



Alaska Teacher Recruitment and Retention Study:

**Options and Analysis Supporting
Retirement Design**

Senate Finance Committee

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May 2, 2023

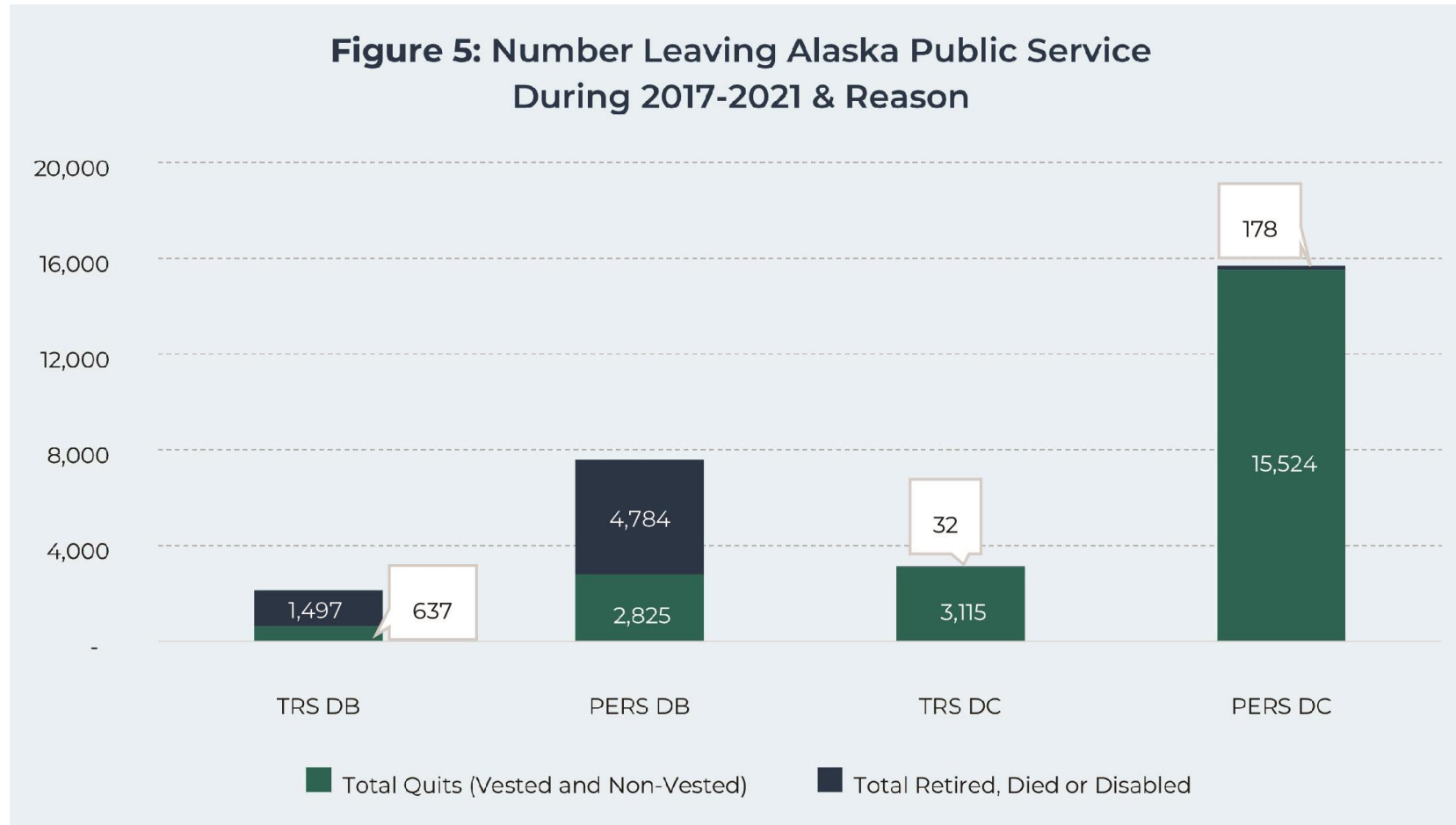


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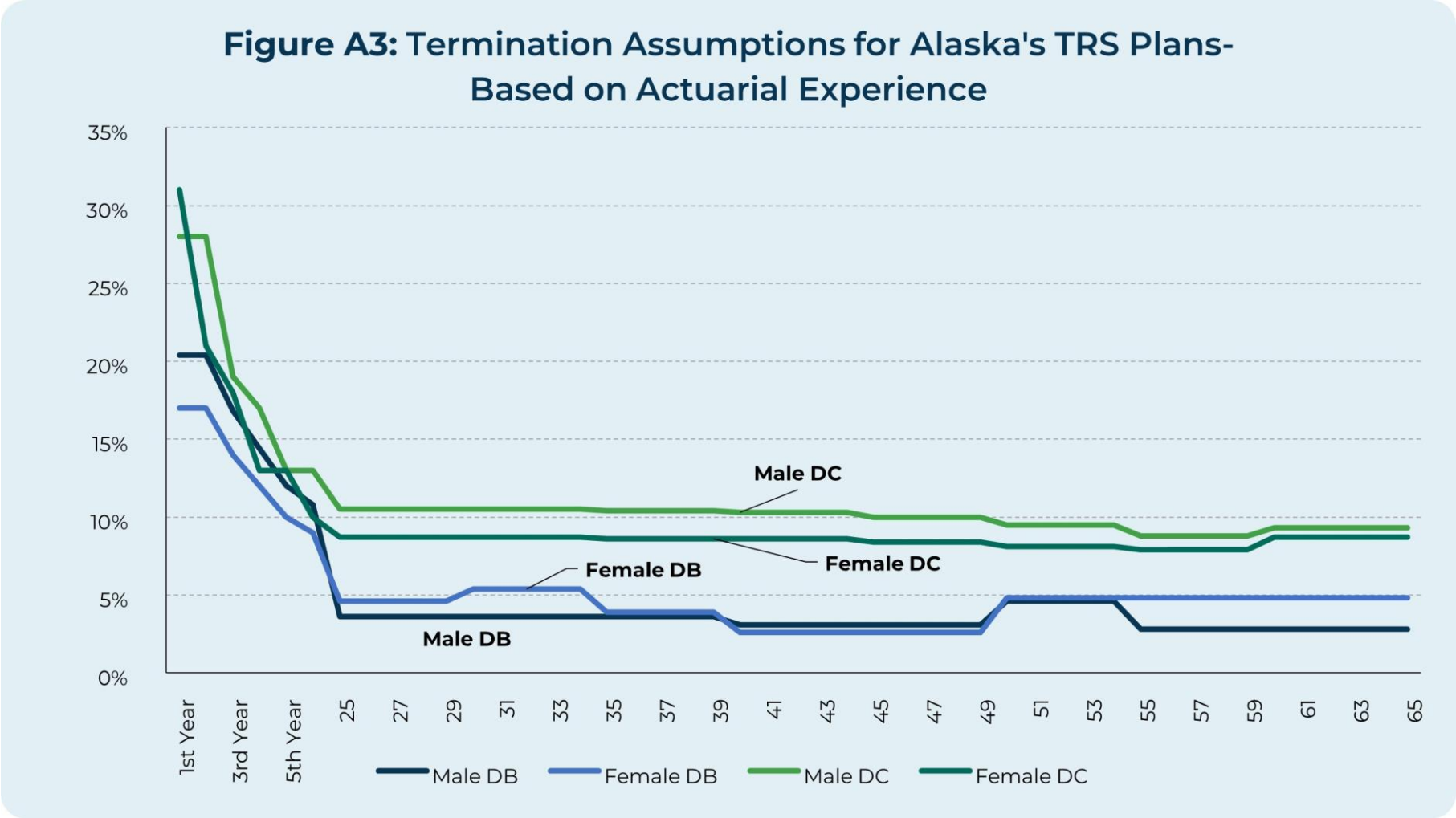
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Teacher Retention Findings

