



# **Alaska Teacher Recruitment and Retention Study: Options and Analysis Supporting Retirement Design**

## **Senate Finance Committee**

**Dan Doonan, Executive Director, NIRS**

**May 2, 2023**

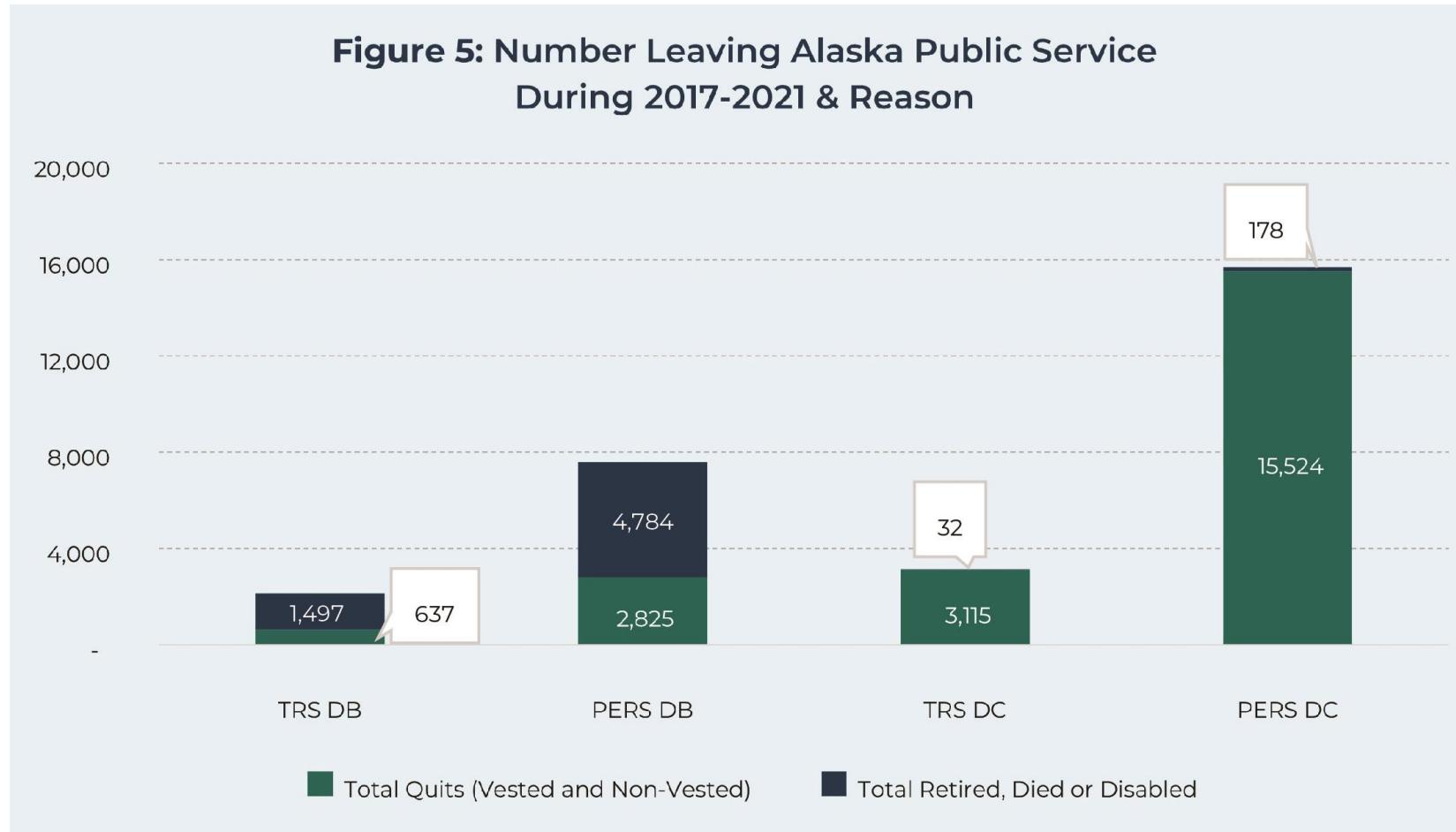


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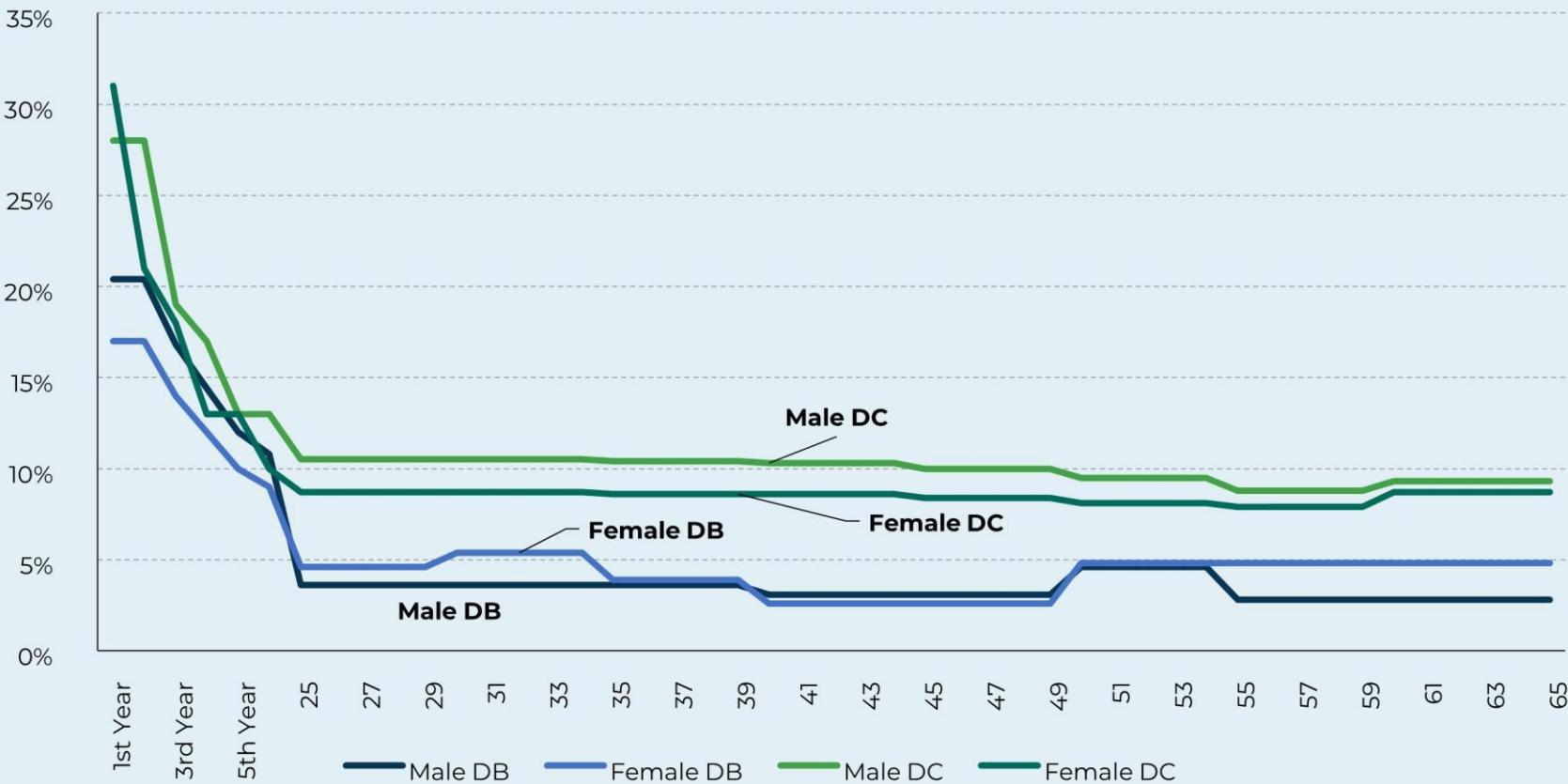
# Teacher Retention Findings

