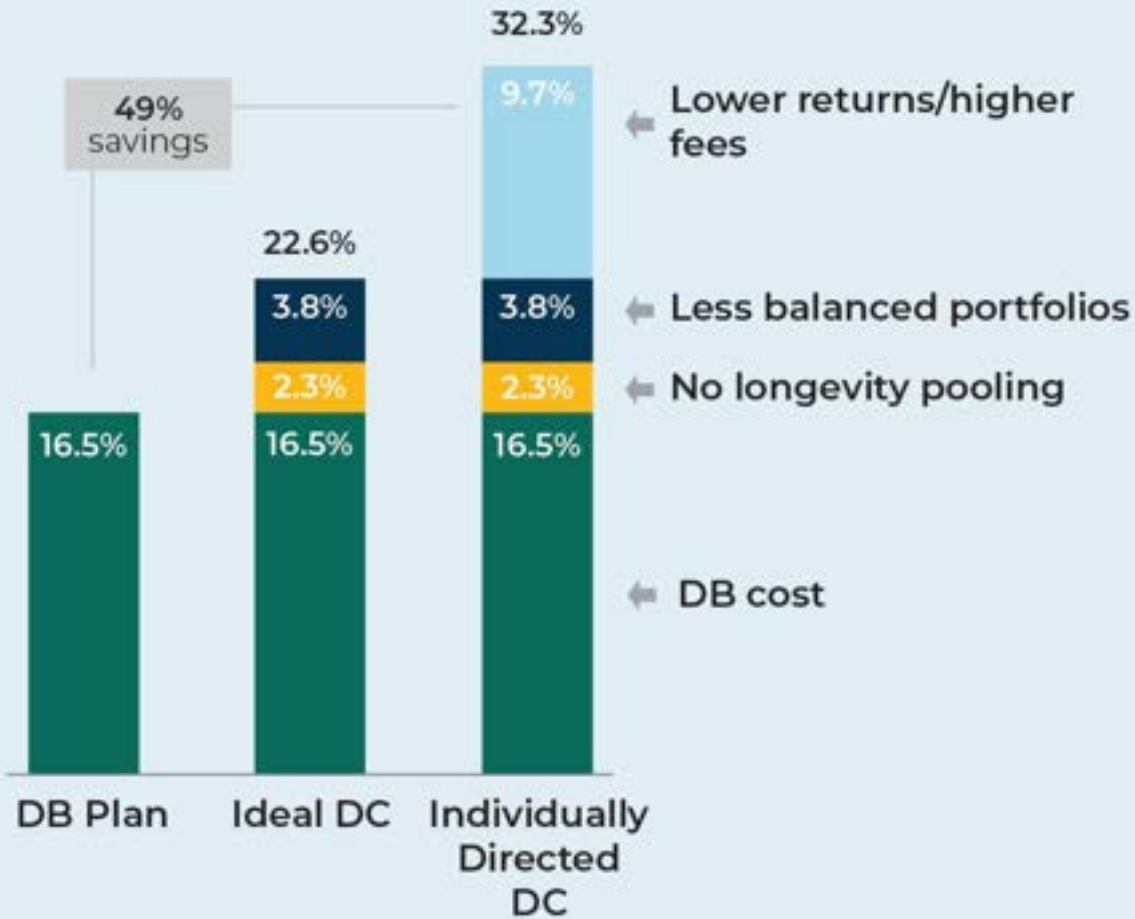
Benefit Payments Account for a Higher Percentage of Assets in Closed Plans



Pensions are More Efficient

DB Plans Are More Economically Efficient Than DC Plans

Figure 20: Cost of DB and DC Plan as Percentage of Payroll, Baseline Scenario



DB Plans Deliver a More Consistent Investment Return Than DC Plans



Most DC Inefficiency Occurs During Retirement

Table 5: DC Plan Efficiency Gap			
	Baseline Scenario	Mid-Career Hire	Low Return Environment
Post-Retirement Inefficiency	40%	40%	45%
Pre-Retirement Inefficiency	9%	6%	7%
Total Inefficiency	49%	46%	52%

*Retirees need income after their working years end, not a large account balance during their working years. Thus, this data suggests the biggest problem with 401k's isn't your provider, it is the years after you leave them.