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

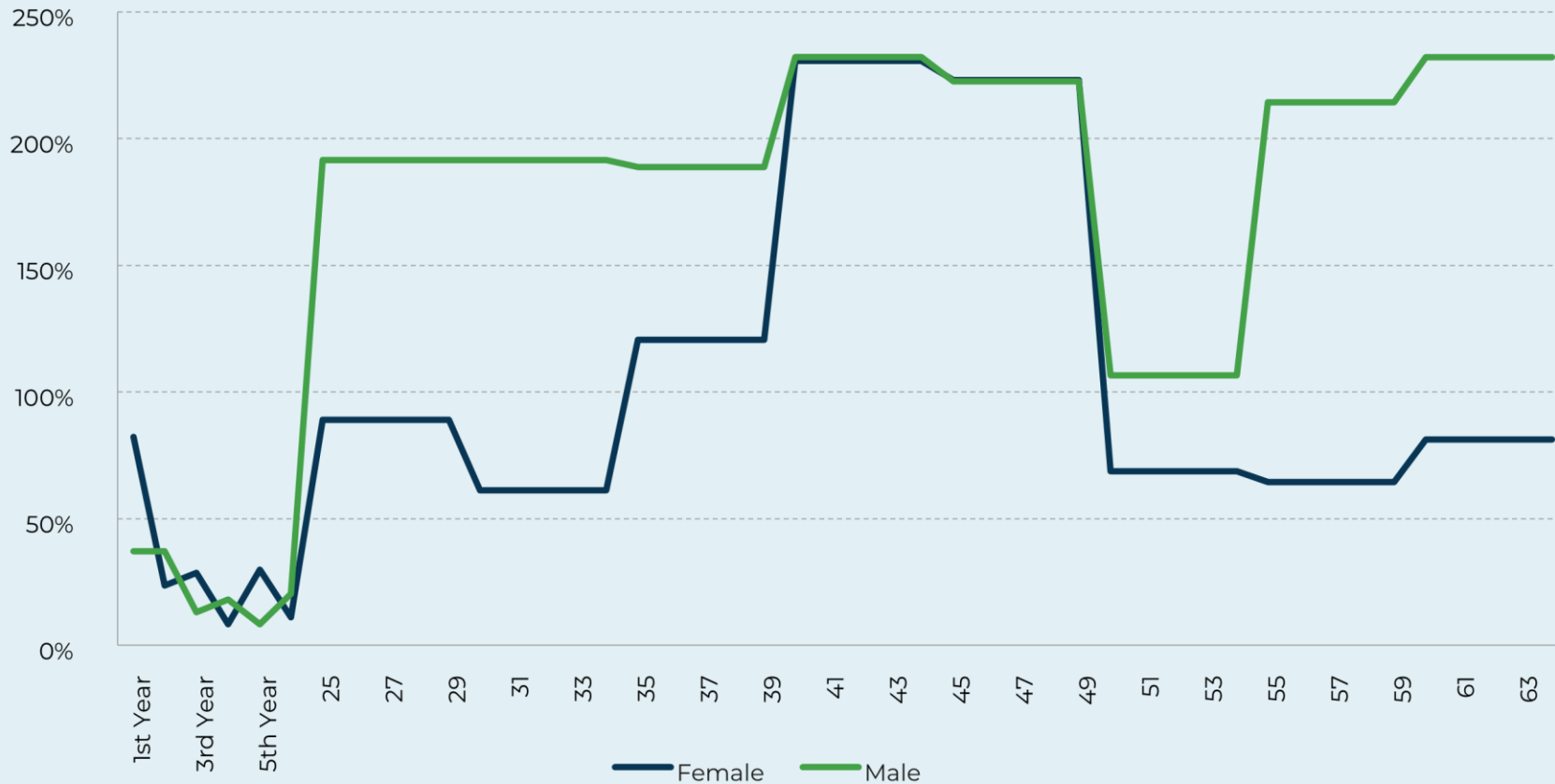


Quits Rates Are Much Higher in DC Plans



TRS DC Turnover is Much Higher than DB

Figure 2: Percentage by which TRS DC Quits Are Expected to Exceed TRS DB Quits - Based on Actuarial Experience

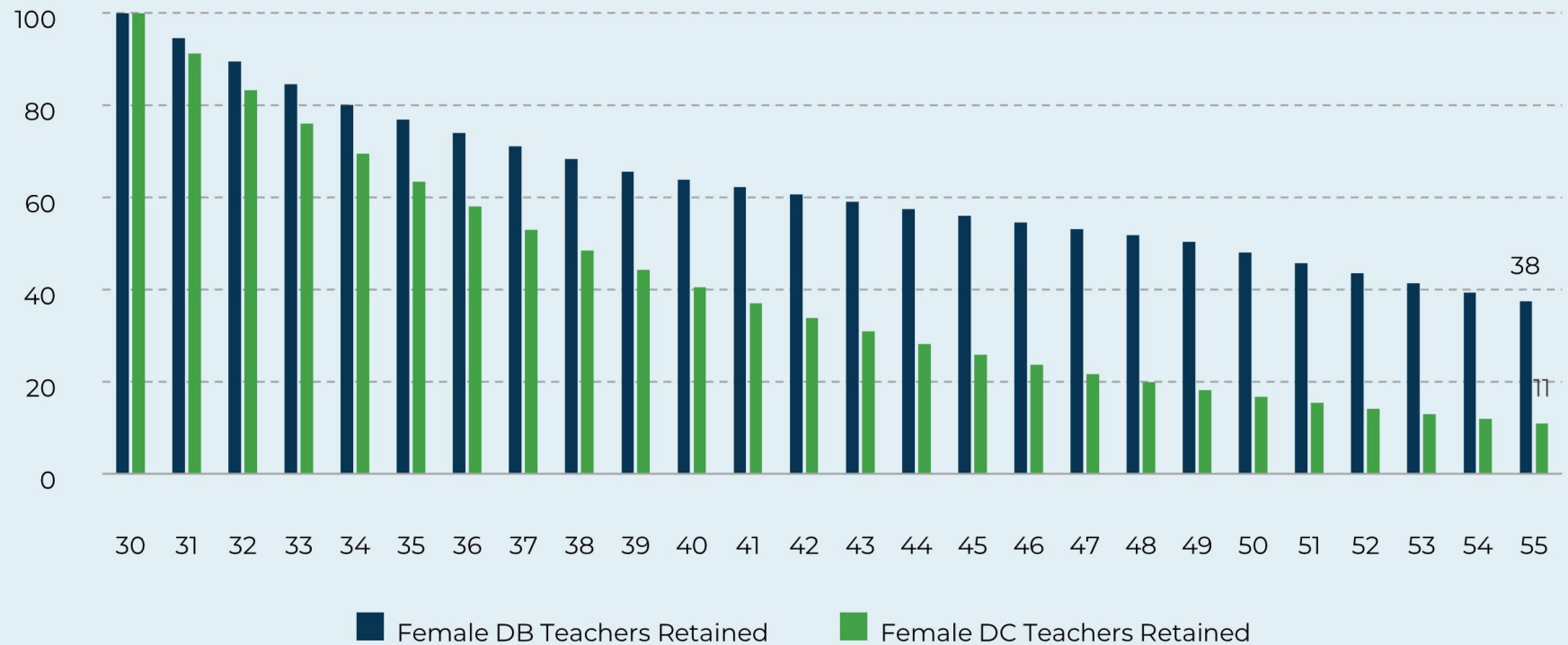


Female Teachers: How the Seemingly Small Difference Adds Up

What this means:

- 100 teachers in DB plan expected to provide 1,792 years of teaching
- 100 teachers in DC plan: 1,093 years of teaching

**Figure 3: Retention of Female Teachers (TRS): DB & DC Plans
Based on Ultimate Termination Rates**

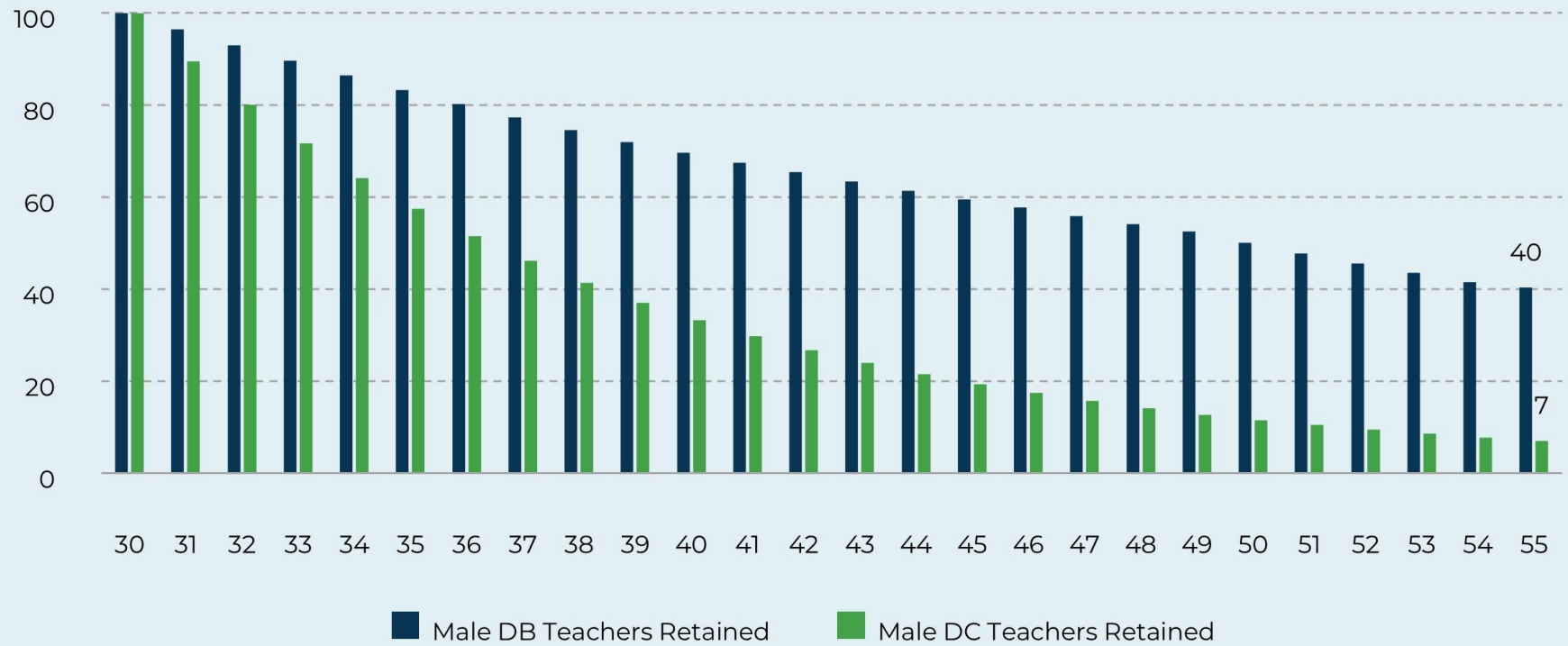


Male Teachers: Even Larger Impact

What this means:

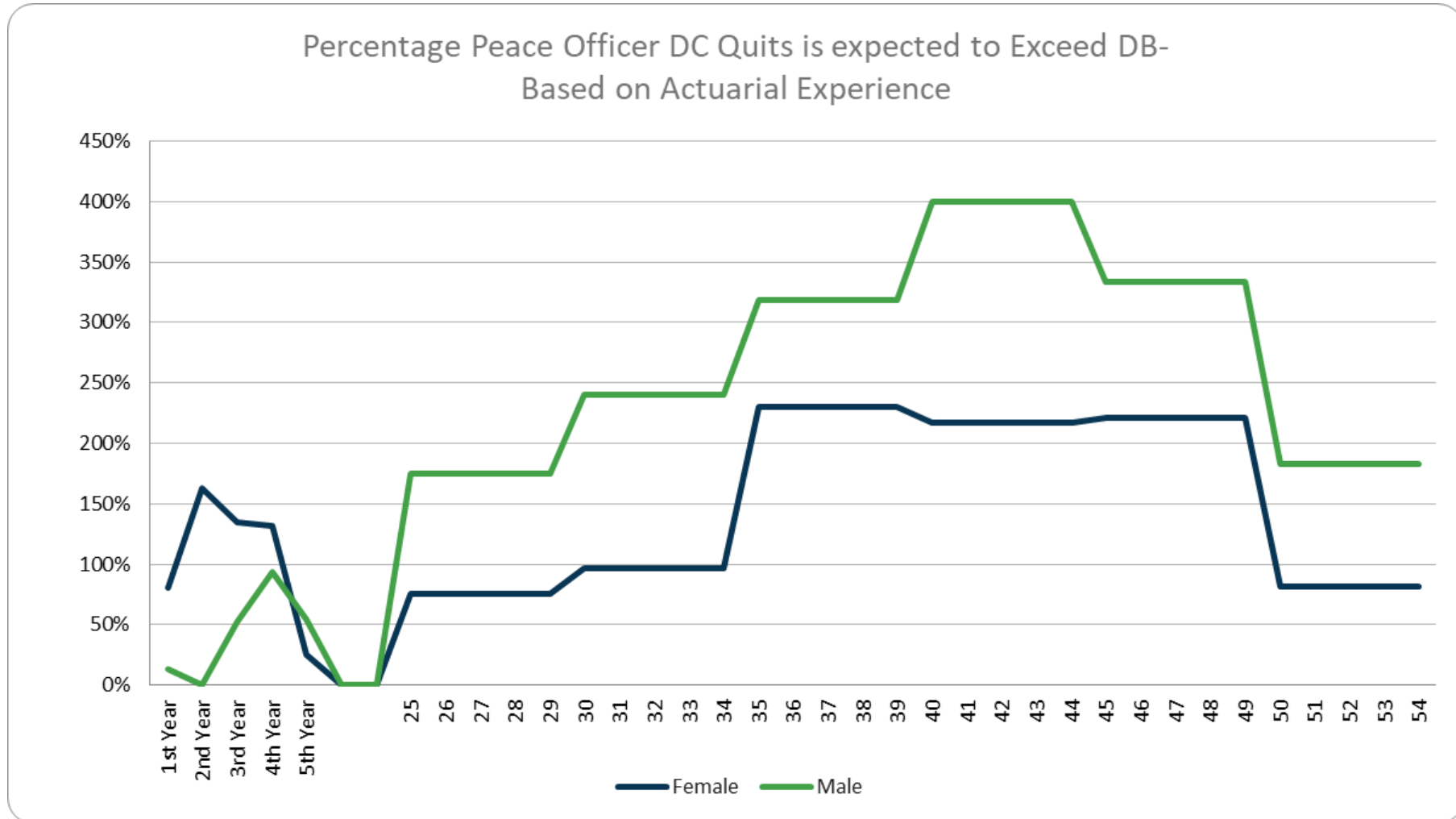
- 100 teachers in DB plan expected to provide 1,914 years of teaching
- 100 teachers in DC plan: 935 years of teaching