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



# Quits Rates Are Much Higher in DC Plans

**Figure A3: Termination Assumptions for Alaska's TRS Plans-  
Based on Actuarial Experience**



# 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**

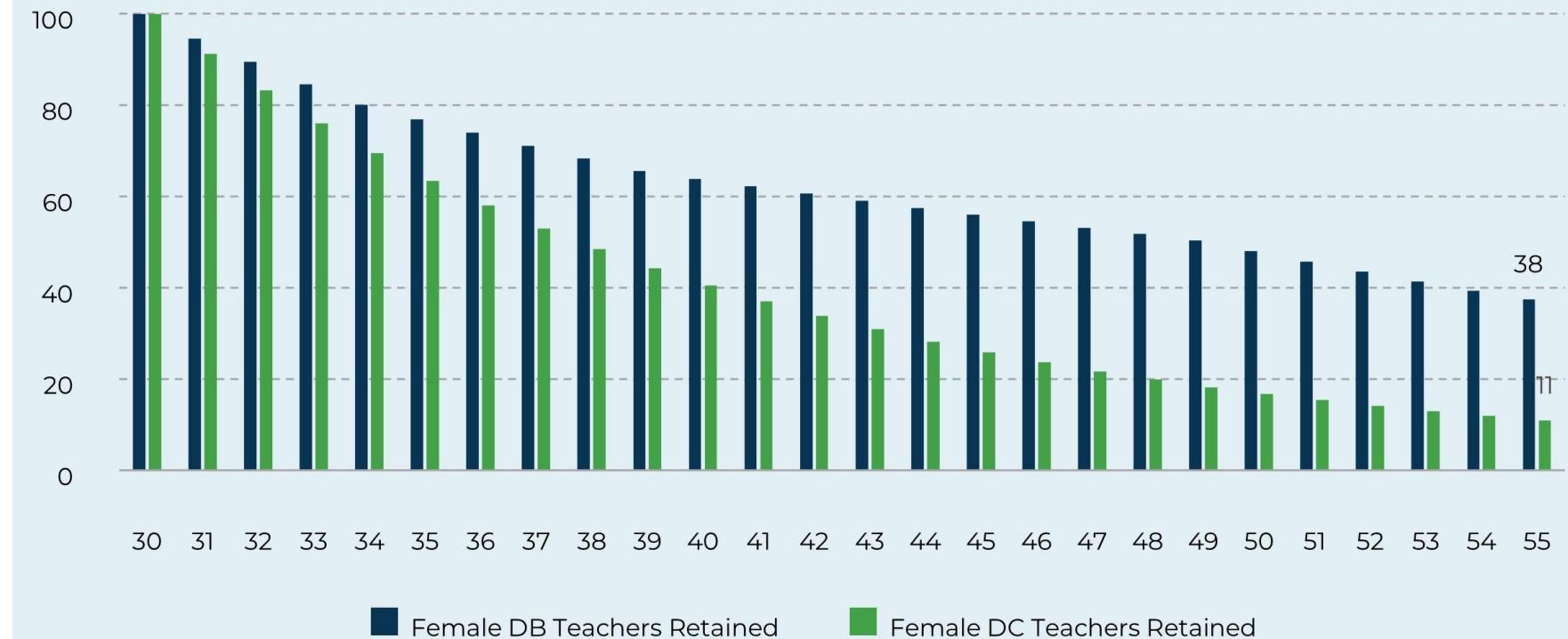


