



# Alaska Teacher Recruitment and Retention Study:

## Options and Analysis Supporting Retirement Design

**Senate Labor and Commerce Committee**

**Dan Doonan, Executive Director, NIRS**

**April 26, 2023**

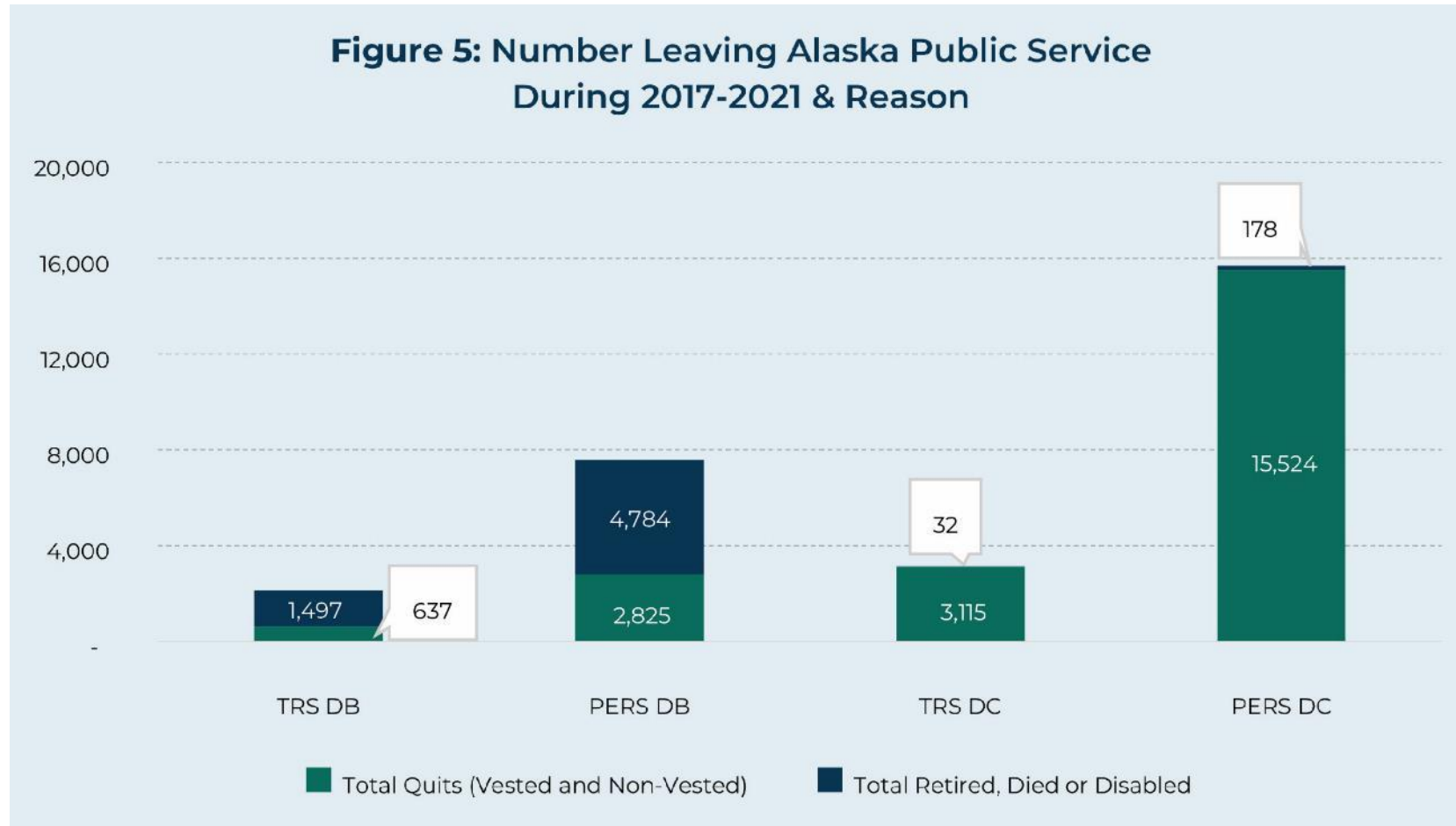


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# **First: A Workforce Observation**