Conclusion

- **Employer benefits are provided so workers perceive the employer as a good place to work.**
- **Many states had similar debates** about retirement offerings, but few plans followed your lead.
- **Retention of teachers and PERS members is problematic** in the DC plans, compared to both the DB plans and plans in other states. Workers in the DC plan are where the focus should be to improve retention, too.

Conclusion, Continued

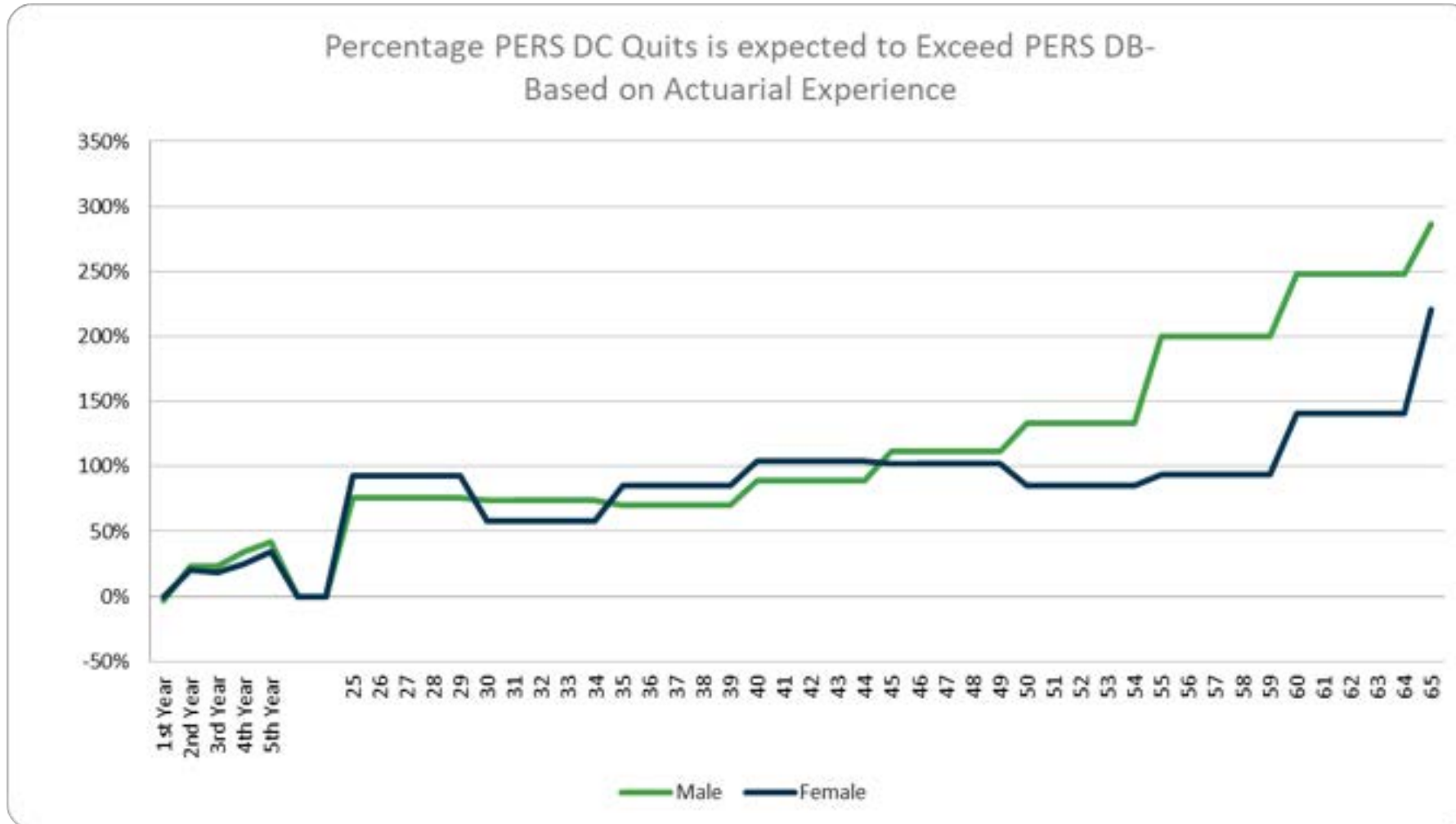
- **Unfortunately, all states seem to struggle with retention of newly hired teachers.** That challenge is likely better addressed by policies outside of retirement offerings. However, there is potential to do much better with those who stay past the first few years.
- **There are important choices about how benefits are designed and how they are funded, beyond DB versus DC.** The tools and examples are available, and a strong case can be made that reopening the DB plans would help in honoring the obligations that already exist in the legacy plans.