# Female Teachers: How the Seemingly Small Difference Adds Up

## 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**

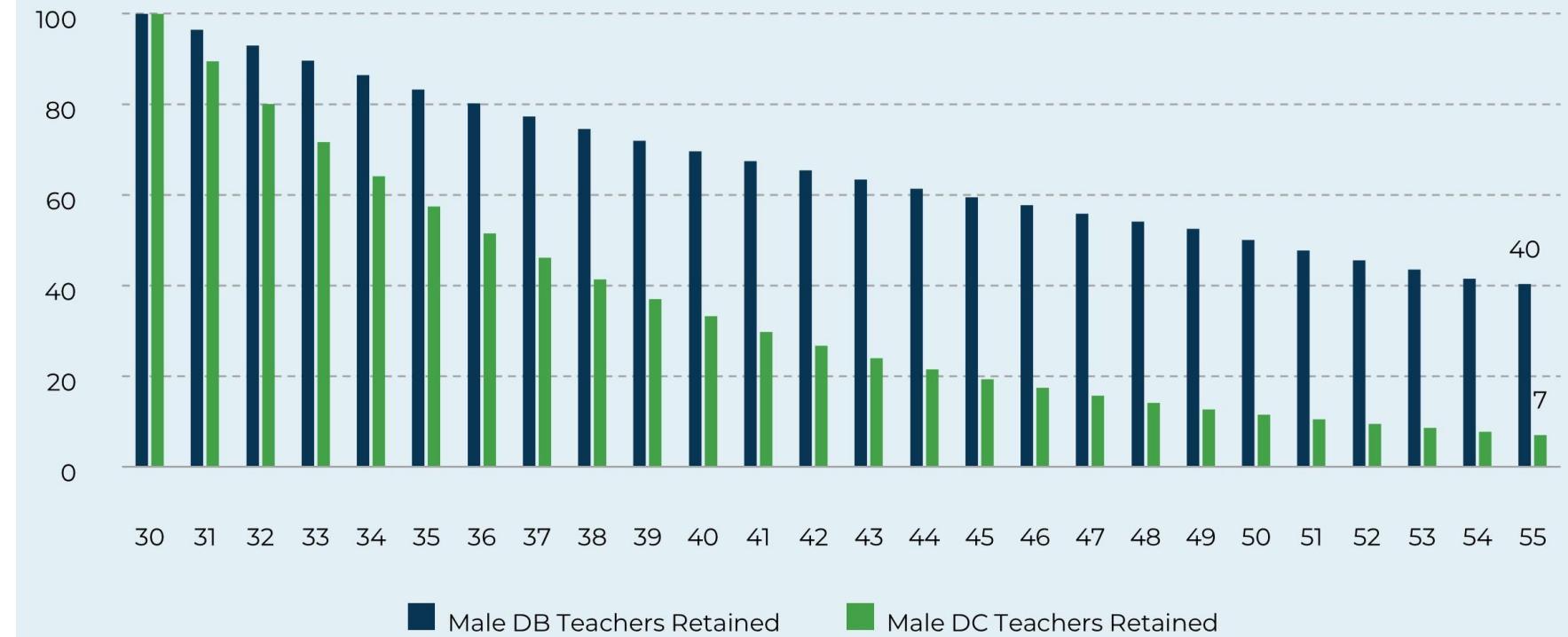


# Male Teachers: Even Larger Impact

## What this means:

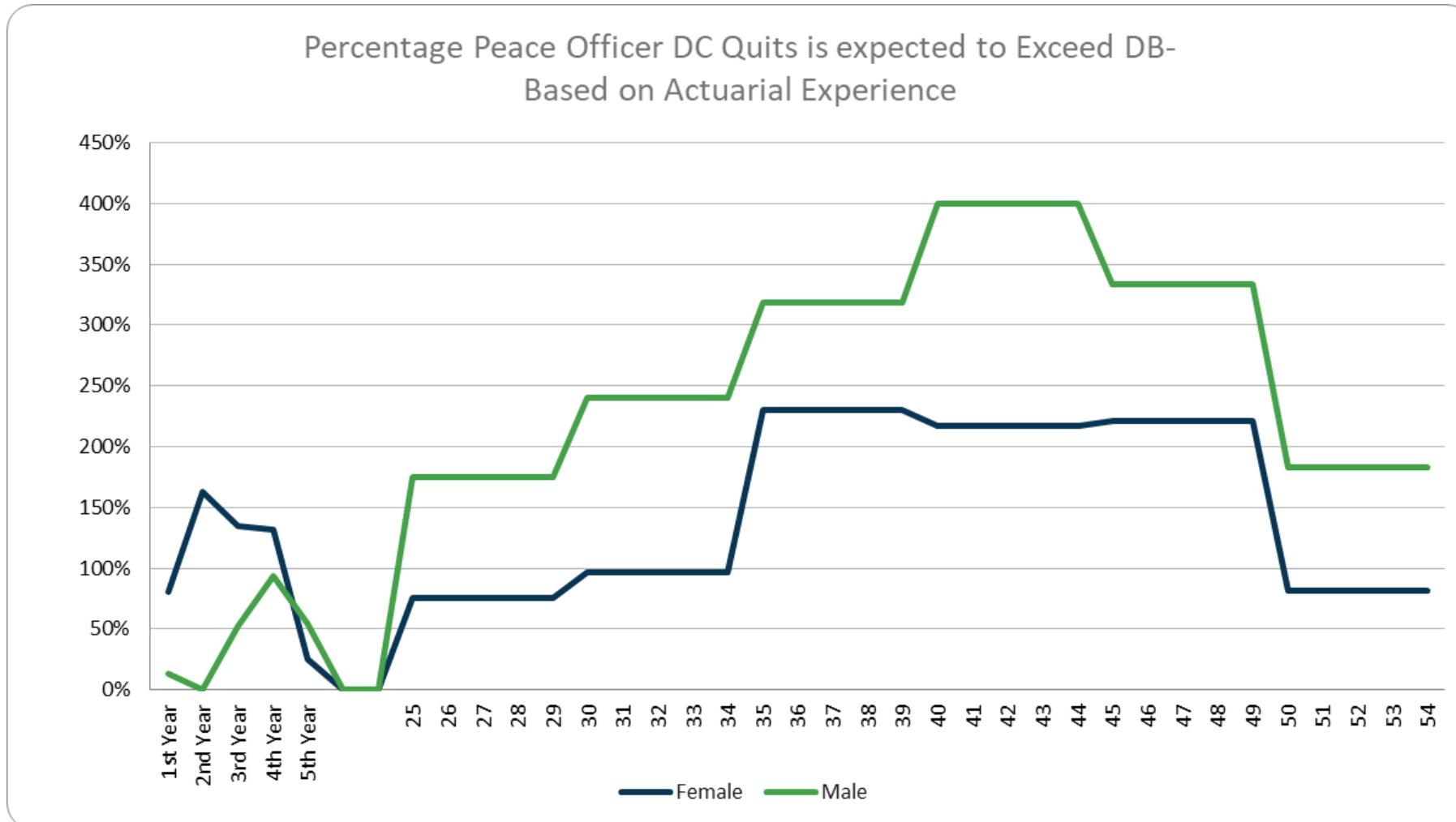
- 100 teachers in DB plan expected to provide 1,914 years of teaching
- 100 teachers in DC plan: 935 years of teaching