# Most Leaving the DC Plans Are Quitting; DB Plans See Mostly Retirements

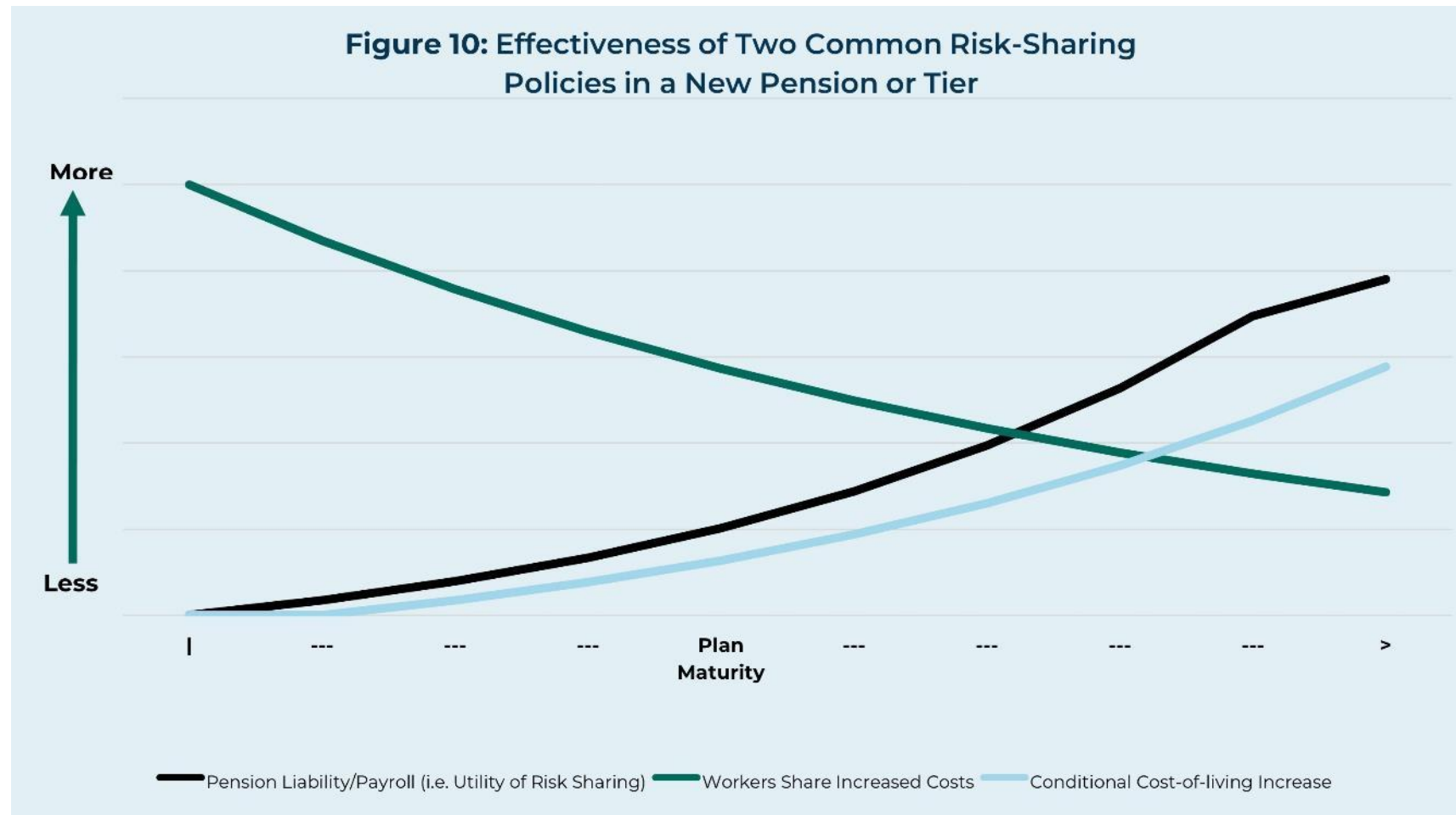


# **Strategies to Produce Stable Costs and Risk-Sharing Observations**

# 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

# Effectiveness of Risk-Sharing Provisions Changes as a Plan Matures



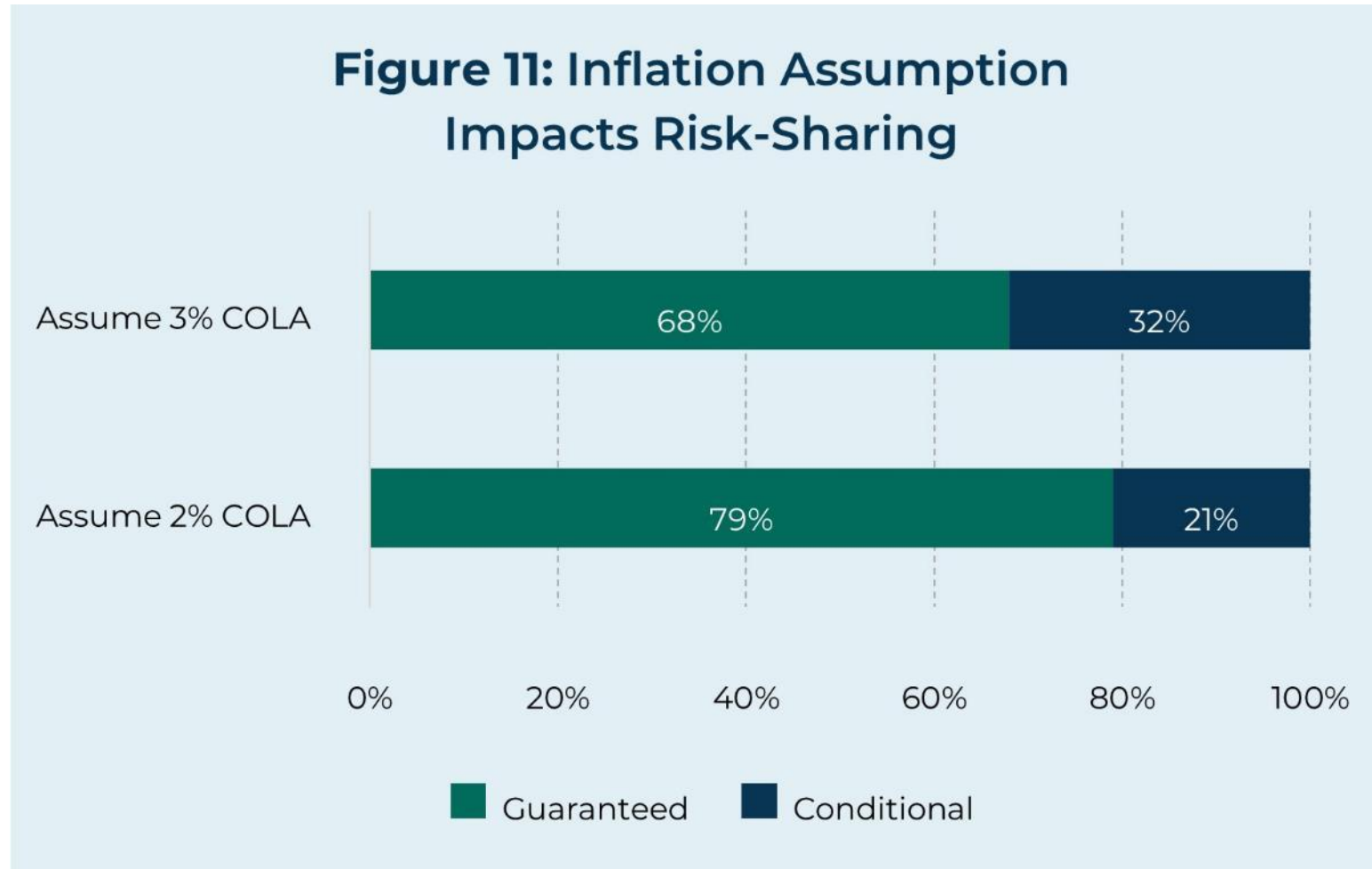
# Conditional PRPAs Have Greater Impact in More Mature Plans