Questions

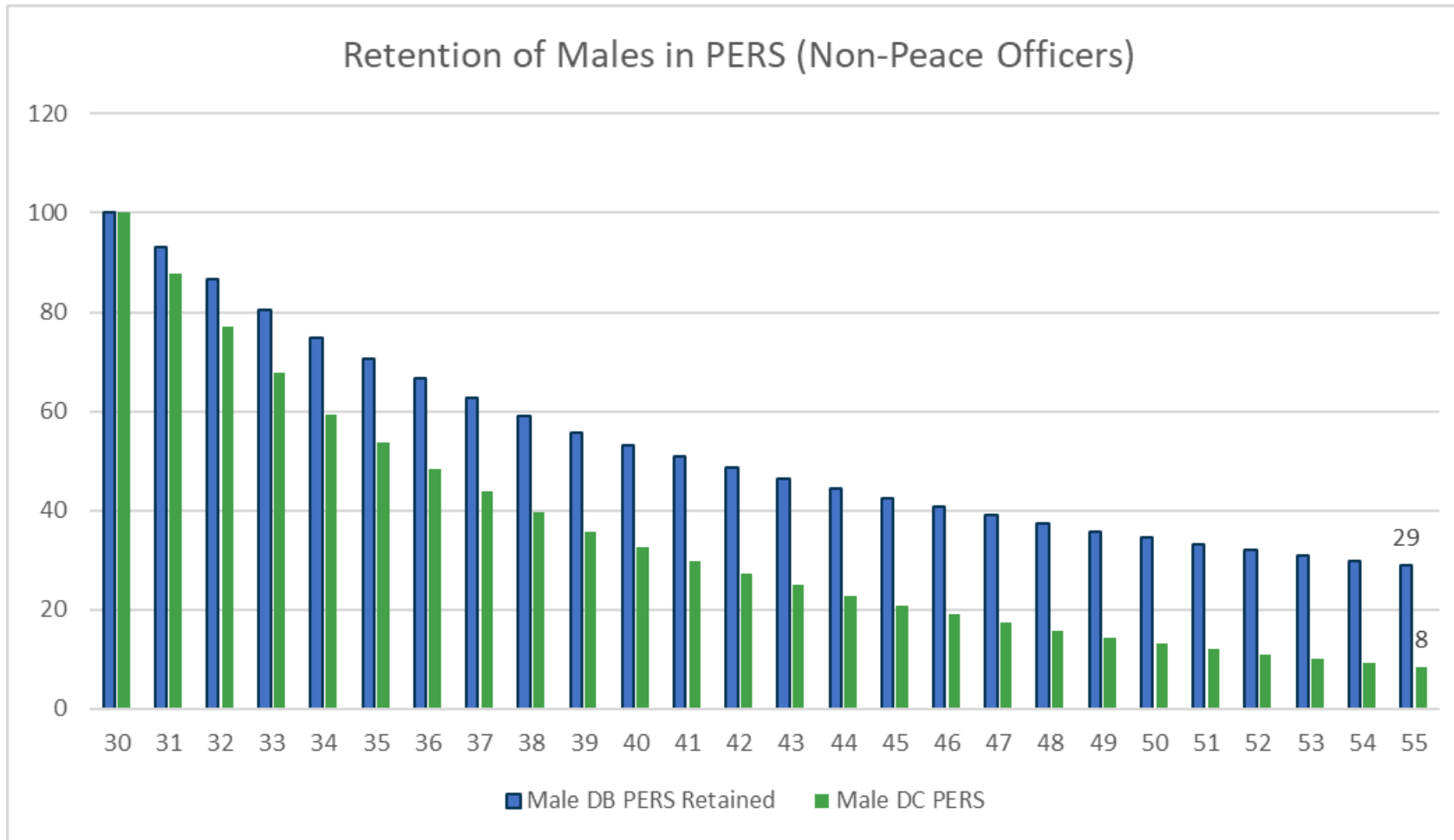


Additional Data for PERS Plans

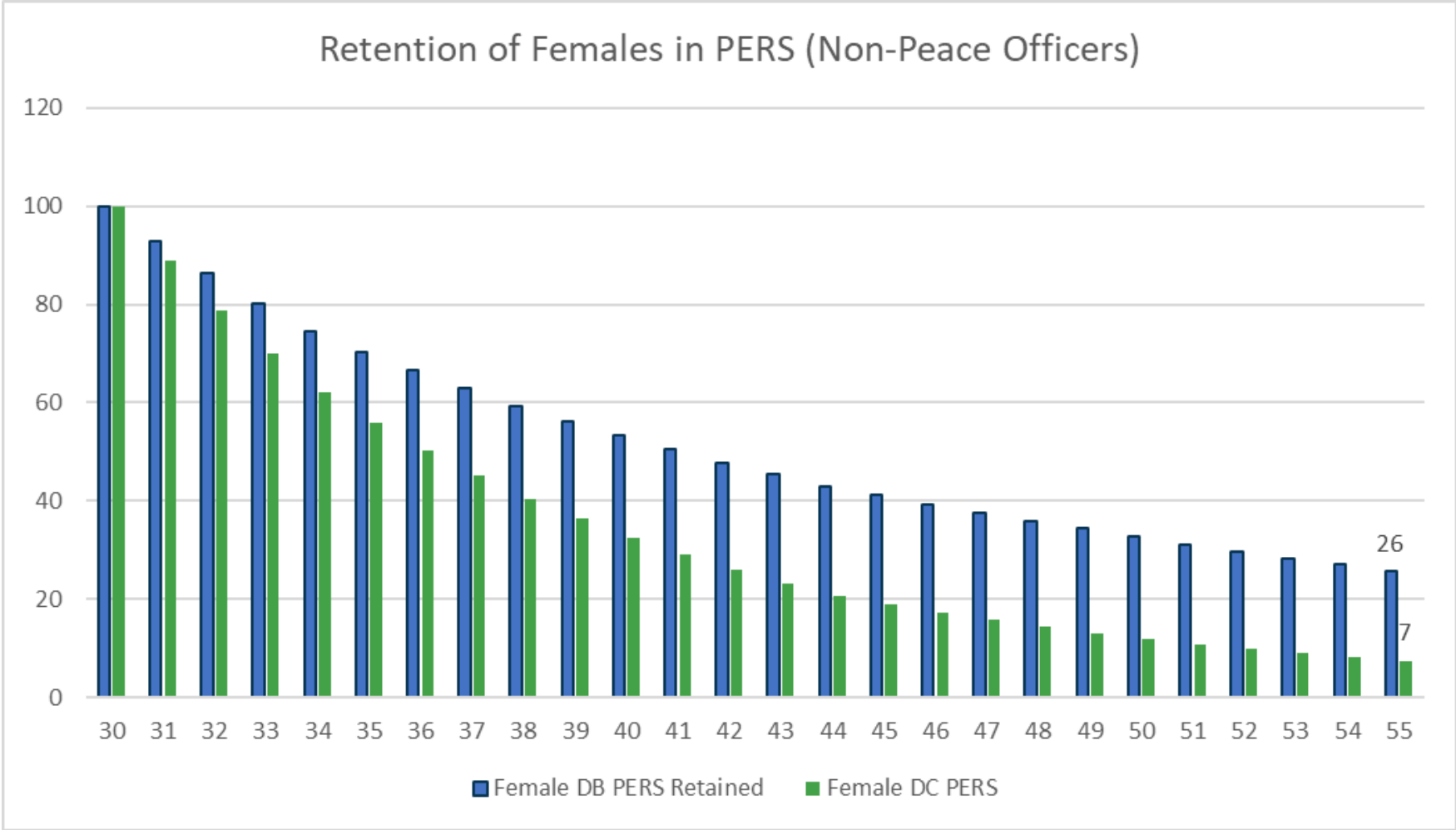