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

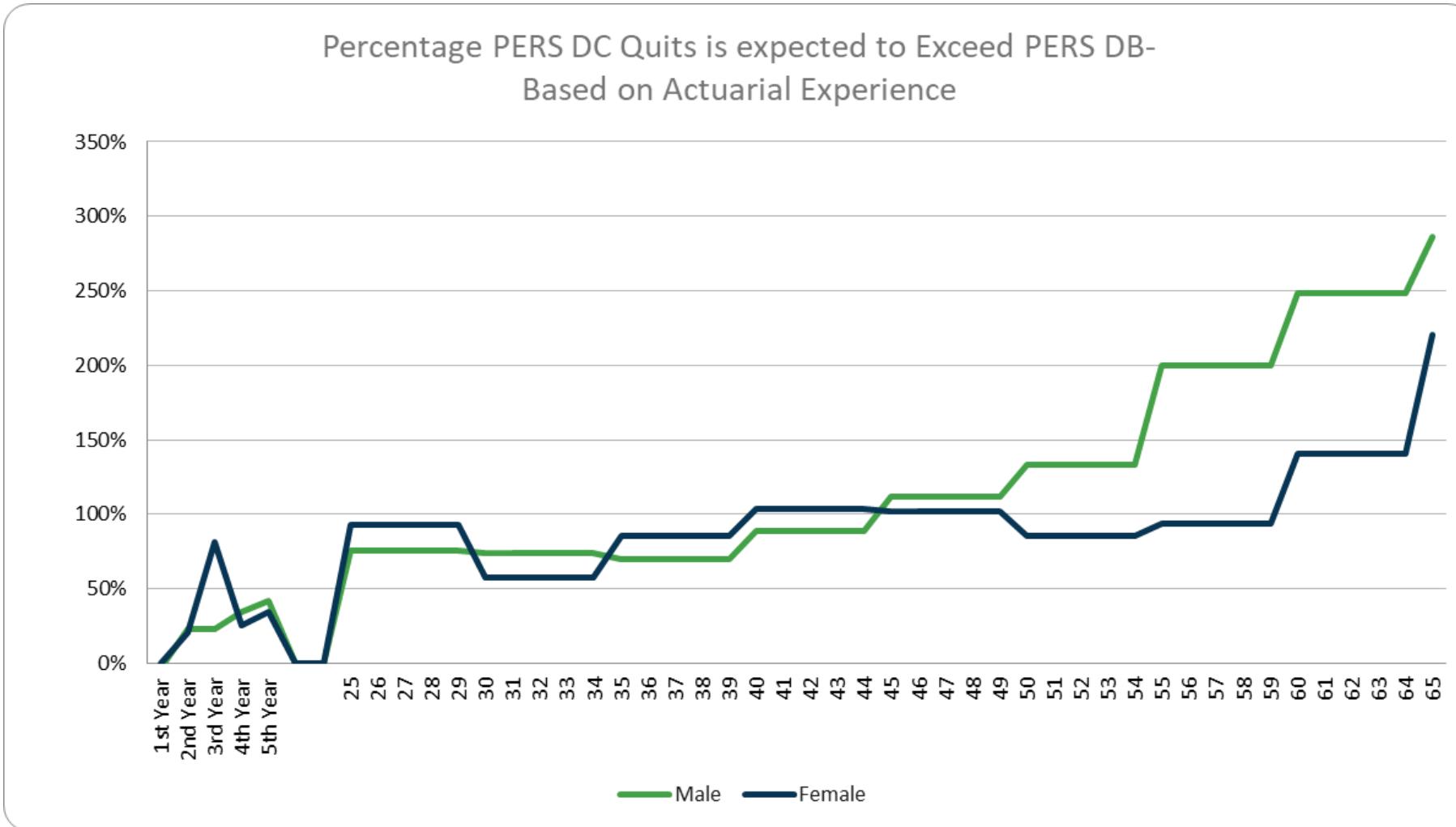


# Additional Data for PERS Plans

# Peace Officer DC Turnover Much Higher



# PERS DC Turnover also Higher

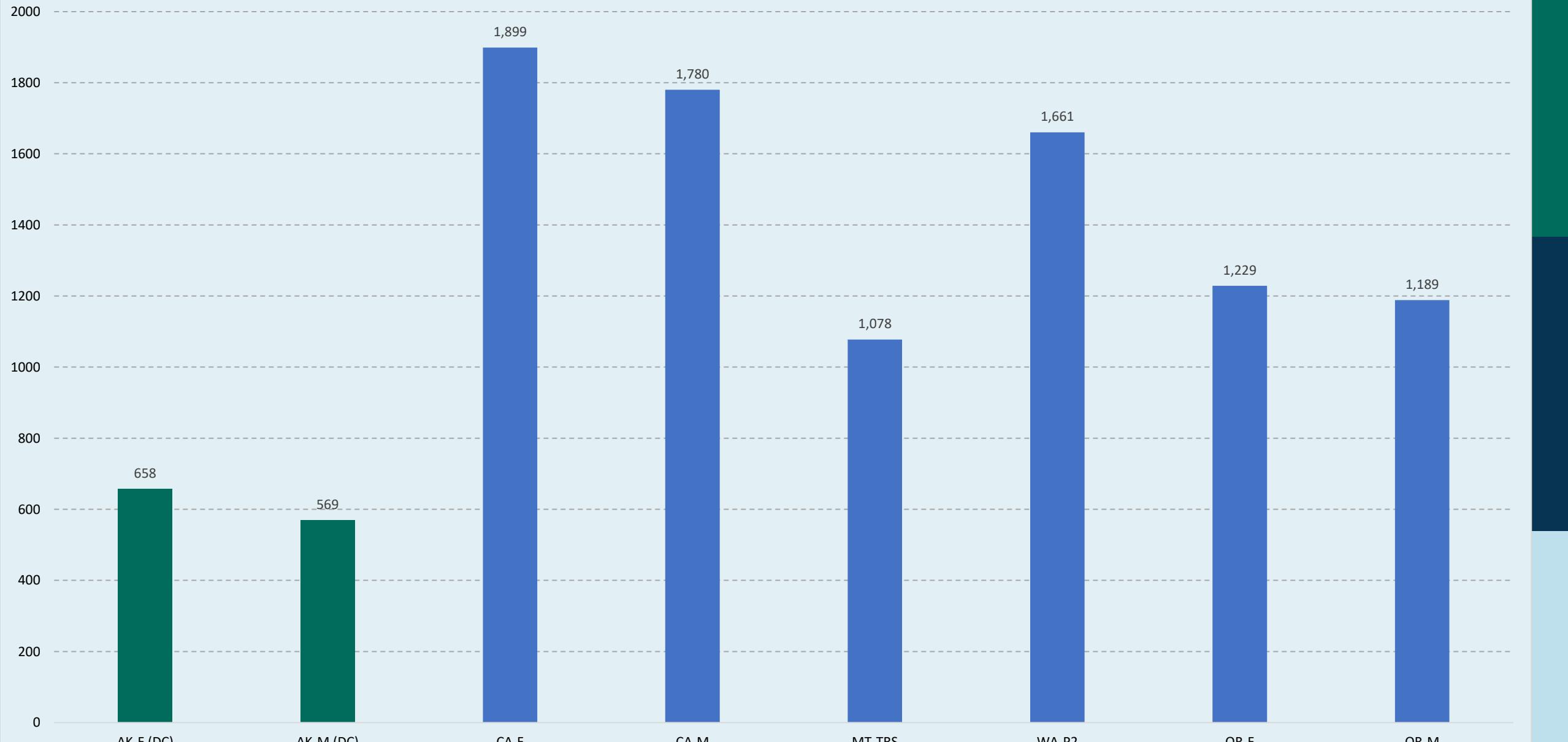


# TRS DC: Early Retention Getting Worse

## Termination: Select Rates – TRS DCR

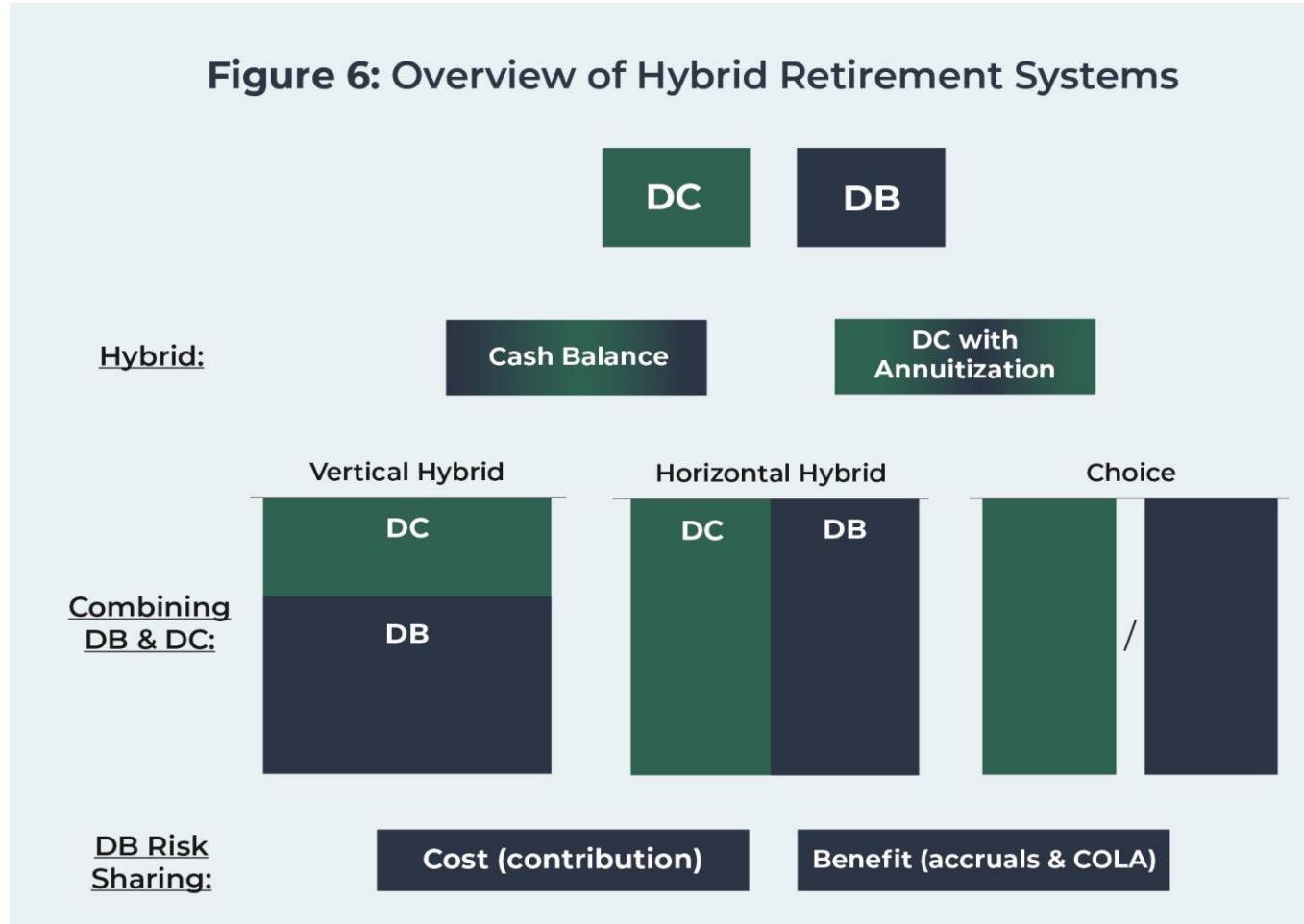
<b>Years of Service</b>	<b>Current</b>		<b>Proposed (Adopted)</b>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
<1	20.70%	21.80%	28.00%	31.00%
1	19.55%	18.70%	28.00%	21.00%
2	16.10%	15.40%	19.00%	18.00%
3	13.80%	13.20%	17.00%	13.00%
4	11.50%	11.00%	13.00%	13.00%
5	7.32%	8.05%	13.00%	10.00%

## 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
<b>DB (Pension)</b>	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, SD, WV, WI, WY