**Table 2: Evaluating Conditional PRPAs in HB 220 as Plan Matures**

<b>Plan Maturity</b>	<b>% of Participants Receiving Benefits</b>	<b>% of Liabilities for those Receiving Benefits</b>	<b>Liabilities as % of Payroll</b>	<b>Reduction in UAL if 3 PRPAs Skipped</b>
Newer Tier	11%	22%	199%	8%
Established Tier	31%	49%	444%	18%
Retiree-Heavy Tier	77%	76%	2288%	28%



# Assuming a Larger Conditional PRPA Has a Greater Impact on Risk-Sharing

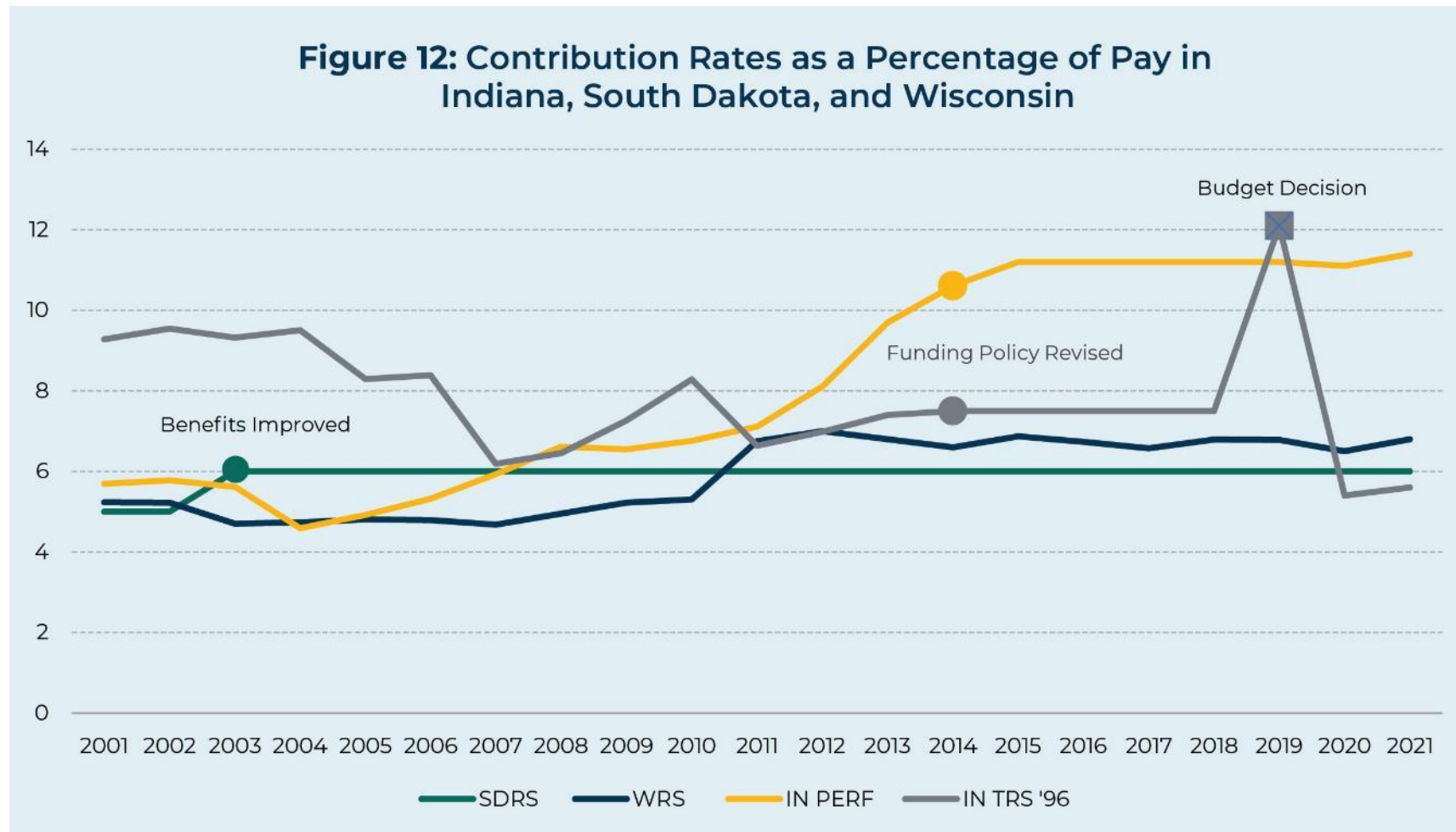




# Key Takeaways on Risk-Sharing

- Risk-sharing generally becomes more important as a tier matures.
- Risk-sharing through conditional PRPAs grows more effective as a tier matures. Cost-sharing grows less effective.
- The inflation adjustment assumption is important, with a higher assumption meaning stronger risk-sharing.
- Conditional PRPAs must be pre-funded (or assumed to be provided) for risk-sharing to work.
- The bill before you will align stakeholder interests. Workers, retirees the State, and employers have an incentive to keep plan on track.

# IN, SD & WI Have Kept Contribution Rates Stable Over Past Two Decades



# Questions



# 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

- **There are important choices about how benefits are designed and how they are funded**, beyond DB versus DC. The tools and examples are available.
- **A strong case can be made that reopening the DB plans would help** in honoring the obligations that already exist in the legacy plans.

# Key Findings

- **Turnover is significantly higher in the DC plans;** efforts to improve retention should focus on those in the defined contribution plan.
- **Other states have not followed Alaska** in moving away from offering a pension. (\*North Dakota)
- **Improved retention would increase teacher effectiveness.**
- **There are many important considerations beyond just offering a DB or not,** including plan design, funding strategies, and the use of a reserve fund. All are viable options.