**Figure 4: Retention of Male Teachers (TRS): DB & DC Plans
Based on Ultimate Termination Rates**

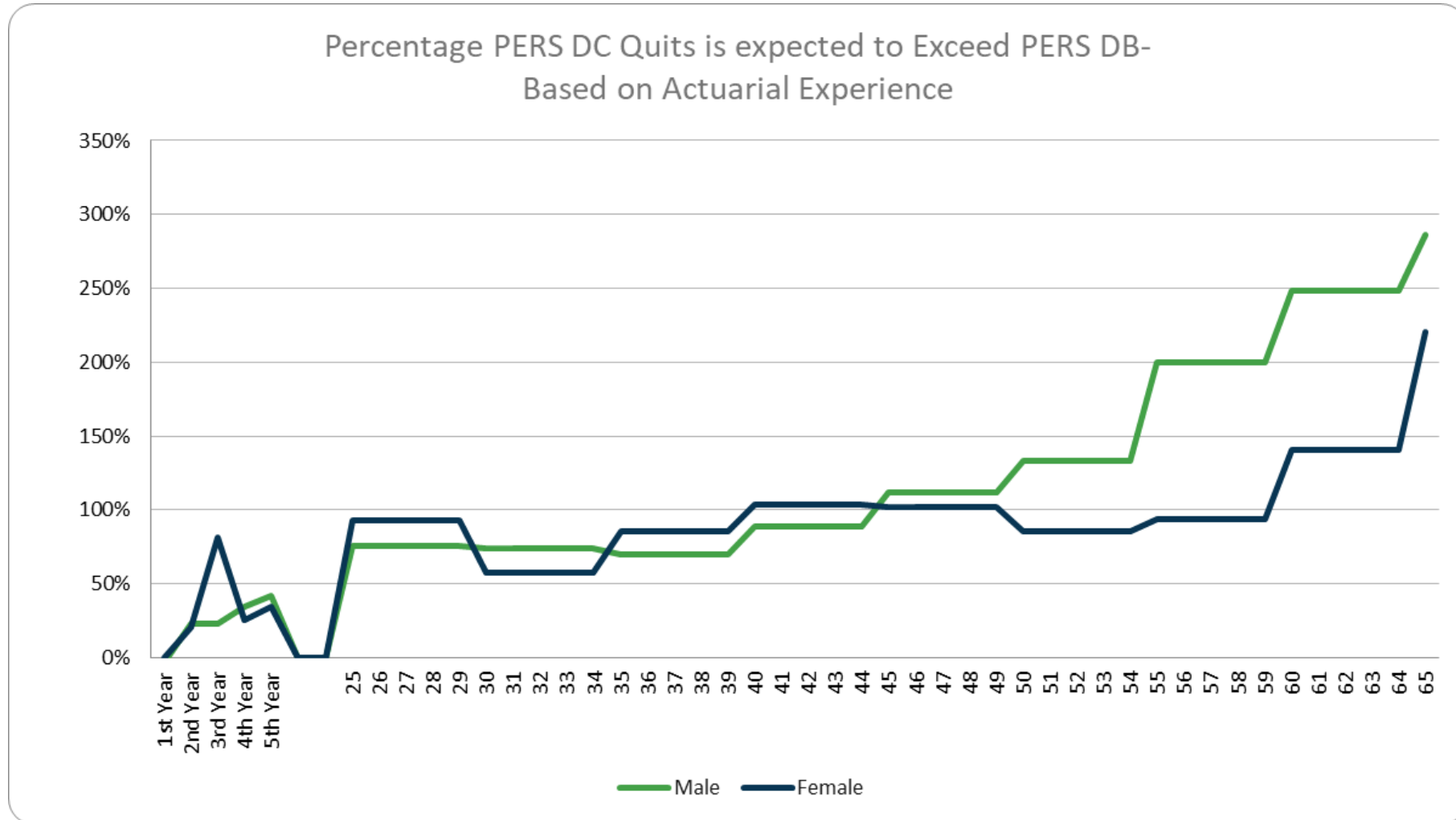


Additional Data for PERS Plans

Peace Officer DC Turnover Much Higher



PERS DC Turnover also Higher

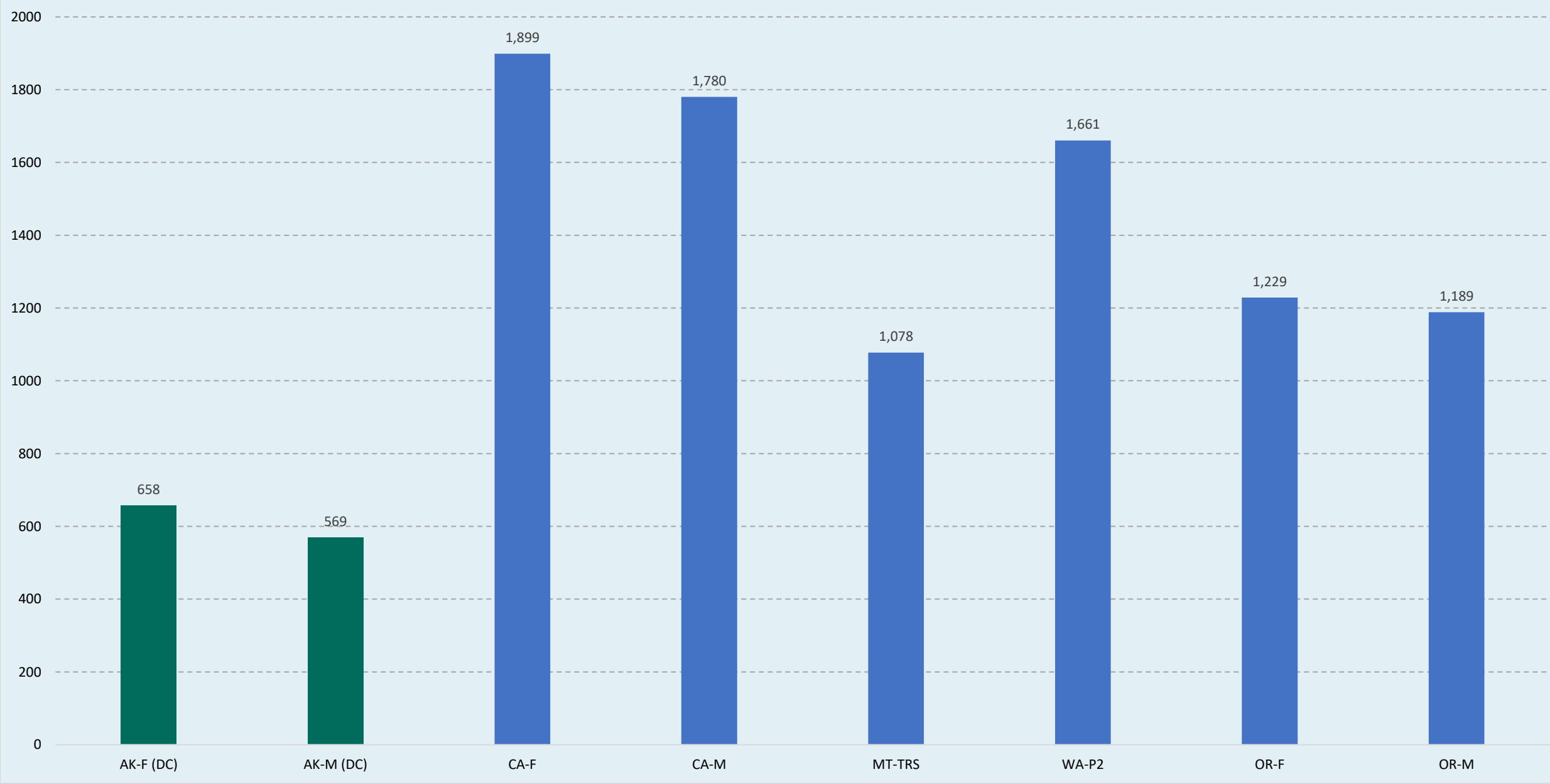


TRS DC: Early Retention Getting Worse

Termination: Select Rates – TRS DCR

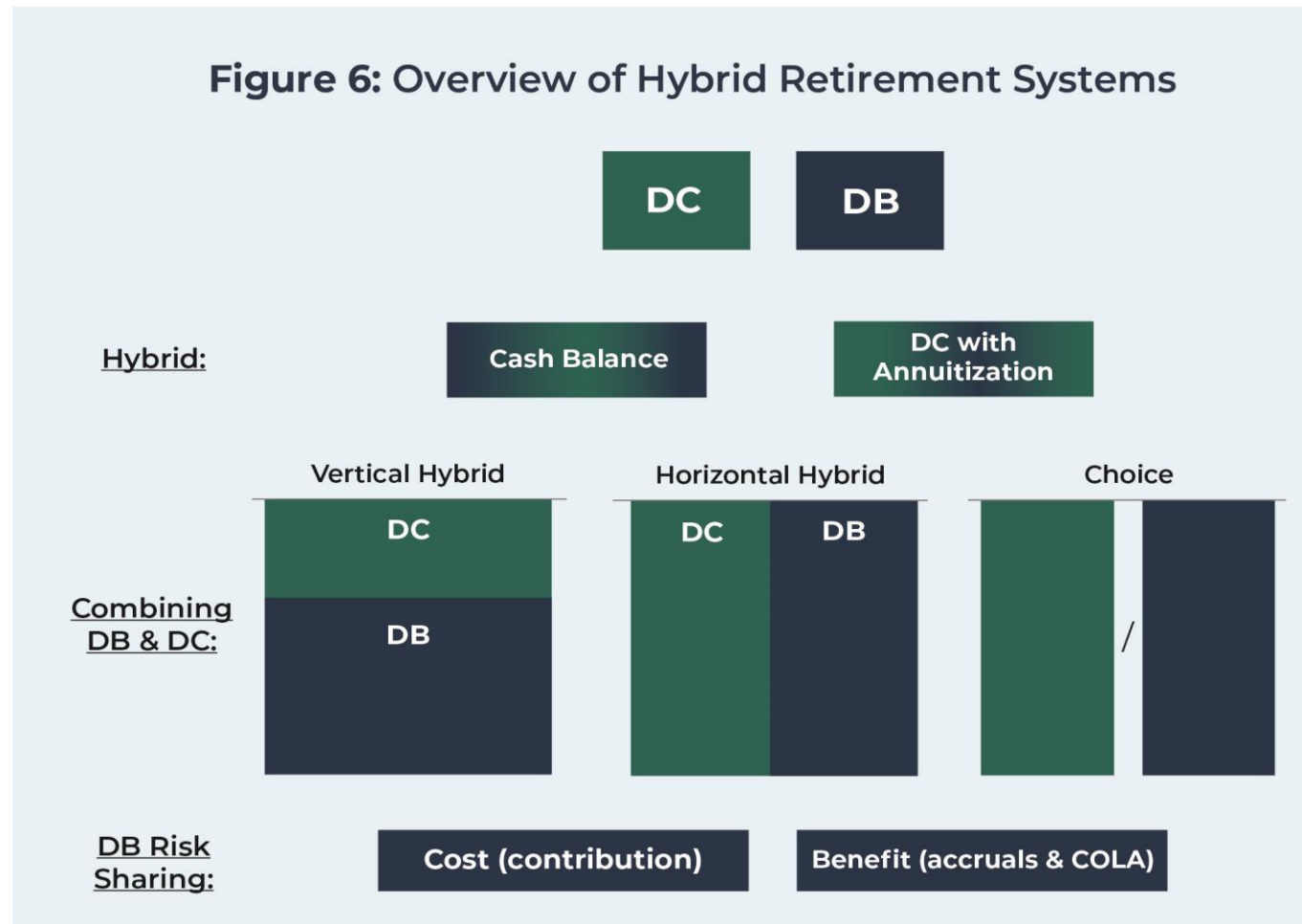
Years of Service	Current		Proposed (Adopted)	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
<1	20.70%	21.80%	28.00%	31.00%
1	19.55%	18.70%	28.00%	21.00%
2	16.10%	15.40%	19.00%	18.00%
3	13.80%	13.20%	17.00%	13.00%
4	11.50%	11.00%	13.00%	13.00%
5	7.32%	8.05%	13.00%	10.00%

Cumulative Years Taught from 100 newly hired, 25-year Old Teachers Over Next 30 Years