<b>DB, Plus DC Component</b>	OR, RI, TN, VA	OR, RI, TN, VA	OR, RI, TN, VA	OR, RI, TN, VA
<b>Choice: DB or Combo (DB/DC)</b>	WA	WA, KY	WA, KY	WA
<b>DB; Optional DC Choice</b>	SC	MT, ND, SC, VT	CA, SC	CA, MT, ND, SC, VT
<b>Choice: Combo or DC</b>	FL, MI, IN, PA, UT	FL, MI, IN, PA, UT	FL, MI, IN, PA, UT	FL, MI, IN, PA, UT
<b>Cash Balance</b>	KS	KS		KS
Non-Social Security States (Some, Few/None)				
	Teachers	ESPs	HEF	HESP
<b>DB (Pension)</b>	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
<b>DB, Plus DC Component</b>			IL	IL
<b>Choice: DB or Combo (DB/DC)</b>	WA	WA	WA	WA
<b>DB; Optional DC Choice</b>			CO, LA, TX	CO, LA, TX
<b>Choice DB, DC or Combo</b>	OH	OH	OH	OH
<b>DC-Only</b>	AK	AK	AK	AK

Note: The University of Missouri is DC only.

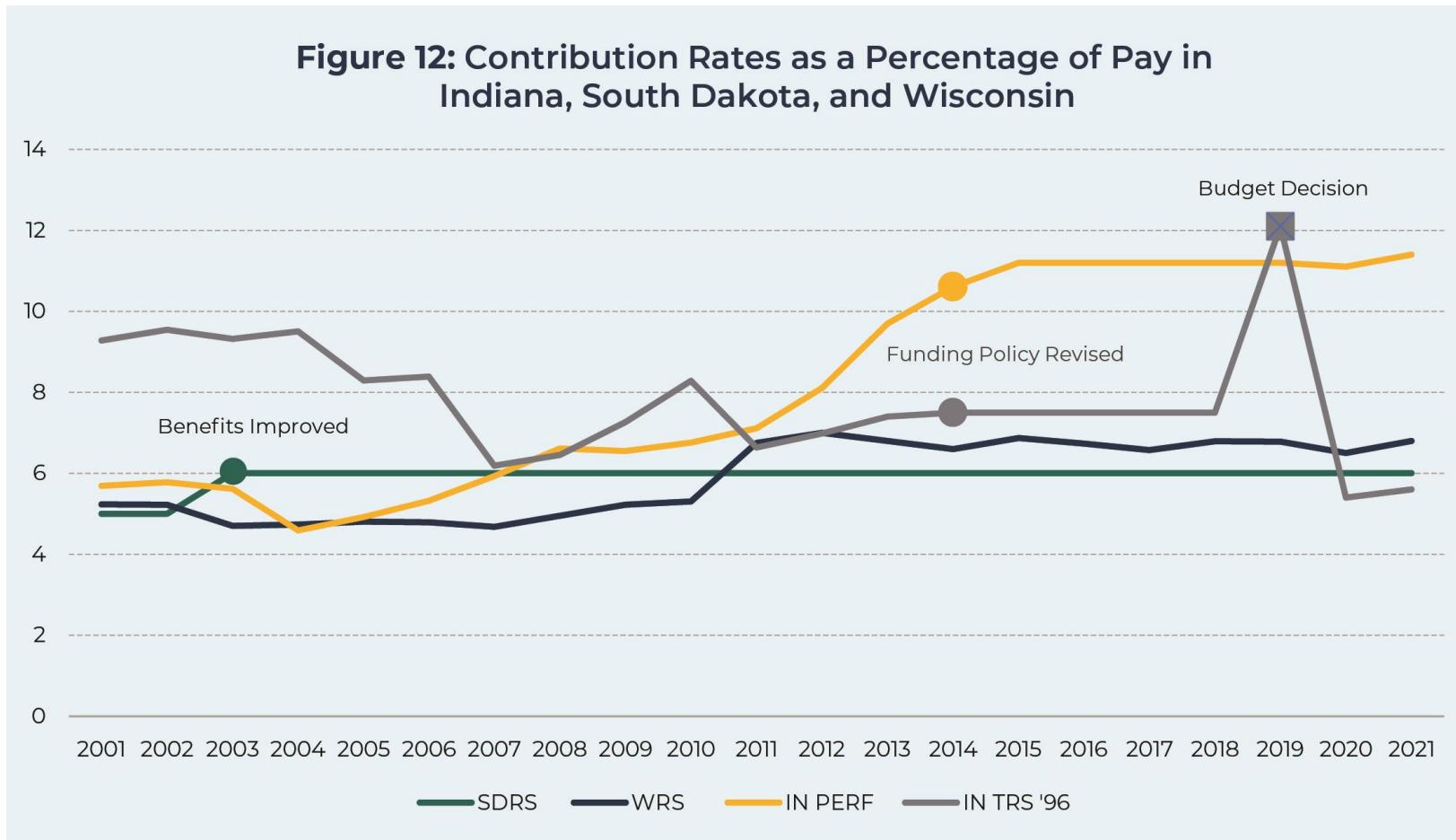
# Strategies to Produce Stable Costs and Risk-Sharing Observations