# Key Findings (Continued)

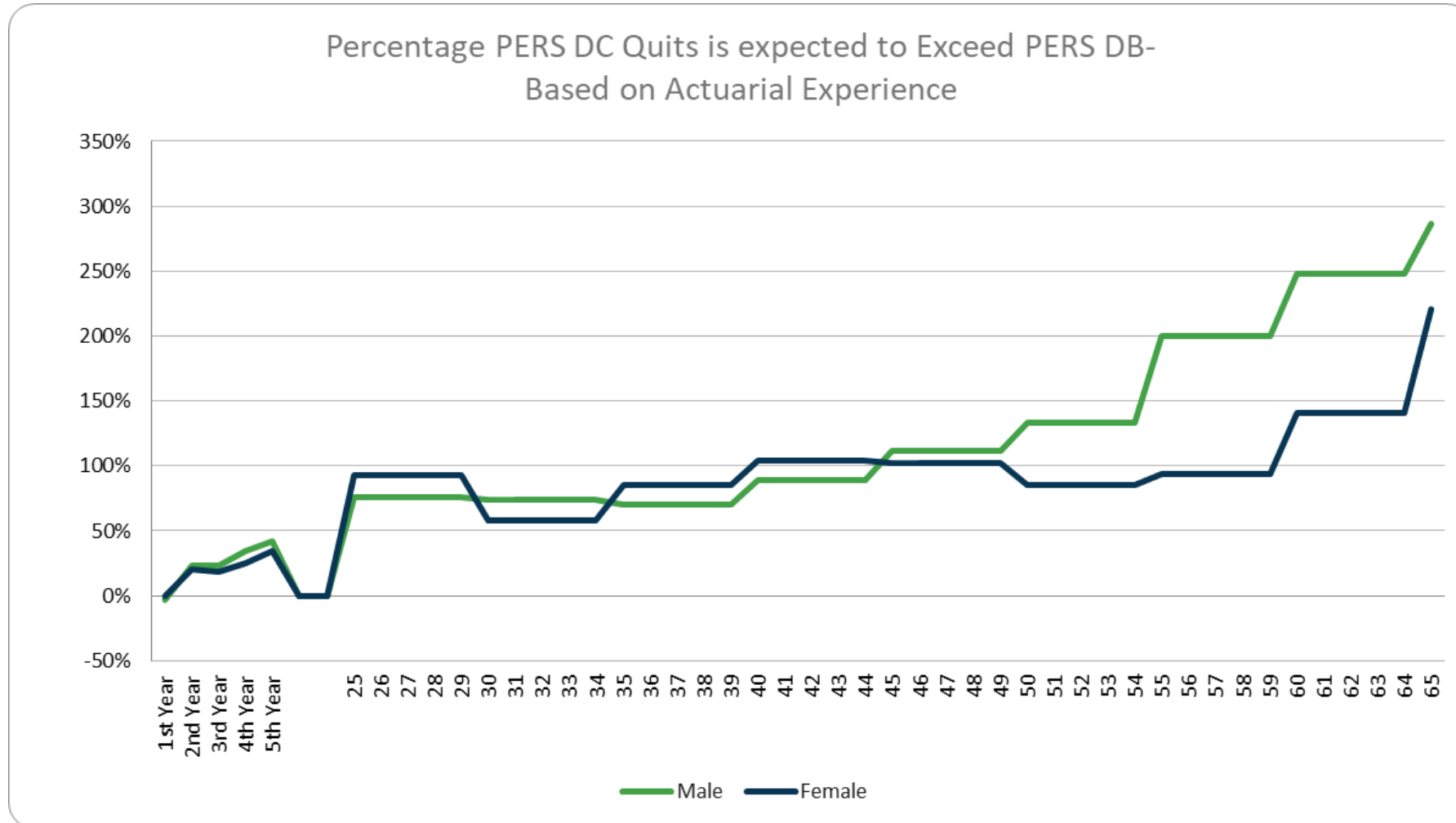
- **Plan demographics and cashflows may impact decision-making** as the TRS and PERS plans move toward a spend-down stage.
- **Pensions are more efficient** at delivering benefits per dollar of cost.



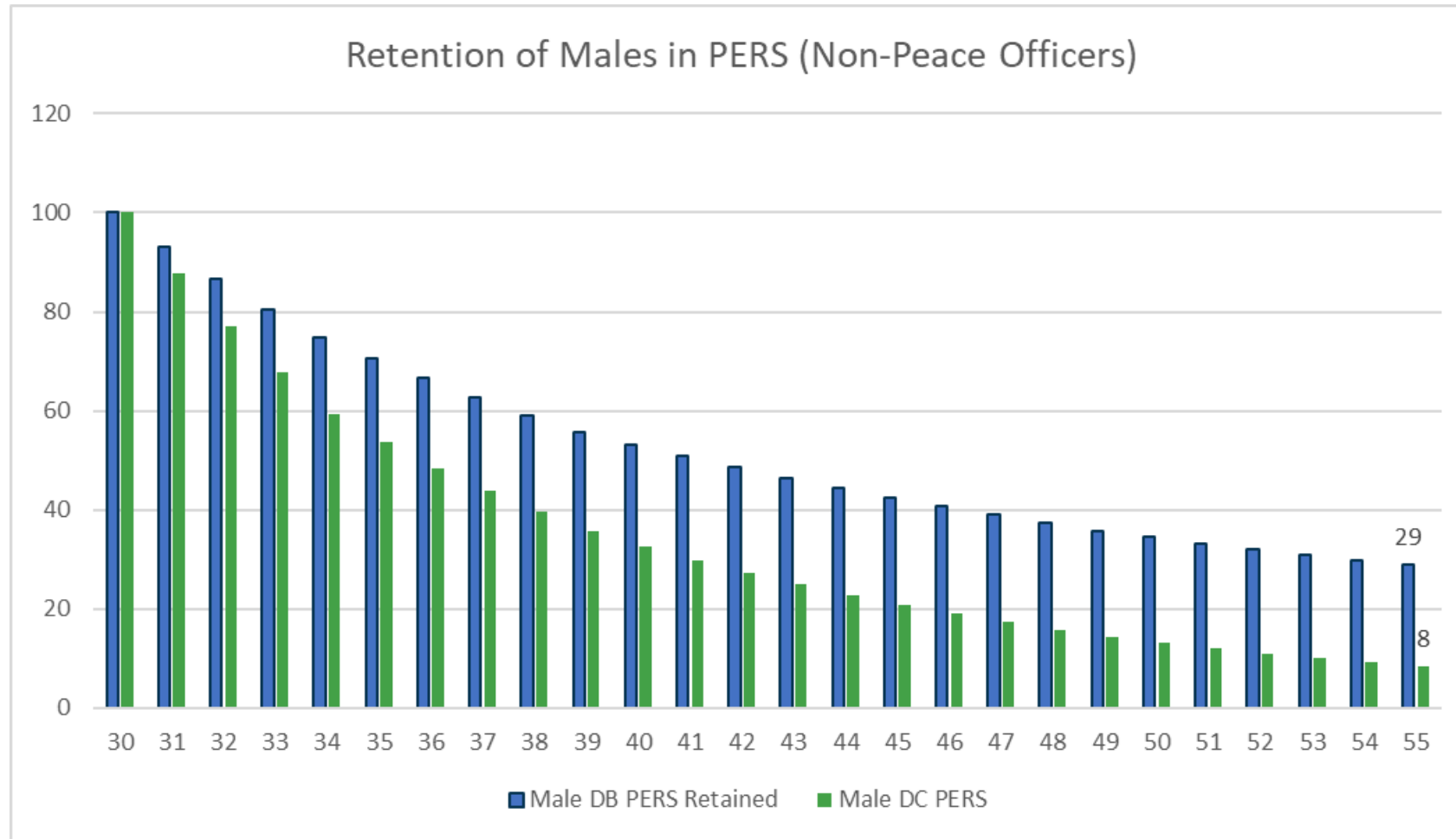
# Most States Still Offer Educators a DB Pension Plan

