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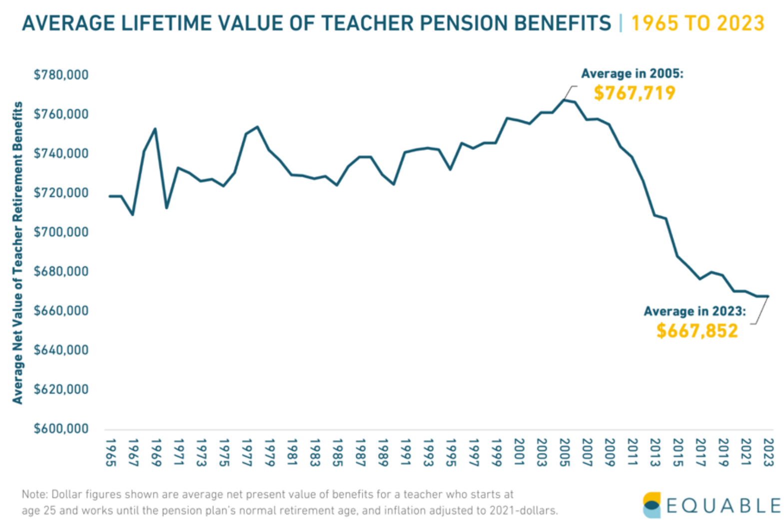
NEW REPORT: Value of Teacher Pension Benefits at Lowest Point Since 1965

The omnibus report also reveals that a majority of America's educators are denied a path to retirement income security



New York, June 28th 2022 – A new report assessing the landscape of public retirement benefits offered to public school employees in the United States finds that the value of teacher pension benefits is at its lowest point in modern history (using data going back to 1965), Equable Institute estimates that state governments have cut the value of pension benefits offered to new K–12 teachers by 13% from a high point in 2005, equivalent to a $100,000 reduction in the lifetime value of pensions on average for teachers hired today versus teachers hired before the Great Recession.

The Retirement Security Report: Teacher Edition evaluates all 316 public state and local retirement benefit tiers that currently have enrolled teachers and non-instructional employees to assess the state of teacher benefits in the United States. The resulting omnibus analysis is comprised of four parts – a primary paper entitled "The National Landscape of Teacher Benefit Security" and three special reports evaluating the value of teacher retirement benefits over time, the best states for new teachers, and the elements of quality retirement plan design, respectively.

Using Equable's Retirement Benefit Score methodology, the report reveals that a majority of educators are not provided a path to retirement income security, when measured against the benchmark of achieving 70% replacement of pre-retirement income at least by age 67. Specifically, the analysis shows:

- Since the Great Recession, 45 state retirement systems have introduced a new tier or class of benefits, that have generally reduced the value of pension benefits offered to new members. Teachers who started in the classroom in 2005 can expect that the average lifetime value of their pension will be approximately $768,000 when they reach normal retirement age. However, teachers hired during the 2022-23 school year will only be eligible to earn a pension worth just $668,000 by the time they put in the same years of service.

- When averaging across all entry ages and career tenures, there are only 10 retirement plans that serve all workers well. Four are traditional pension plans, four are hybrid plans, and 2 are defined contribution plans.

- Short-Term teachers (less than 10 years of service) and Medium-Term teachers (10-20 years of service) are not served well by their retirement plans on their own regardless of plan type. This includes pension, defined contribution, hybrid, and guaranteed return plans. Leaving aside legacy retirement plans, only 12 out of the 264 plans currently available to new teachers serve Medium-Term teachers well and just 2 of 264 plans serve Short-Term teachers well.

- Full-Career teachers (those who reach normal retirement age) are typically served well by their retirement plans no matter what the plan design type, with 82.3% of plans open to new hires projected to provide adequate retirement income security. However, Full-Career teachers only account for one-third of the teacher workforce.

- Pension plans have declined in quality. Of the 316 plans in Equable's database, the top performing pension plans are legacy plans which are unavailable to new teachers.

"There is a historic idea that if you can get a job with a pension plan that you'll have a good retirement, and for some people who became teachers two or three decades ago that was true. But we've found that the value of pension plans for new educators is falling," said Anthony Randazzo, executive director at Equable. "This doesn't mean that states should abandon pension plans, but it does mean all stakeholders should look closer at whether pension plans being offered to new individuals joining the teaching workforce are actually being enrolled in an adequate retirement plan."

To dive deeper into the findings of the Retirement Security Report: Teacher Edition, visit Equable.org/RSRTeacherEdition.

About the Retirement Security Report Teacher Edition

The Retirement Security Report Teacher Edition is an extension of the first iteration of Equable's Retirement Security Report (RSR) released last year. The RSR is a universe of in-depth research, interactive tools and other resources to shed light on the quality and value of retirement benefits for all public workers. All RSR projects are based on data from our comprehensive benefit database of retirement plans offered to public workers and use an open-source scoring methodology that accounts for three primary criteria: Eligibility, Income Adequacy (based on a 70% pre-retirement income replacement rate), and Flexibility & Mobility.

About Equable Institute

Equable is a bipartisan non-profit that works with public retirement system stakeholders to solve complex pension funding challenges with data-driven solutions. We exist to support public sector workers in understanding how their retirement systems can be improved, and to help state and local governments find ways to both fix threats to municipal finance stability and ensure the retirement security of all public servants.

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