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U.S. TEACHER PENSION DEBT ECLIPSES A HALF TRILLION DOLLARS; STATES NOT CONFRONTING PENSION CRISIS

New report from the National Council on Teacher Quality and EducationCounsel finds nationwide teacher pension debt stands at \$516 billion; stakeholders lack data on pension health and teachers lack access to flexible and fair retirement benefits

February 22nd, 2017 (Washington, DC) — The National Council on Teacher Quality (NCTQ) and EducationCounsel today released *Lifting the Pension Fog: What teachers and taxpayers need to know about the teacher pension crisis*. The report evaluates state teacher pension policies, and includes policy profiles and tailored recommendations for each of the 50 states and the District of Columbia.

EducationCounsel's Sandi Jacobs explains, "This report documents the ways that optimistic projections, willful ignorance, and continued deferral of consequences hang like a fog over the teacher pension policy landscape." Jacobs continued, "At this point, state teacher pensions won't turn around with just a few good years on Wall Street. The crisis can't be solved without intentional action by policymakers."

Kate Walsh, President of the National Council on Teacher Quality added, "The pension crisis has a direct impact on teacher compensation and the ability of school districts to attract and retain high quality teachers. Reforming pension policy is an education issue, not just a financial one."

Key findings on the teacher pension crisis:

This report examines the *sustainability, flexibility, and fairness* of each state's current teacher pension policies. New for 2016, NCTQ and EducationCounsel also examine pension policy *transparency* in the states. Nationwide, just 11 states meet benchmarks in any one of these four areas— and no state meets them all.

- **Poor funding.** In 2016, just seven states have teacher pension systems that are well funded (funded at 90 percent) or higher. South Dakota and Wisconsin are the only two states in the nation with fully-funded teacher pension systems. At 42 percent, Illinois continues to have the lowest funded pension system in the nation.
- **Large pension debt.** Nationwide, more than two-thirds of every dollar contributed by employers to teacher retirement systems goes to servicing the enormous pension debts that have accrued across the states rather than to current teacher

- benefits (or saved for future benefits to the teachers contributing now).
- Limited flexibility. In 38 states teachers have only one option. They are enrolled in defined benefit pension plans. Only Alaska provides teachers with a flexible and fair defined contribution plan. Six other states – Florida, Michigan, Ohio, South Carolina, Utah, and Washington – offer teachers a choice.
- Pension costs rising. Since 2008, when NCTQ started collecting data on teacher pensions, 31 states have increased teacher contributions to pension systems. Just since 2012, 36 states have increased the contribution rates required of employers.
- Teacher benefits squeezed. Every state except Arizona, Minnesota, and South Dakota now delays teacher vesting in pension systems for longer than three years. Twenty states make teachers wait seven to 10 years to vest. Only six states allow teachers to take their contributions and at least a portion of employer contributions when they leave the pension system.
- Inequitable accrual of benefits. In 38 states, pension benefits are a function of the years of service a teacher has worked, rather than age only, and most also allow for retirement at young ages with full benefits, at a cost of as much as \$841,000 per teacher just for the benefits collected before the age of 65.

Key findings on the pension fog:

There is no doubt that pension reform is a complex and technical policy arena, which contributes to a lack of clarity and understanding in discussions of the subject. But the fog blanketing teacher pension policy suggests that states and stakeholders are, at best, engaged in short-term magical thinking about the long-term viability of their retirement systems.

- Lack of public disclosure. Few states with traditional defined benefit pensions provide adequate information to policymakers on pension system health or to teachers on their personal retirement benefits. Only 15 states publicly report projections for the future contributions that would be required to pay off pension debt.
- Poor information for teachers. Only two states (South Dakota and Vermont) provide teachers with information on the amount of money employees and teachers contribute to the pension system each year. South Dakota does better than most states by providing teachers with a detailed annual benefits statement that includes some of the most important data teachers should have about their own nest eggs.
- Unrealistic assumptions and risky investment. In 2016, 41 states made their pension calculations based on a 7.5 percent or higher rate of return on investments, and 13 of those states set their expectations at an 8 percent or higher return, when actual returns on investments are much lower. In an effort to boost investment returns and make up for lost ground, pension systems have made increasingly risky investments and are paying astronomical fees to investment managers.

To read the study, click [here](#). To schedule an interview with Ms. Jacobs, please contact Stephen Buckley at (202) 393-0020 ext. 129.

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NCTQ State Policy Dashboard

The NCTQ website (www.nctq.org/statepolicy) provides free download of this report as well as state-specific profiles 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.

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About NCTQ

The National Council on 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.

About EducationCounsel

EducationCounsel is a mission-based education consulting firm that combines experience in policy, strategy, law, and advocacy to drive significant improvements in the U.S. education system.