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)	ID, MT, AL, AZ, AR, CA, DE, GA, HI, IA, MD, MN, MS, NE, NH, NJ, NM, NY, NC, ND, OK, SD, VT, WV, WI, WY	ID, MT, AL, AZ, AR, CA, DE, DC, GA, HI, IL, IA, MD, MN, MS, MO, NE, NH, NJ, NM, NY, NC, OK, SD, WV, WI, WY	ID, MT, AL, AZ, AR, CA, DE, DC, GA, HI, IA, KS, MD, MN, MS, NE, NH, NJ, NM, NY, NC, ND, OK, SD, WV, WI, WY	ID, MT, AL, AZ, AR, CA, DE, DC, GA, HI, IA, MD, MN, MS, MO, 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	MT, CA, 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)	NV, CA, CO, CT, DC, IL, KY, LA, ME, MA, MO, TX	NV, CA, CO, CT, GA, KY, LA, ME, MA, TX	NV, CA, CO, CT, KY, ME, MA, MO	NV, CA, CO, CT, KY, ME, MA
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.				

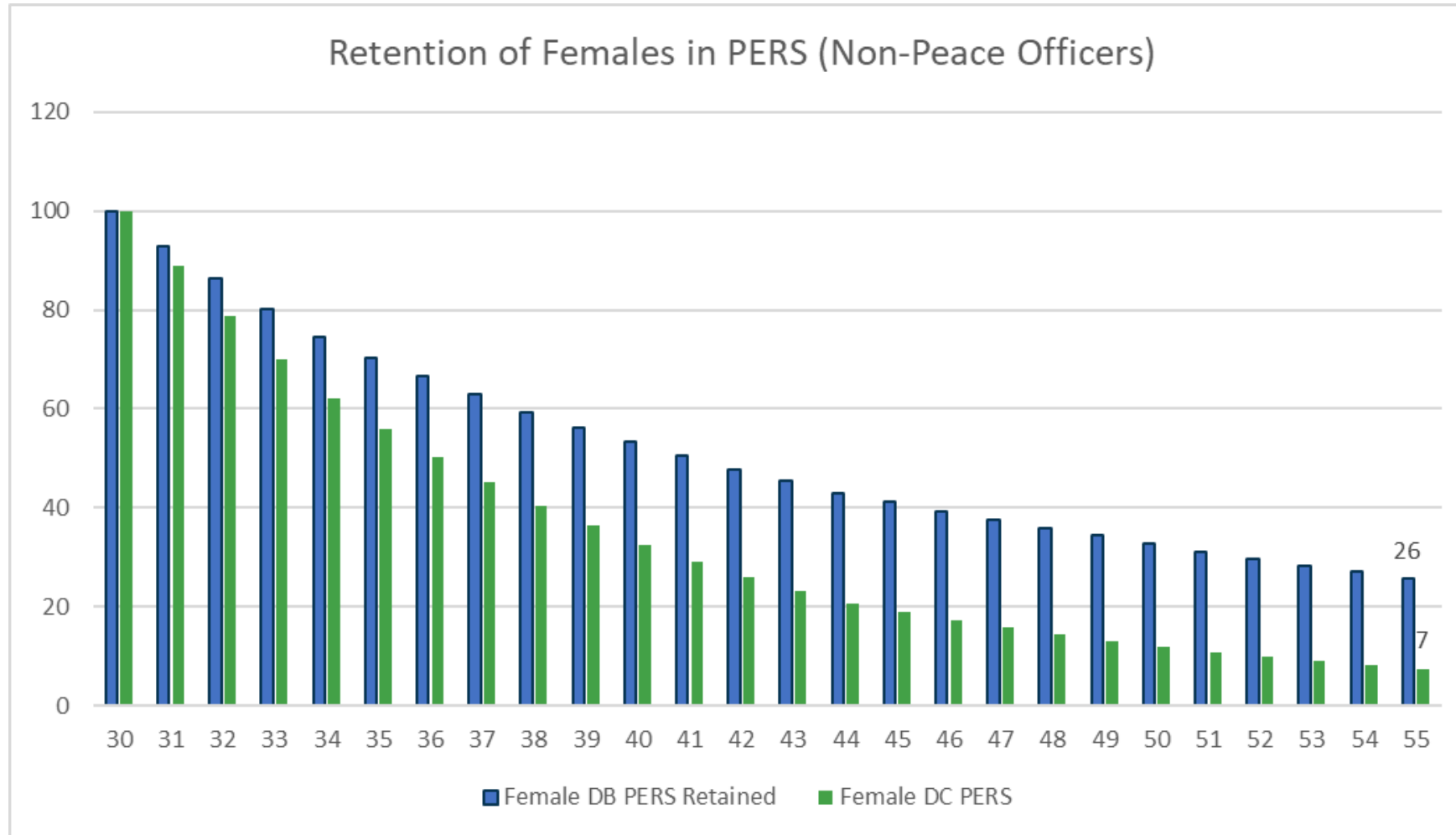
# PERS DC Turnover also Higher



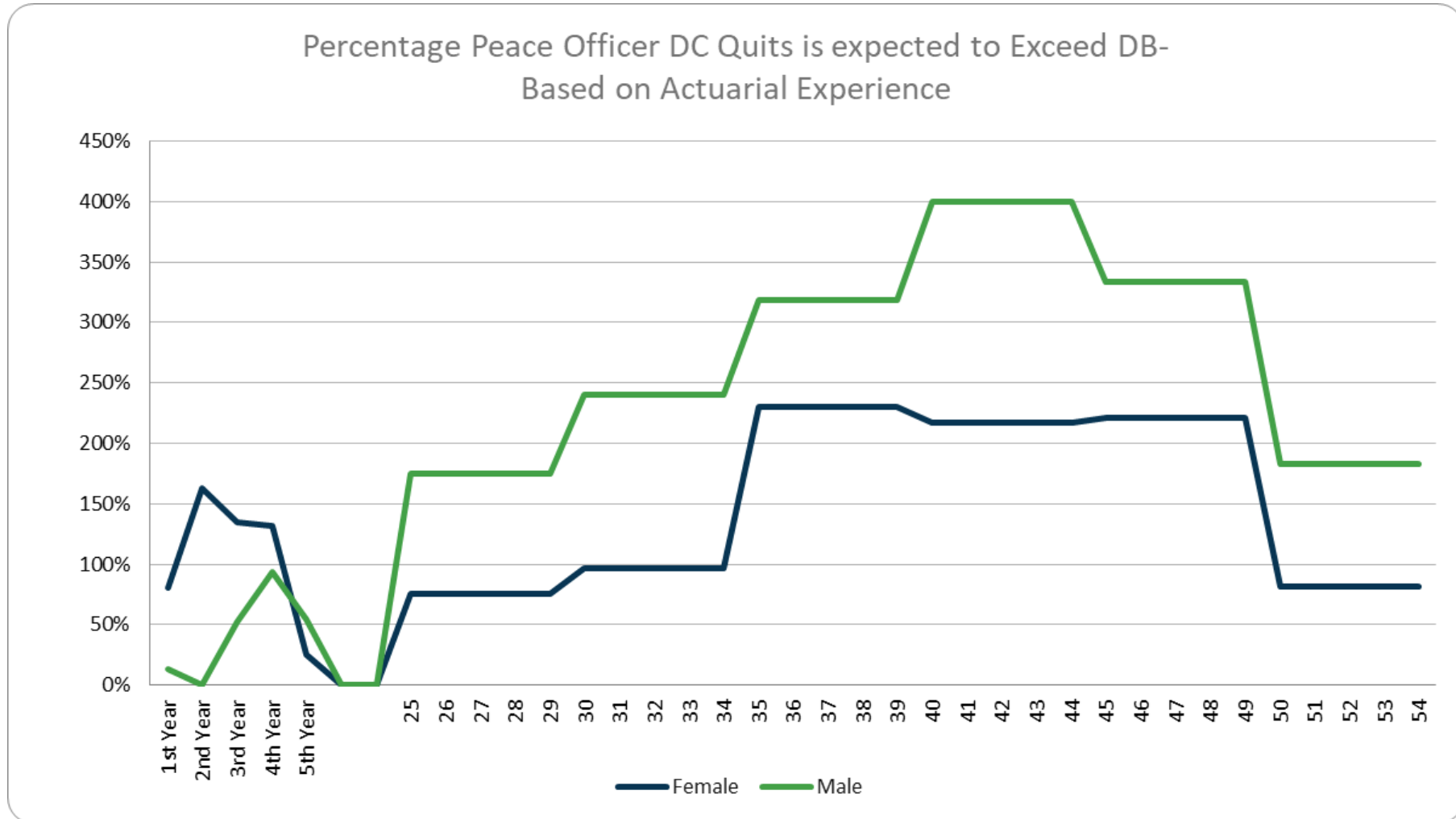
# PERS DB Also Retaining Workers Better



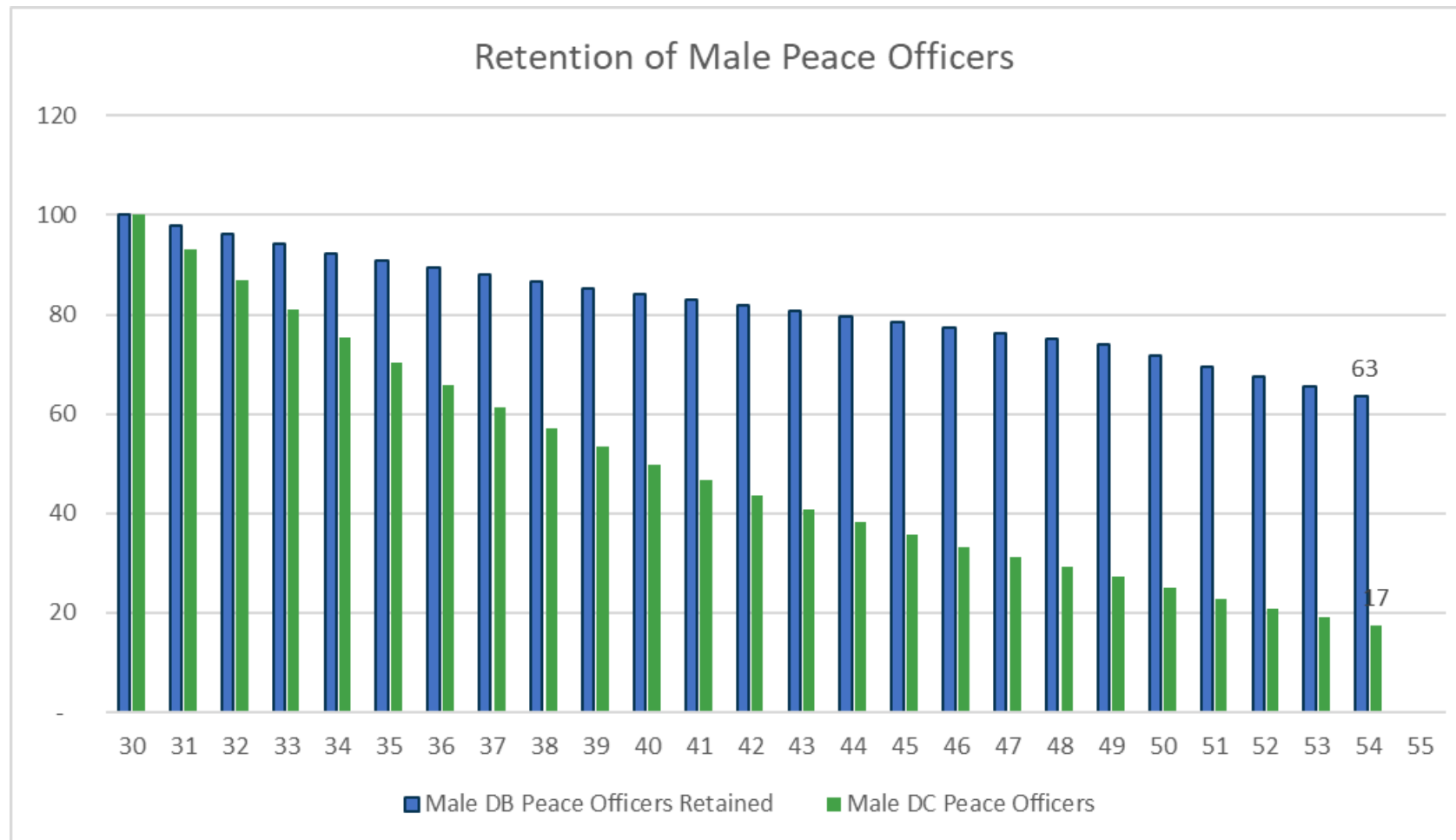