PERS DC Turnover also Higher



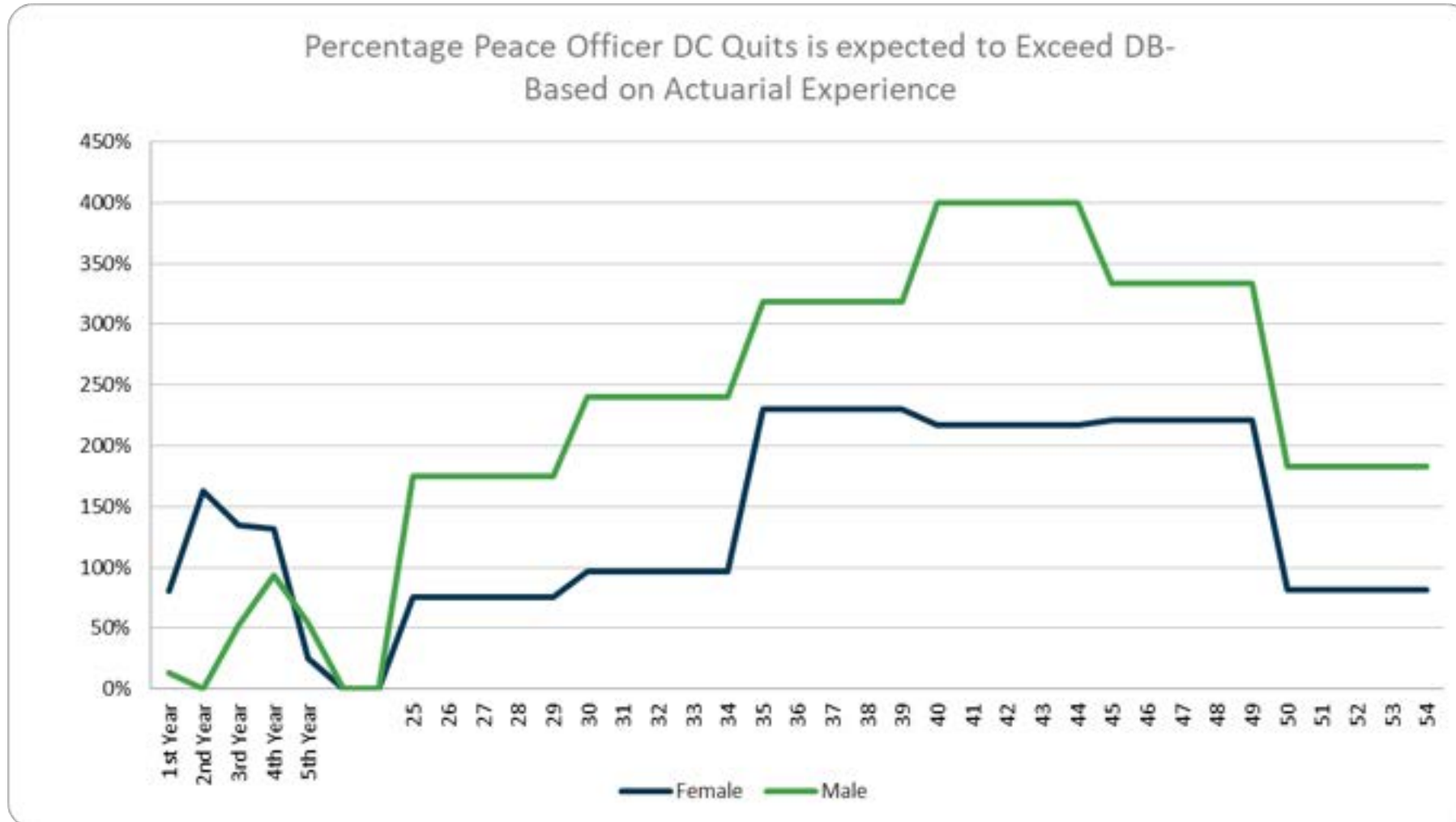
PERS DB Also Retaining Workers Better