# Cost Stability Strategies and Observations on Other States

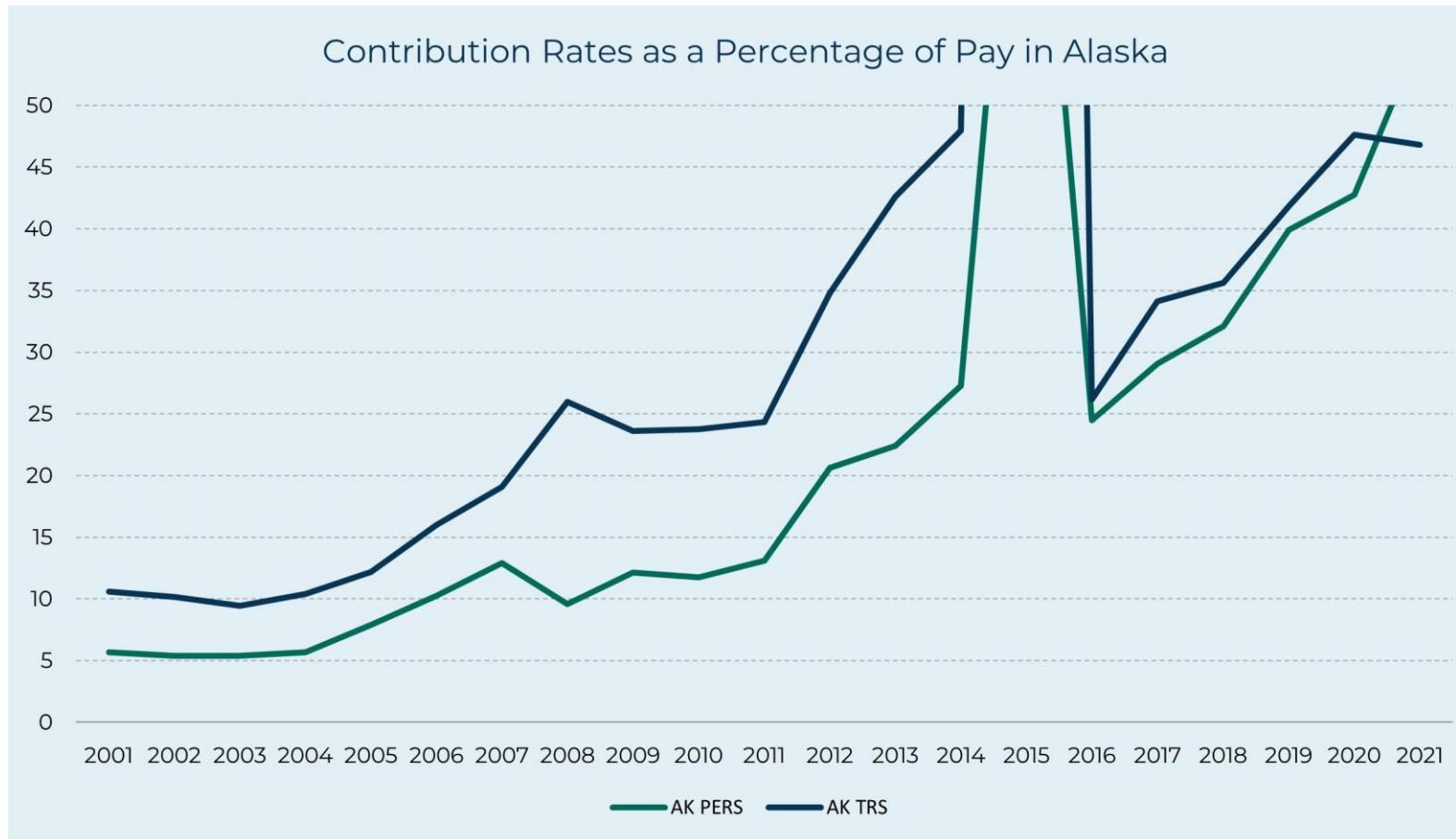
**Table 3: Strategies to Produce Stable Costs Employed by Four States**

