

## **NEW DATA: U.S. TEACHER PENSION DEBT CLIMBS TO A HALF TRILLION DOLLARS; MAJORITY OF STATES STILL DON'T OFFER TEACHERS FAIR AND FLEXIBLE RETIREMENT OPTIONS**

**New report card from the National Council on Teacher Quality finds that 70 cents on every dollar contributed to state teacher pension systems pays for debt, not retirement benefits; States earn an average overall grade of C- for their teacher pension policies**

January 27, 2015 (Washington, DC) — The National Council on Teacher Quality (NCTQ) today released *Doing the Math on Teacher Pensions: How to Protect Teachers and Taxpayers*, which challenges the claims of pension boards and other groups about the cost-effectiveness, fairness and flexibility of the traditional defined benefit pension plans still in place in 38 states. The report includes a report card on each of the 50 states and the District of Columbia with a detailed analysis of state teacher pension policies.

### **Key Findings**

- In 2014, state teacher pension systems had a total of \$499 billion in unfunded liabilities – a debt load that increased \$100 billion just since NCTQ's last pension analysis in 2012.
- Looked at through another lens, the debt costs spread out across the K-12 student population amount to more than \$10,000 per student and growing.
- This year just nine states (down from 13 in 2012) – Delaware, the District of Columbia, Idaho, North Carolina, Oregon, South Dakota, Tennessee, Washington and Wisconsin have well-funded teacher pension systems, but some of these may not be as well-funded as they appear.
- Most of the funds that taxpayers contribute to state teacher pension systems are not being invested in current employees' future retirement. Across the states, an average of 70 cents of every dollar contributed to state teacher pension systems is paying off the ever-increasing pension debt.
- Since 2008, more than half of the states have increased the amount teachers must contribute to state retirement systems.
- States are also making it harder for teachers to receive benefits. Fewer than half of teachers will qualify for retirement benefits, yet states continue to make vesting periods longer. Among traditional pension plans, only Arizona, Minnesota and South Dakota allow teachers to vest in retirement systems in three years or less.
- Fifteen states – Alabama, Connecticut, Delaware, Georgia, Hawaii, Illinois, Indiana, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Pennsylvania and Washington – have vesting periods of 10 years (up from nine states just five years ago), cheating even more teachers out of the opportunity to build a retirement nest egg.

“The math on state teacher pension policy doesn’t add up,” said NCTQ Vice President Sandi Jacobs. “The funding crisis is staggering, yet the structure of most states’ pension systems isn’t giving teachers what they need. Too often the debate around pension reform pits teachers against taxpayers or school districts or other public sector employees. But pension reform is not a zero-sum game. There are ways to change the systems and to also give teachers what they deserve. Everyone loses – teachers most of all – when the pension crisis is ignored.”

## **State Grades on Teacher Pension Policies**

NCTQ graded the states on the flexibility, sustainability and fairness of state teacher pension policies. The overall average state grade for teacher pension policy for 2014 is a C-.

- Only one state, Alaska, earned an A for providing teachers with a fully portable retirement plan similar to a 401(k) as is commonplace in so many other professions. Notably, five other states— Florida, Michigan, Ohio, South Carolina and Utah – provide defined contribution plans as a choice for teachers’ retirement.
- But offering a defined contribution plan is not a prerequisite for a high grade. Among traditional pension plans, South Dakota earned a B+ because its pension system provides portability and flexibility, while maintaining a healthy funding level. South Dakota’s vesting at three years of service is better than almost every state, and it allows flexibility for teachers who leave the system.
- Mississippi earned the nation’s lowest grade (F) for having a poorly funded teacher pension system that is not portable or fair to working teachers. Teachers are subject to long vesting periods and are required to provide excessive contributions to their retirement plans.

## **NCTQ State Policy Dashboard**

The NCTQ website ([www.nctq.org/statepolicy](http://www.nctq.org/statepolicy)) provides free download of the *Doing the Math on Teacher Pensions* report as well as state-specific report cards and searchable access to the entire *State Teacher Policy Yearbook* dataset, which includes data on state teacher pensions. The state policy dashboard provides a customized search tool and user-friendly options for generating graphic results that can be exported and shared.

## **Funding for Pension Analysis**

Principal funding for *Doing the Math on Teacher Pensions* was provided by the Laura and John Arnold Foundation and the Joyce Foundation. NCTQ accepts no funding from the federal government.

## **About NCTQ**

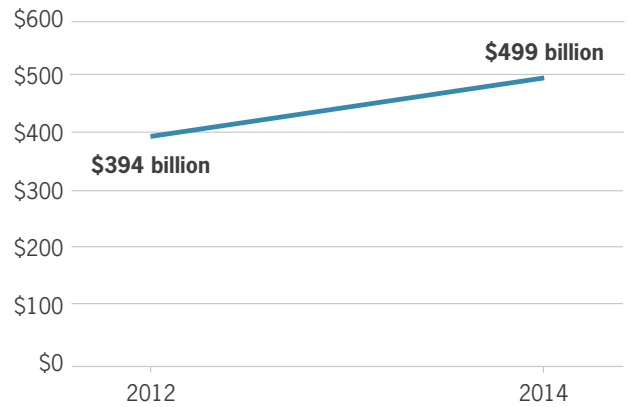
The National Council of Teacher Quality — comprised of reform-minded Democrats, Republicans, and Independents — is a non-partisan research and policy group committed to restructuring the teaching profession based on the belief that all children deserve effective teachers. More information about NCTQ, including a list of the Board of Directors and Advisory Board, can be found on the NCTQ website, [www.nctq.org](http://www.nctq.org).

