EQUABLE

STATE OF PENSIONS 2020

K-12 EDUCATION PENSION TRENDS IN THE AGE OF COVID-19

State of Pensions is an annual report on the status of public pensions put into a historical context. State and local governments face a wide range of challenges – growing, and unpredictable pension costs are some of the largest. The scale and effects of this challenge become evident when the status of public retirement systems today are considered within the view of the multi-decade financial trends that have brought us to this point.

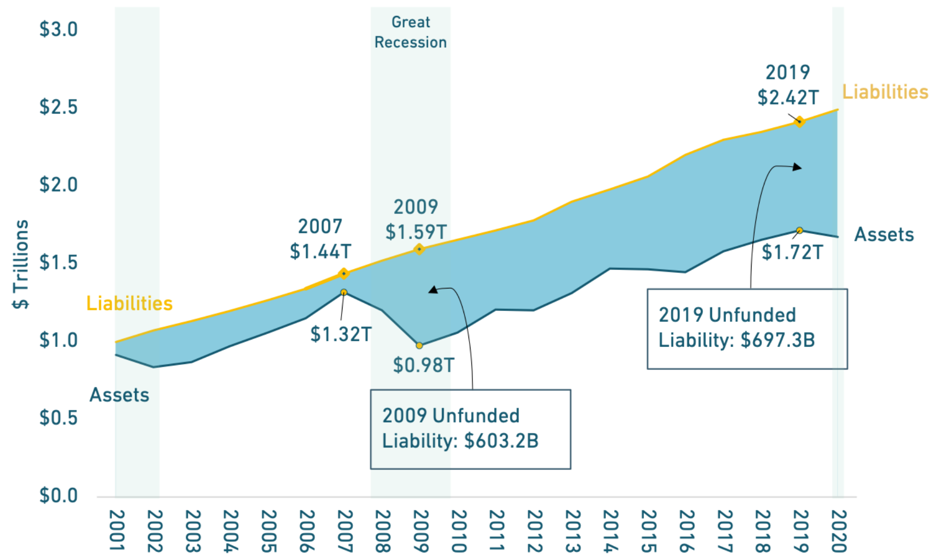
TREND 1:

Teacher pension plans have the largest share of unfunded liabilities in the country.

Nationally, there is a $1.35 trillion shortfall in funding for statewide retirement systems, as of 2019. Nearly half of this ($697.3 billion) is a shortfall in retirement systems that specifically cover teachers and other public school employees.

There are 34 states plus D.C. that account for these public school employee benefits separate from other workers. Equable estimates that when the unfunded liabilities associated with teachers in the 16 other states are added to the total, that teacher retirement benefits account for more than half of the nation's shortfall.

TOTAL UNFUNDED LIABILITES FOR K-12 EDUCATION PLANS, 2001-2019



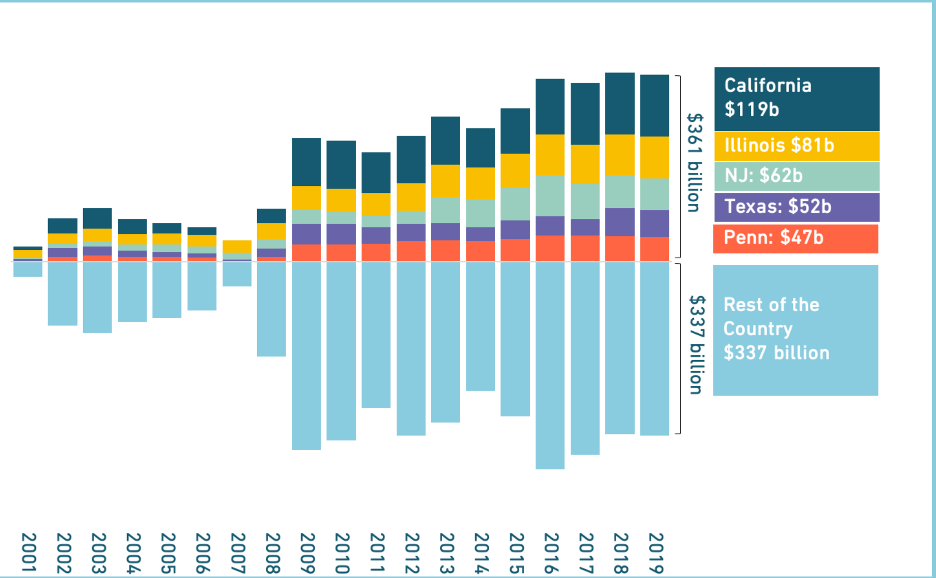
TREND 2:

More than half of the unfunded liabilities for teacher retirement systems are in five large states.