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



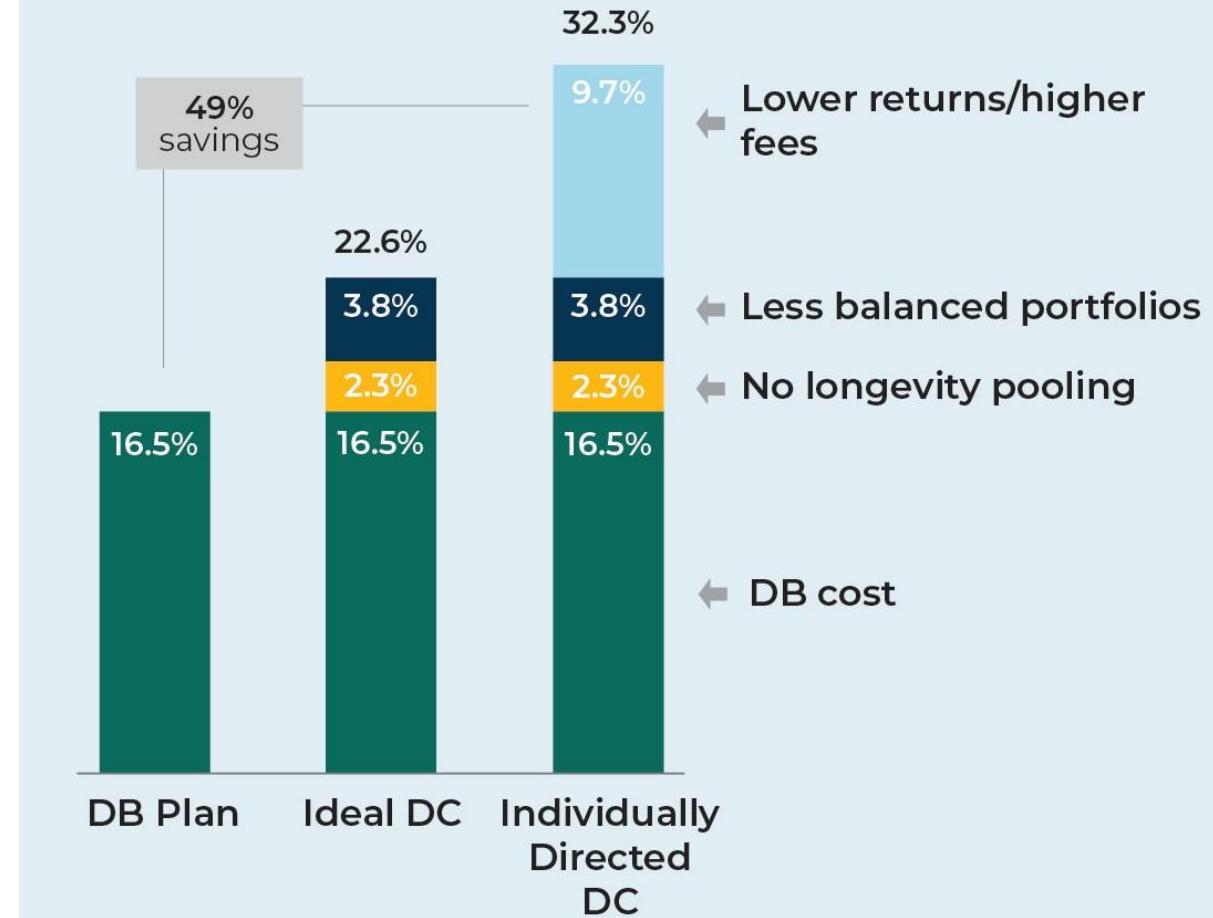
# Contribution Rates Have Been Much Higher in the Two Alaska Plans



# 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

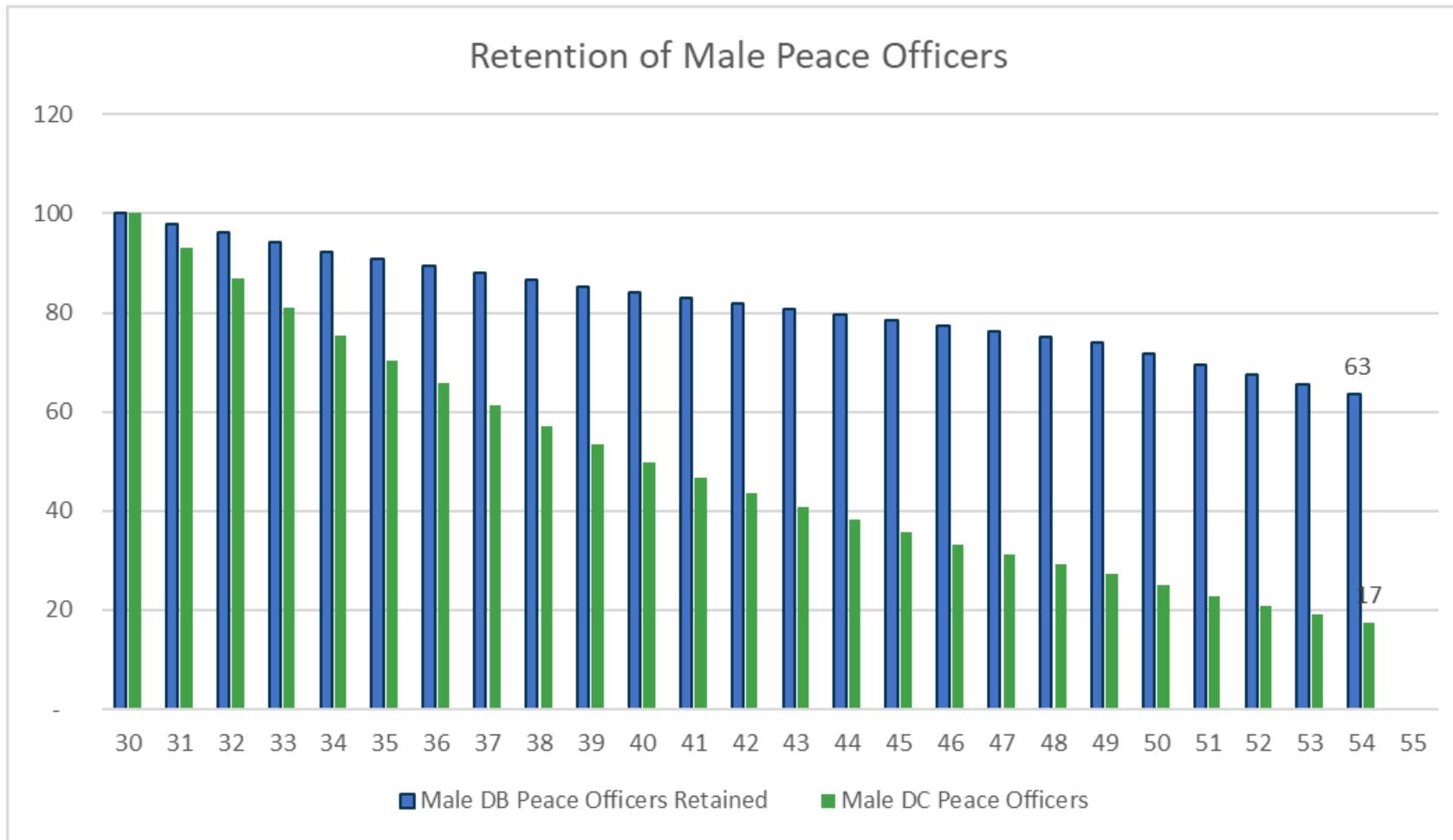
- **Unfortunately, all states seem to struggle with retention of newly hired teachers.** This problem is exaggerated in Alaska, but non-retirement policies could help with retention of newly hired teachers.
- **There are important choices about how benefits are designed and how they are funded,** beyond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