## State teacher pension grades (2014)

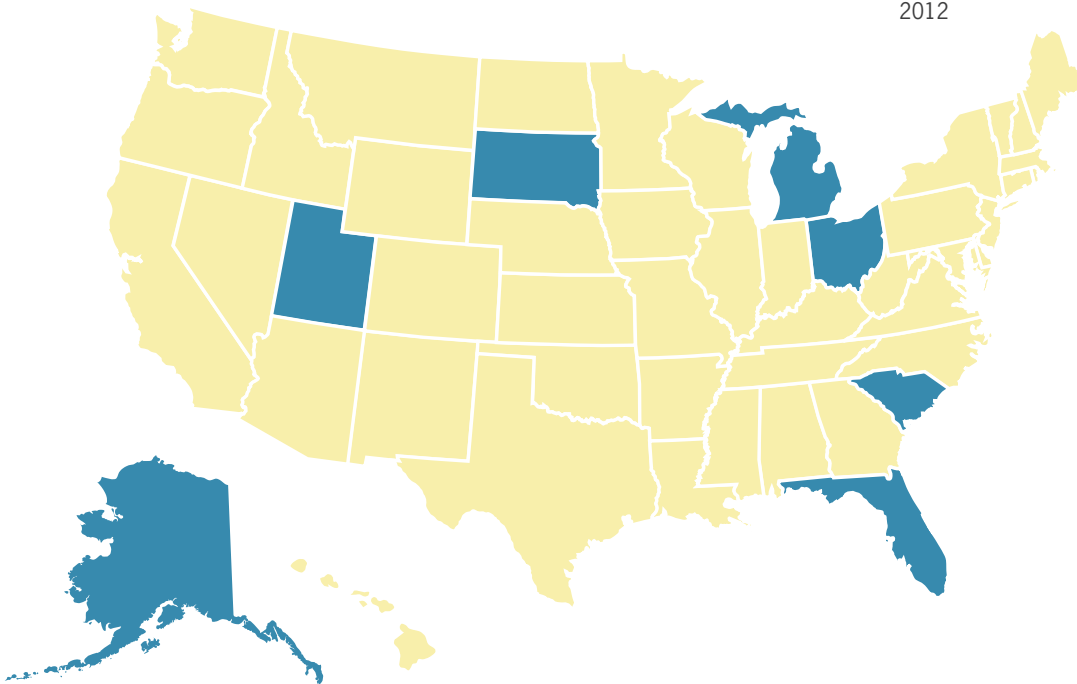
	Pension grade
Alaska	A
South Dakota	B+
Florida	B-
Michigan	B-
Ohio	B-
Rhode Island	B-
Tennessee	B-
Utah	B-
Washington	B-
District of Columbia	C+
Oregon	C+
South Carolina	C+
Wisconsin	C+
California	C
Delaware	C
Idaho	C
Illinois	C
Indiana	C
Maine	C
Minnesota	C
New Jersey	C
North Carolina	C
Texas	C
Virginia	C
Alabama	C-
Colorado	C-
Louisiana	C-
Nevada	C-
New Hampshire	C-
Arkansas	D+
Connecticut	D+
Georgia	D+
Kansas	D+
Maryland	D+
Massachusetts	D+
New York	D+
Oklahoma	D+
Pennsylvania	D+
West Virginia	D+
Hawaii	D
Iowa	D
Montana	D
Nebraska	D
New Mexico	D
North Dakota	D
Wyoming	D
Arizona	D-
Kentucky	D-
Missouri	D-
Vermont	D-
Mississippi	F
<b>NATIONAL AVERAGE</b>	<b>C-</b>

# Teacher pension trends in the U.S.

Teacher pension system debt has reached a half trillion dollars.

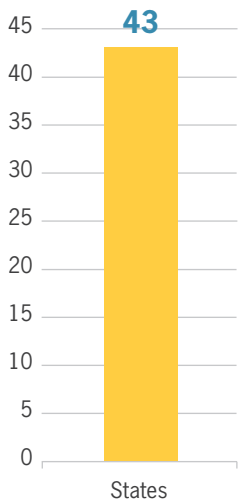


Just seven states offer a fully or nearly fully portable primary pension plan for teachers.

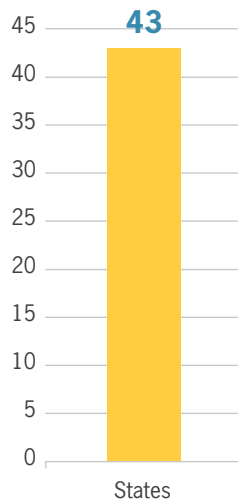


## Other indicators also reflect worrisome trends.

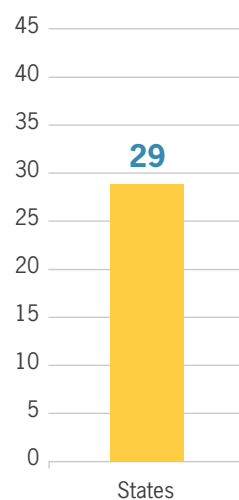
Number of states where pension funding ratios have decreased since 2008



Number of states that require excessive contributions of teachers, employers or both



Number of states that have increased teacher contribution rates since 2008



Number of states that have ten-year teacher vesting periods