Benchmarking Alaska's Offerings

Variety of Plan Types Available in the Public Sector



Most States Still Offer Educators a DB Pension Plan

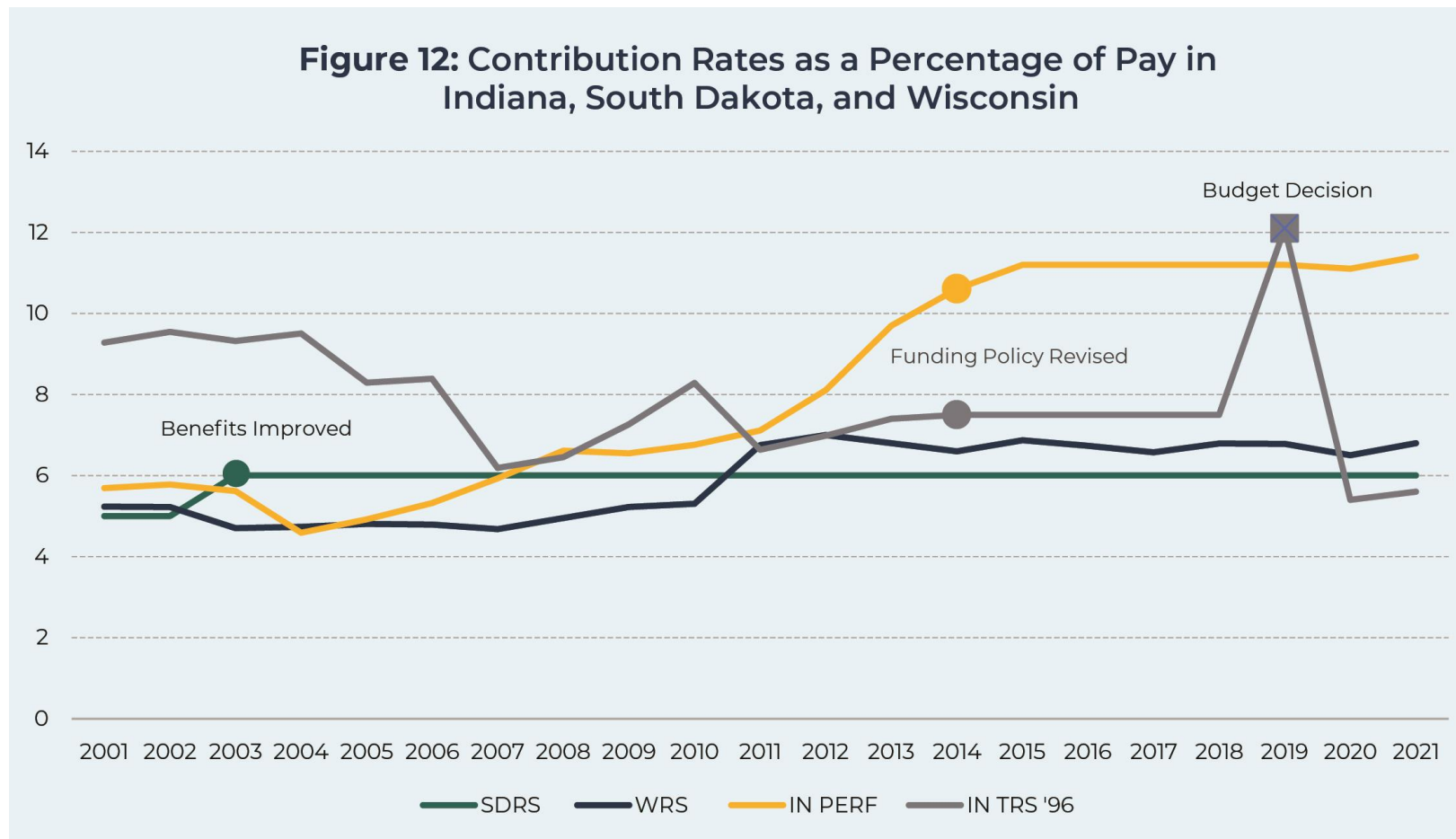
Table 1: Summary of Benefit Offerings Among State-Level Plans for Teachers, Faculty, and Support Professionals				
Social Security States (All or Most)				
	Teachers	ESPs	HEF	HESP
DB (Pension)	AL, AZ, AR, CA, DE, GA, HI, IA, ID, MD, MN, MS, MT, NE, NH, NJ, NM, NY, NC, ND, OK, SD, VT, WV, WI, WY	AL, AZ, 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.				

Strategies to Produce Stable Costs and Risk-Sharing Observations

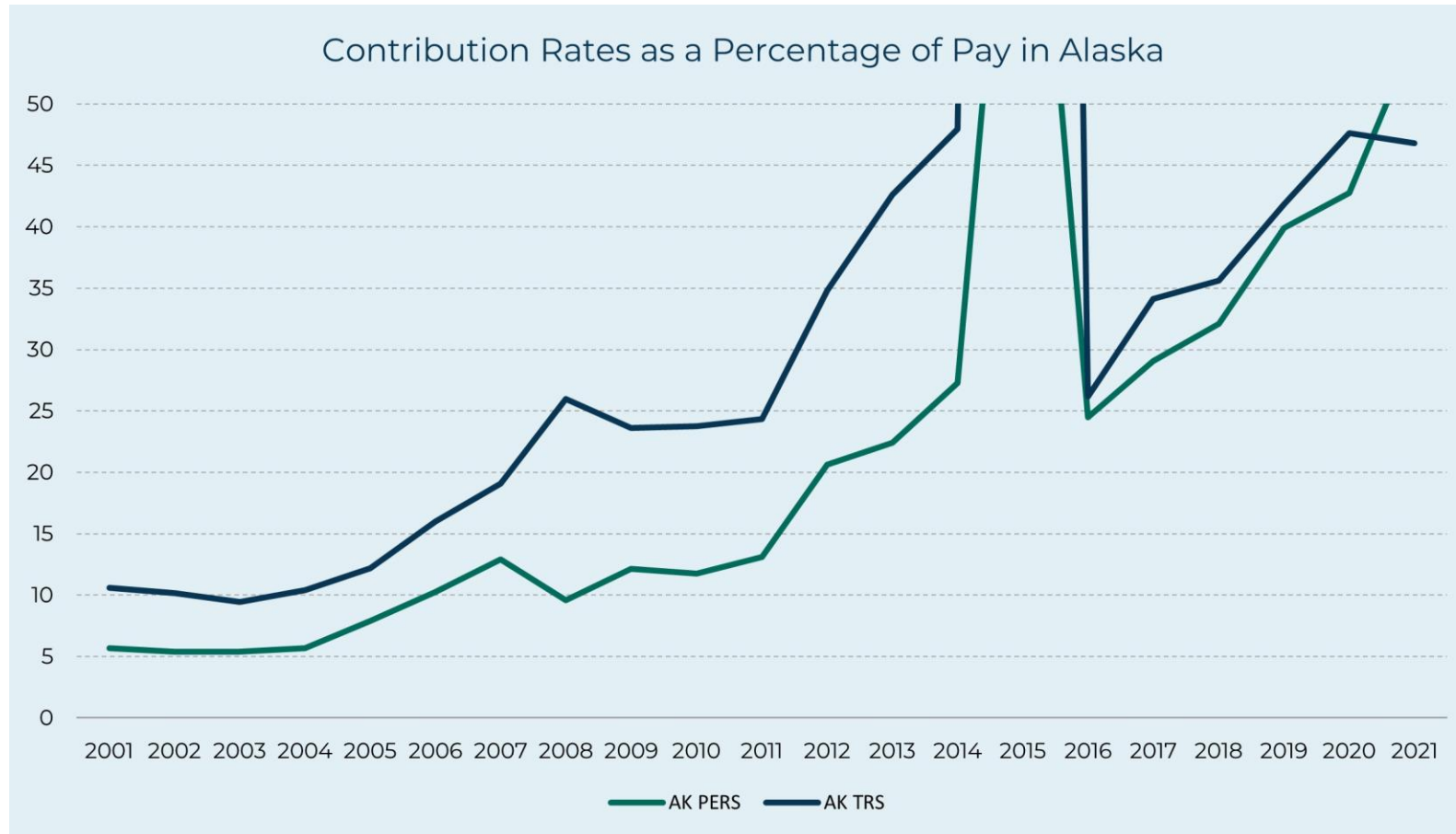
Cost Stability Strategies and Observations on Other States