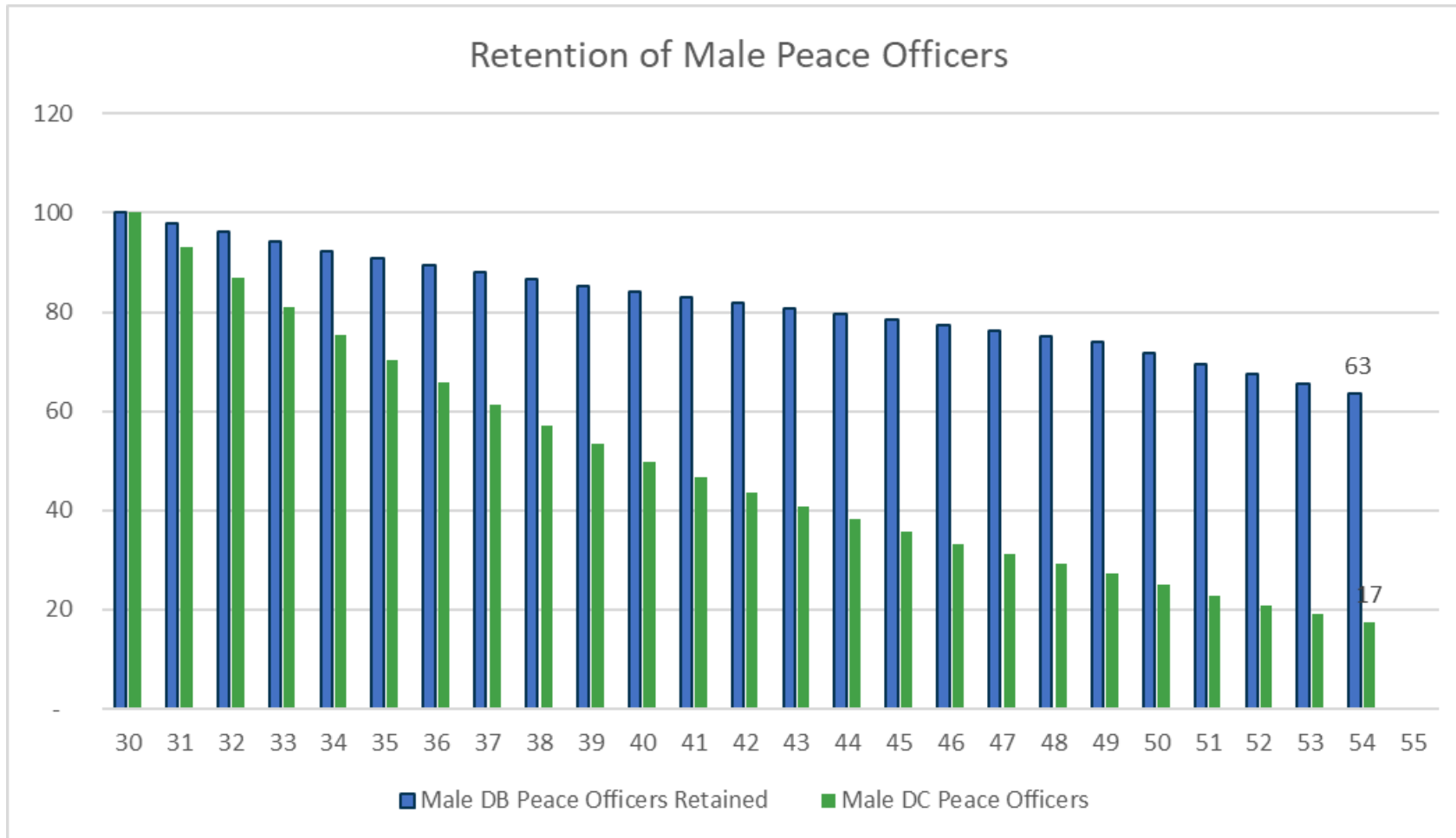
Similar Trend for Females in PERS



Peace Officer DC Turnover Much Higher



Male Peace Officer Retention is Much Lower in the DC Plan



Female Peace Officer Retention is Also Lower in the DC Plan