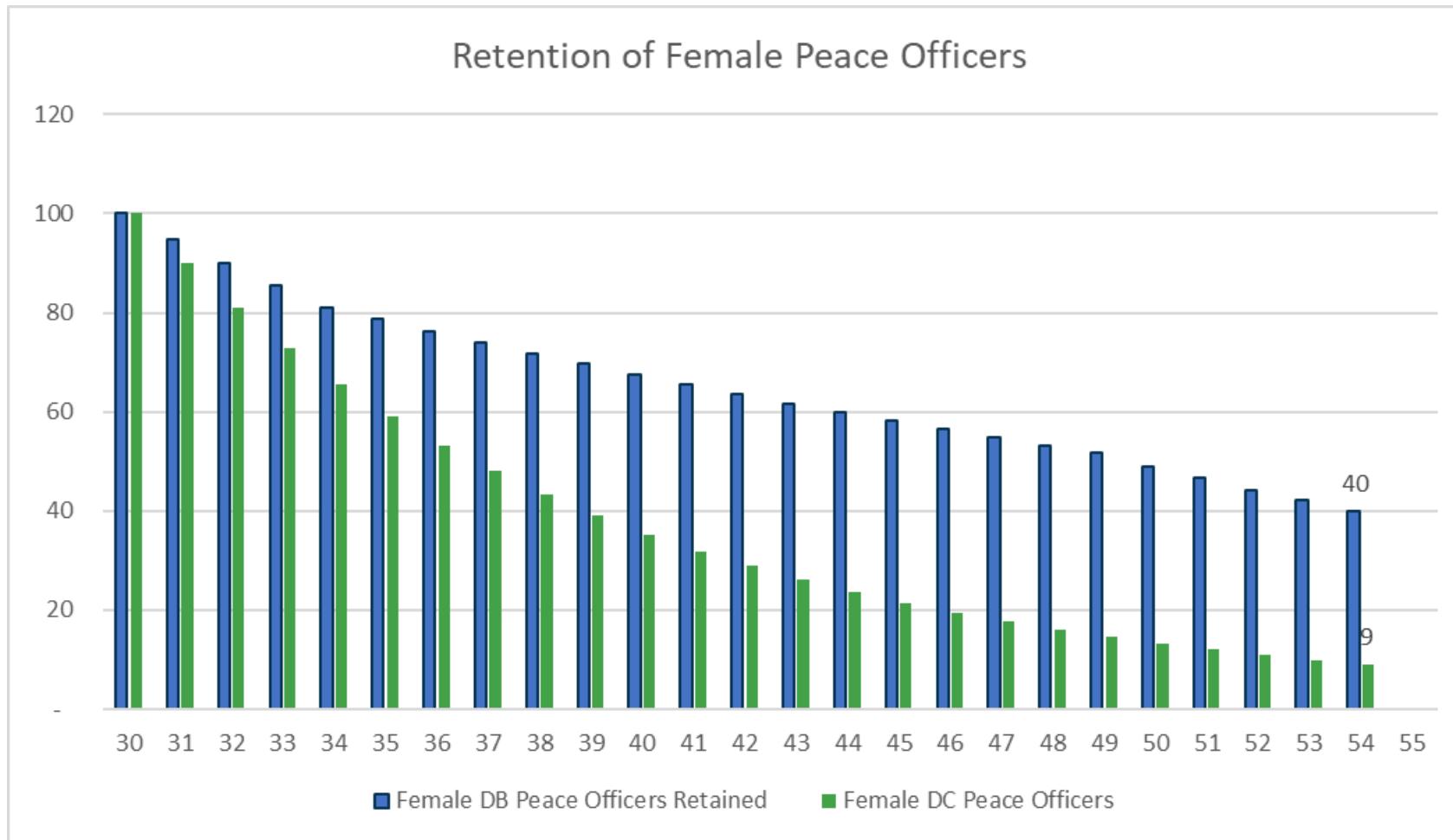


# Additional Data for PERS Plans

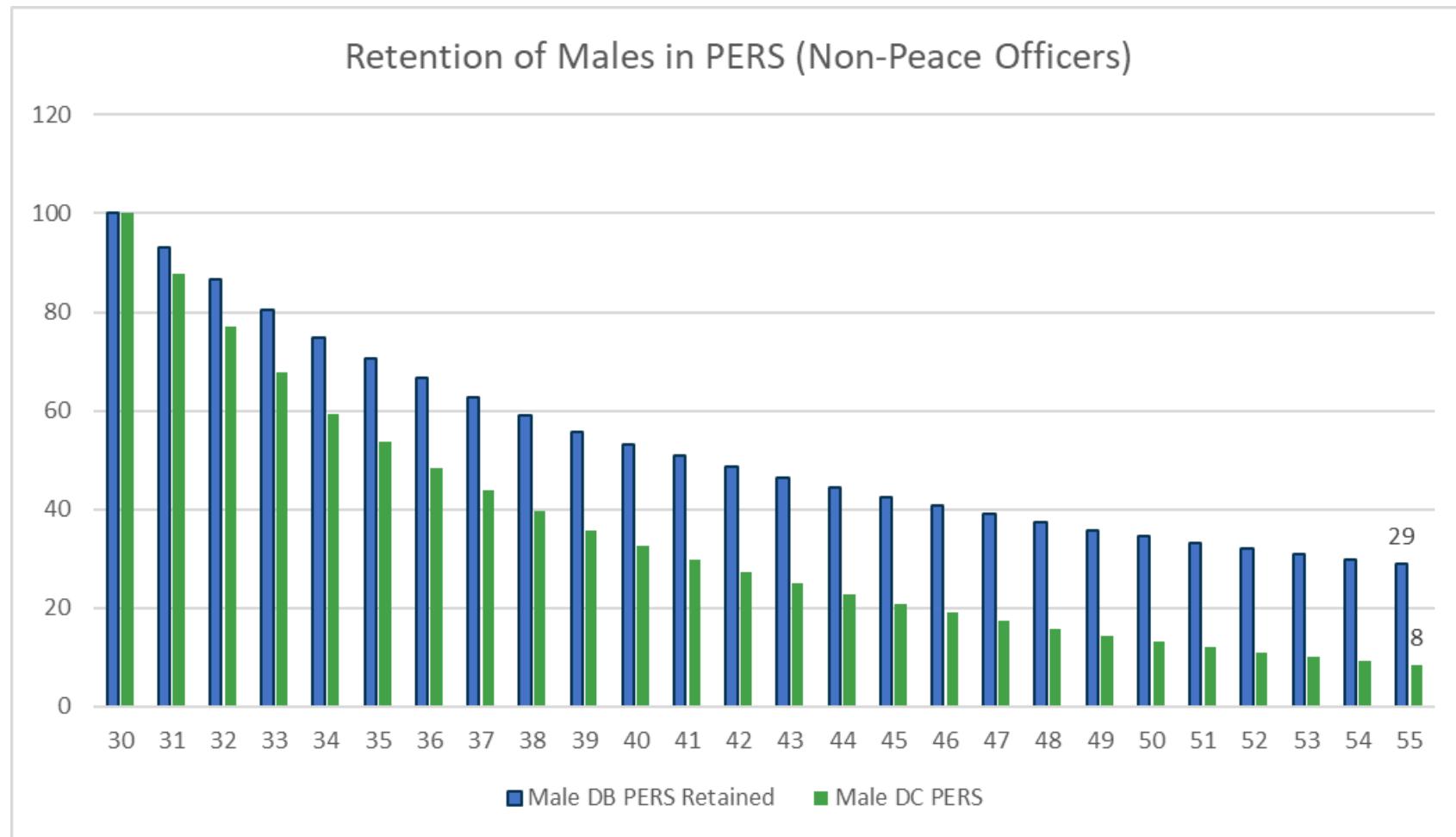
# Male Peace Officer Retention is Much Lower in the DC Plan



# Female Peace Officer Retention is Also Lower in the DC Plan



# PERS DB Also Retaining Workers Better



# Similar Trend for Females in PERS