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



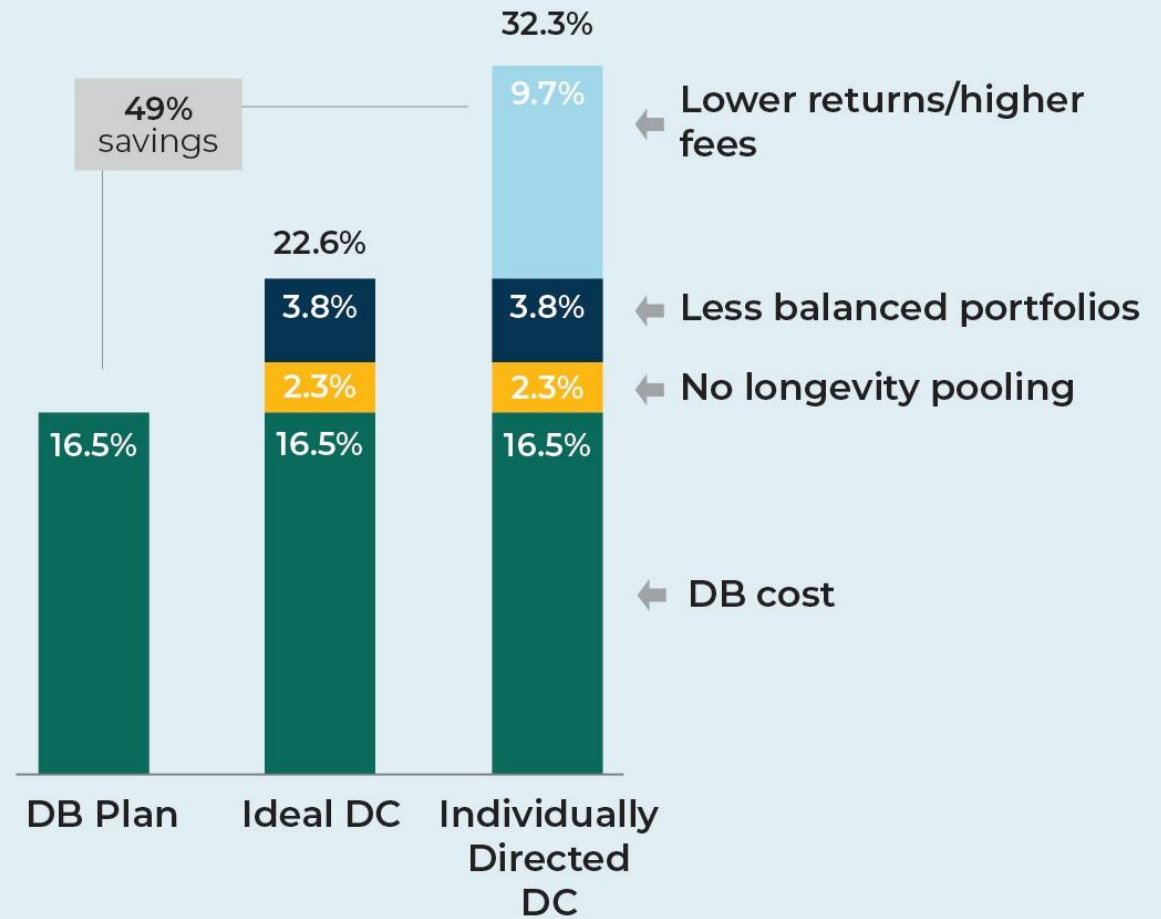
Contribution Rates Have Been Much Higher in the Two Alaska Plans



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



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

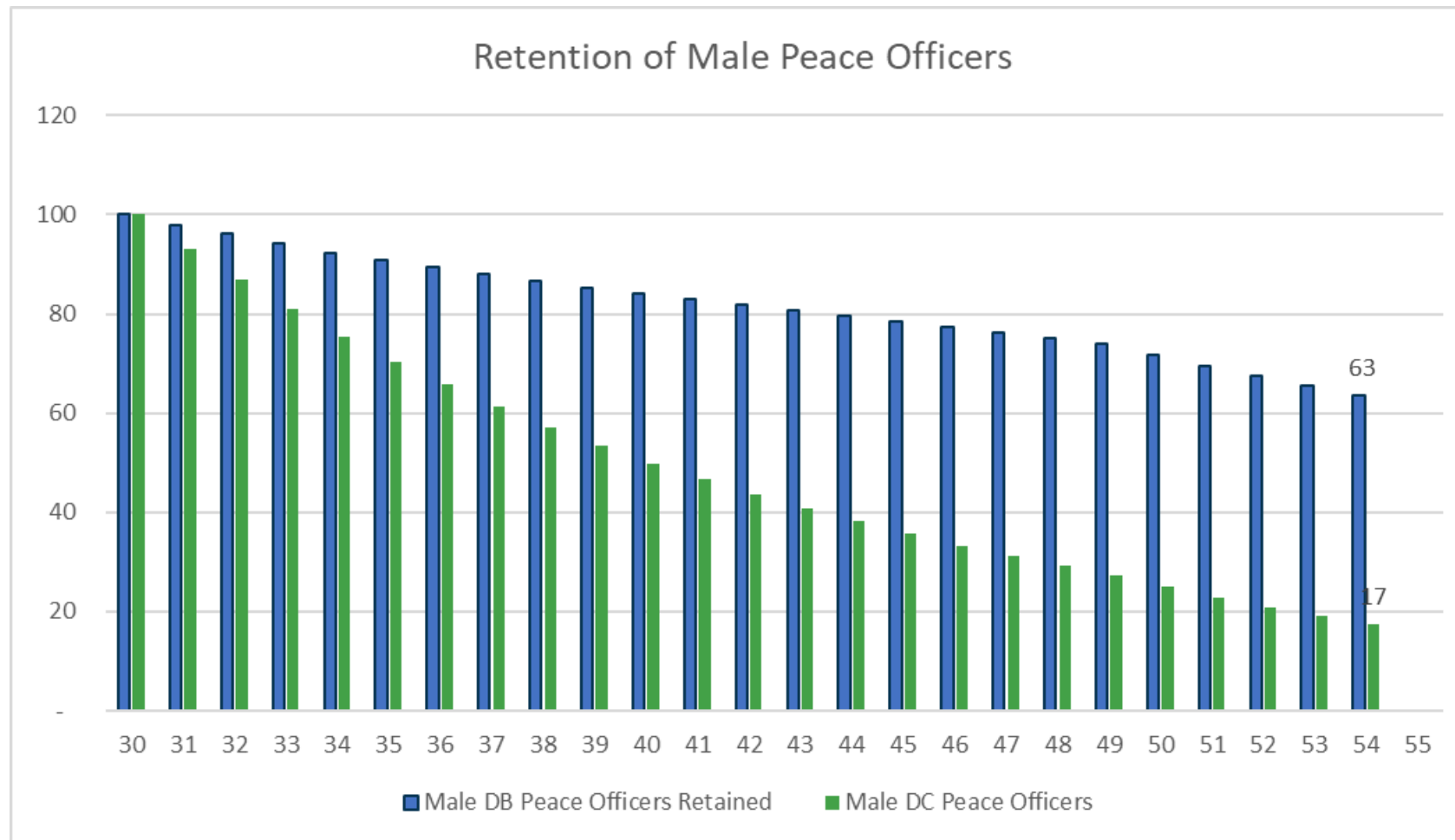
- **Unfortunately, all states seem to struggle with retention of newly hired teachers.** This problem is exaggerated in Alaska, but non-retirement policies could help with retention of newly hired teachers.
- **There are important choices about how benefits are designed and how they are funded,** beyond 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