There is a $697.3 billion shortfall in funded status for teacher and public school employee benefits, as of 2019 (including the portion of general public employee plans that are specific to teachers and public school employees).

$360.6 billion of these, more than half, are unfunded liabilities for teacher pension benefits in just five states: California, Illinois, New Jersey, Texas, and Pennsylvania.

K-12 UNFUNDED LIABILITIES GROUPED BY STATE, 2001-2019



SEE REVERSE FOR MORE TRENDS

TREND 3:

Teacher pension plans are typically worse funded than pensions for police and fire.

States vary on whether they provide police and fire with retirement benefits as a part of a statewide system or through locally managed pension plans. But on average, statewide public safety employee plans are better funded (77.2%) than teacher pension plans (69%), as of 2019.

TOTAL UNFUNDED LIABILITIES BY PROFESSION, 2001-2019

Funded Status For:	Plan Count	Unfunded Liabilities	Funded Ratio
Statewide Systems that Only Cover Teachers and Public School Employees*	42 Plans	$592.5 billion	69.0%
All Teachers and Public School Workers, including Teacher Only Plans Plus Estimated Share from Statewide Plans Covering All Workers**	56 Plans	$697.3 billion	71.1%
Statewide Systems for Higher Education Only	California URS + Illinois SURS	$46.8 billion	65.8%
Statewide Systems for Public Safety Only**	25 Plans	$48.0 billion	77.2%

** Includes standalone systems for teachers, standalone systems for public school employees, and plans for teachers or public school employees that are part of broader systems but are valued and reported on separately; does not include teacher benefits that are provided by statewide systems including other kinds of employees and blended together (ex. Florida).*

*** Includes Equable Institute's estimate of the teacher and public school employee share of benefits for the following statewide systems that also cover other public employees: Arizona, Delaware, Florida, Hawaii, Idaho, Iowa, Maine, Mississippi, Nevada, New Hampshire, North Carolina, Oregon, South Carolina, Utah, Wisconsin, Wyoming*

TREND 4:

There is a wide variance in the funded status of teacher pension plans from state to state.

- California Teachers' Retirement System's unfunded liabilities ($90.3 billion) are larger than the combined funding shortfall in either all of Texas or Pennsylvania, which are the fourth and fifth largest unfunded liability states in the country. CalSTRS accounts for 6.05% of the nation's unfunded liability total.
- Illinois Teachers Retirement System has $81 billion in unfunded liabilities, which is 5.46% of the nation's total funding shortfall. This system's unfunded liability is currently 9.04% of Illinois state GDP, and that does not even count the Chicago Teachers' Retirement System.
- New York State Teachers' Retirement System is one of the best funded in the country, and has been nearly 100% funded for the past two decades.
- Washington D.C.'s Teachers' Retirement System is also currently 91% funded and has averaged above 90% for the past eight years.

TREND 5:

There are four states that require today's teachers to help pay for the unfunded liabilities of the retirement system.

- Illinois TRS: The member contribution rate for Tier 2 (9% of payroll) is larger than the normal cost for the plan (7.57% of payroll), meaning they tacitly cover a portion of unfunded liability costs, too.
- Ohio TRS: The member contribution rate (14% of payroll) is larger than the normal cost for the plan (10.8% of payroll), meaning they tacitly cover a portion of unfunded liability costs, too.
- Arizona SRS: Members, including teachers, explicitly pay 50% of unfunded liability payments.
- Nevada PERA: Members of the "Employer-Employee Pay" plan, including teachers, share the costs of paying the required contribution rate on a 50/50 basis.

Visit www.Equable.org/StateofPensions to download the full report.

For Media Inquiries:
Sam Shaw
Director of Communications
sam@equable.org
646-470-0824