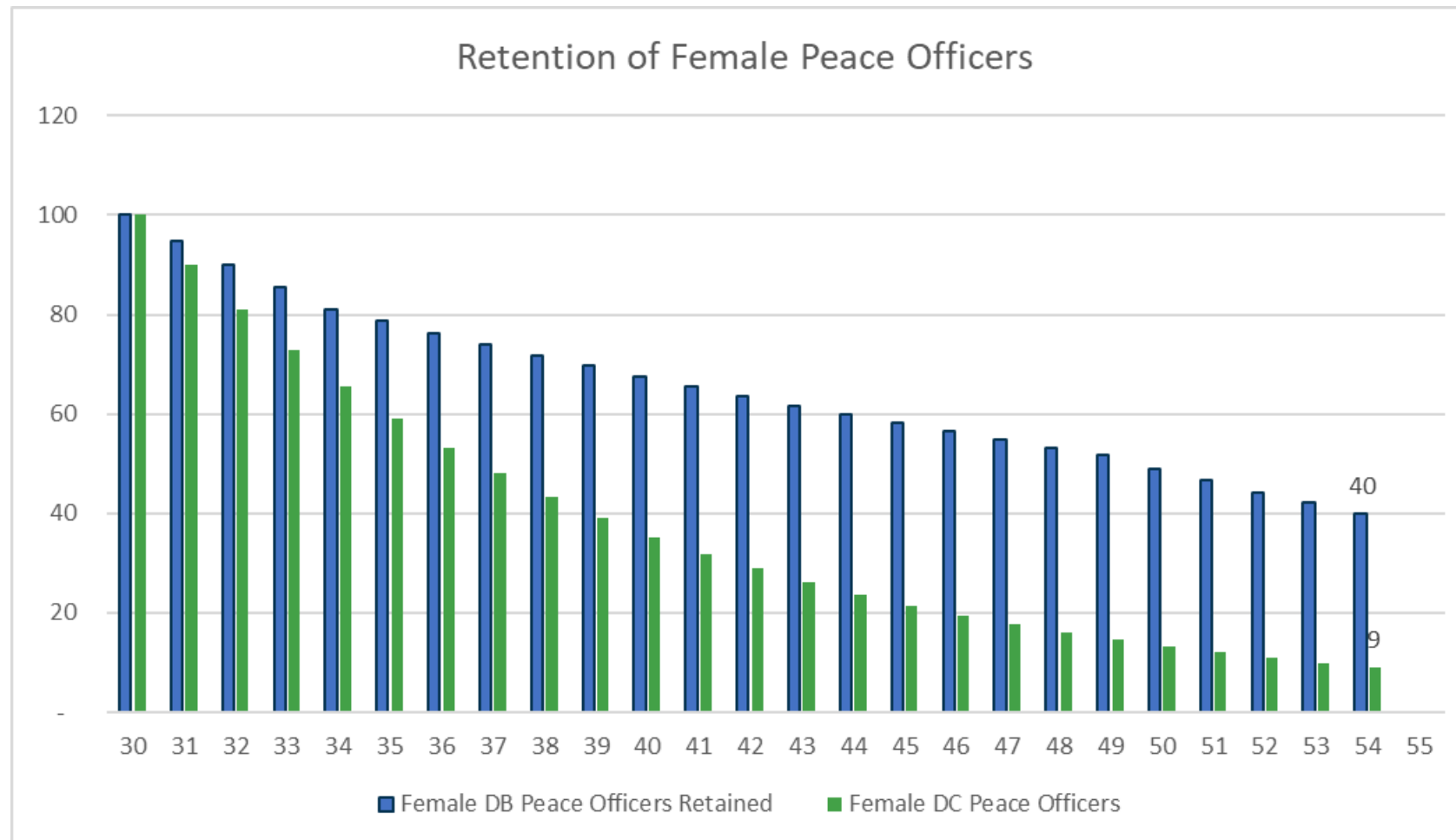


Additional Data for PERS Plans

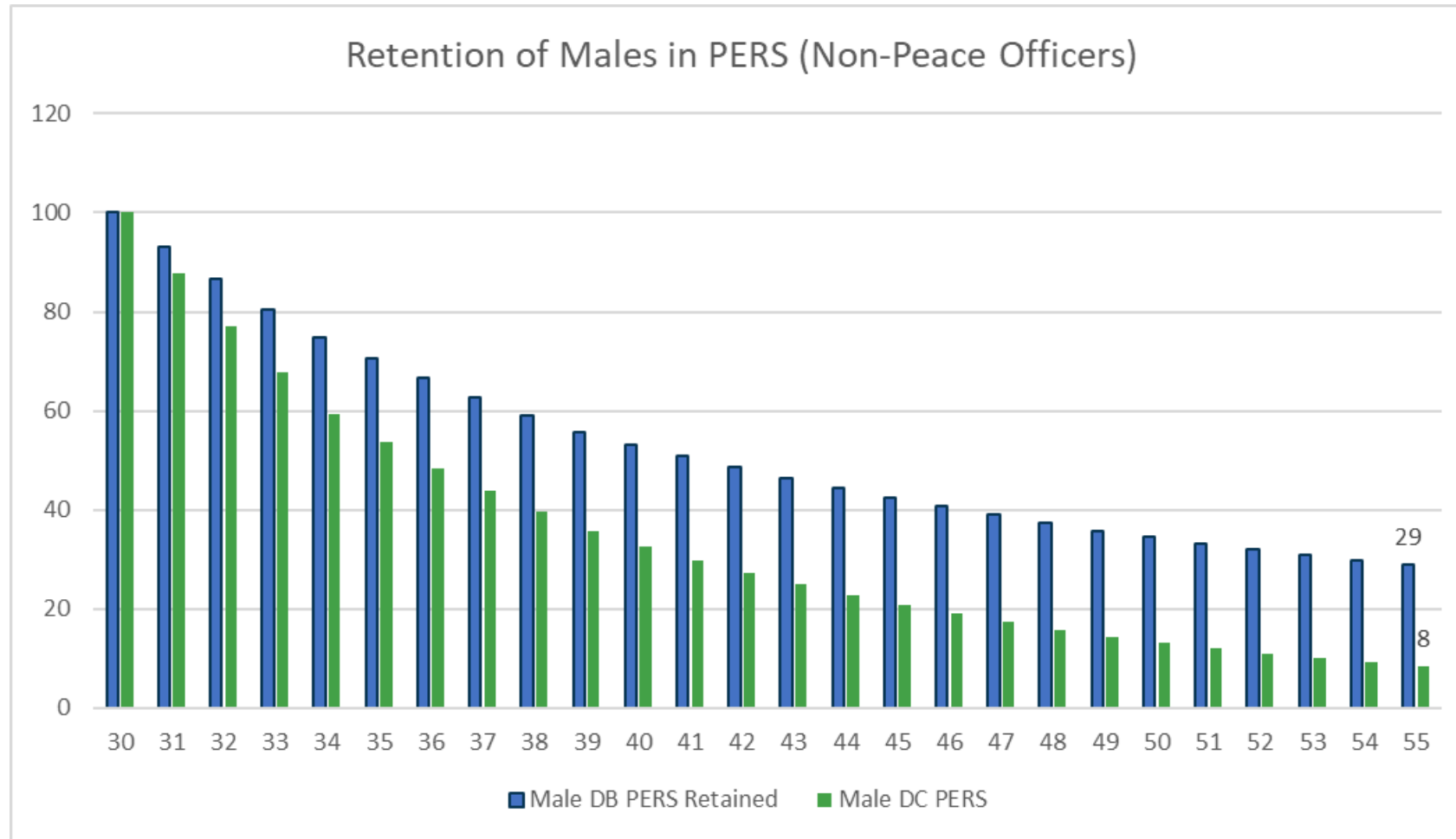
Male Peace Officer Retention is Much Lower in the DC Plan



Female Peace Officer Retention is Also Lower in the DC Plan



PERS DB Also Retaining Workers Better



Similar Trend for Females in PERS