# Similar Trend for Females in PERS



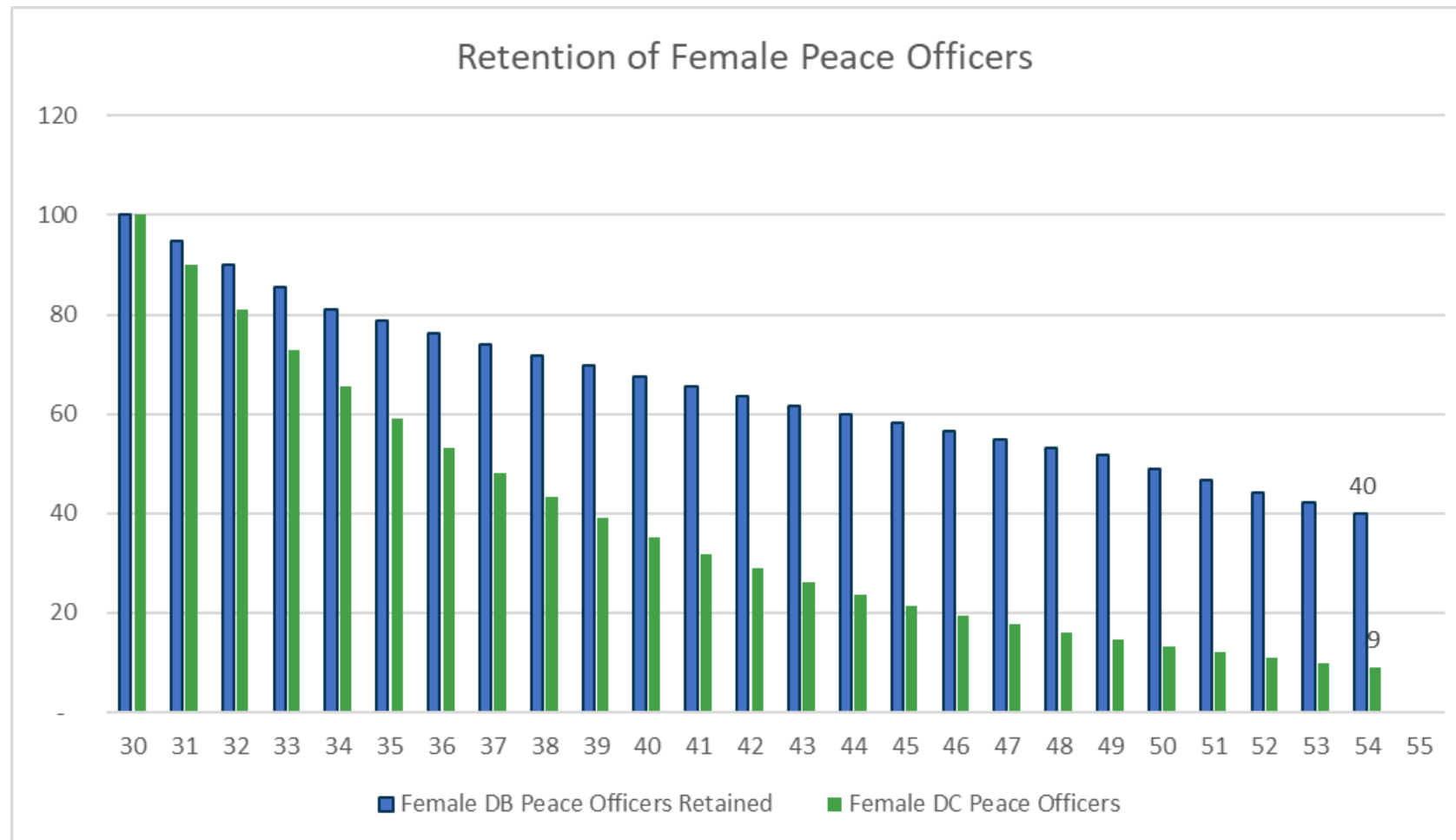
# Peace Officer DC Turnover Much Higher



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



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

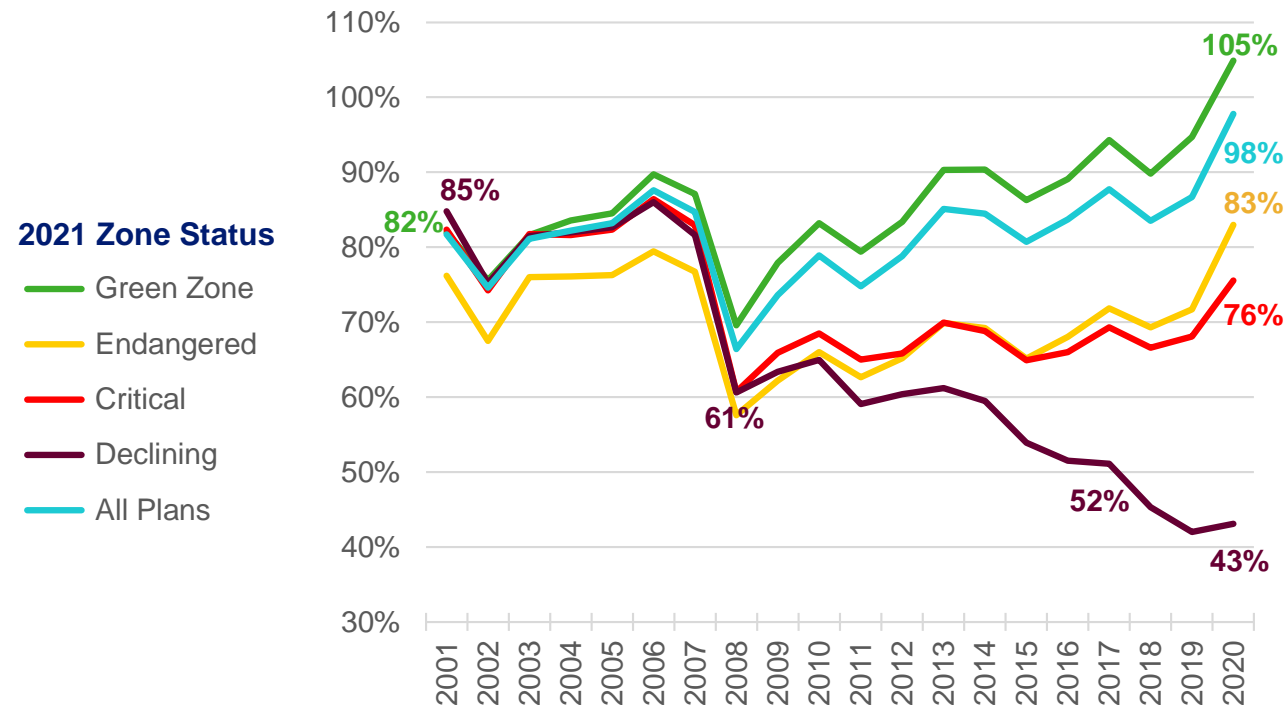




# **The Role of Plan Demographics: A Warning from Multiemployer Systems**

# Funded Percentages of Private Sector Multiemployer Plans Have Diverged

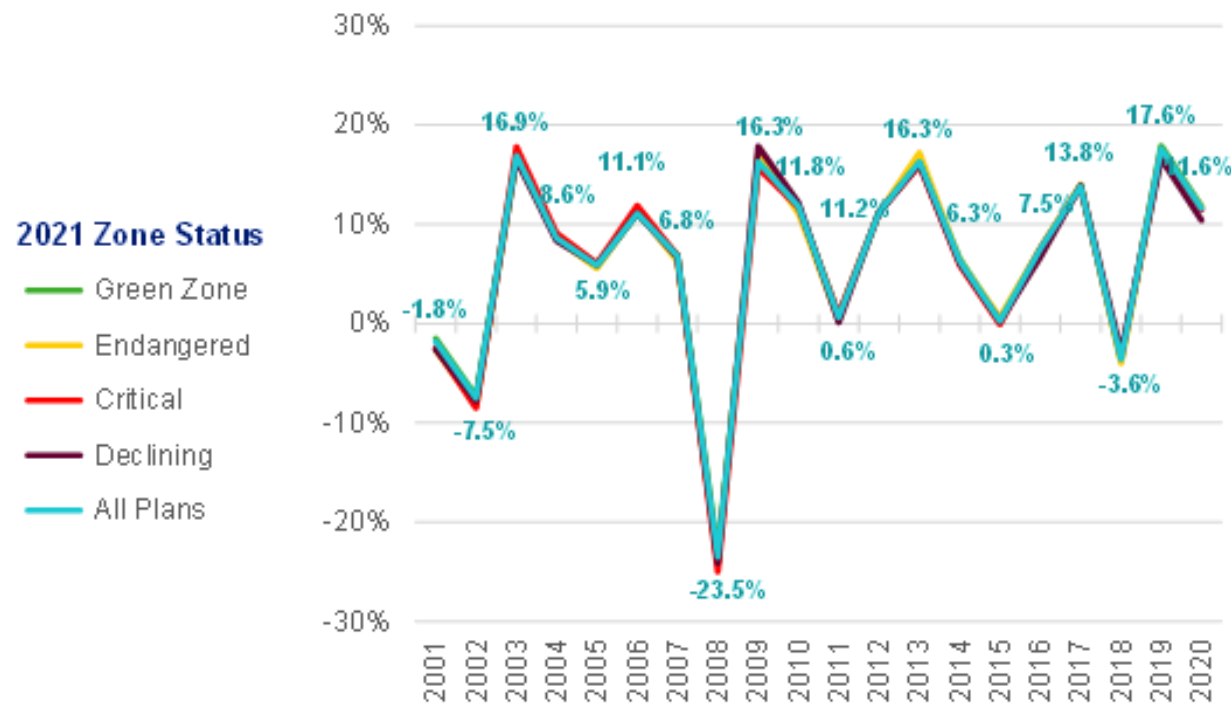
## Historical Funded Percentages



Study of Form 5500 data by Segal. Graph shows median funded percentages based on market value of assets at plan year end. Plans are grouped by 2021 zone status.

# Investment Returns Among Private Multiemployer Plans Have Been Similar

## Historical Investment Returns



*Study of Form 5500 data by Segal. Graph shows calendar year net investment returns. Plans are grouped by 2021 zone status.*

# Multiemployer Plans Facing Greatest Challenges Have Increased Contributions Most

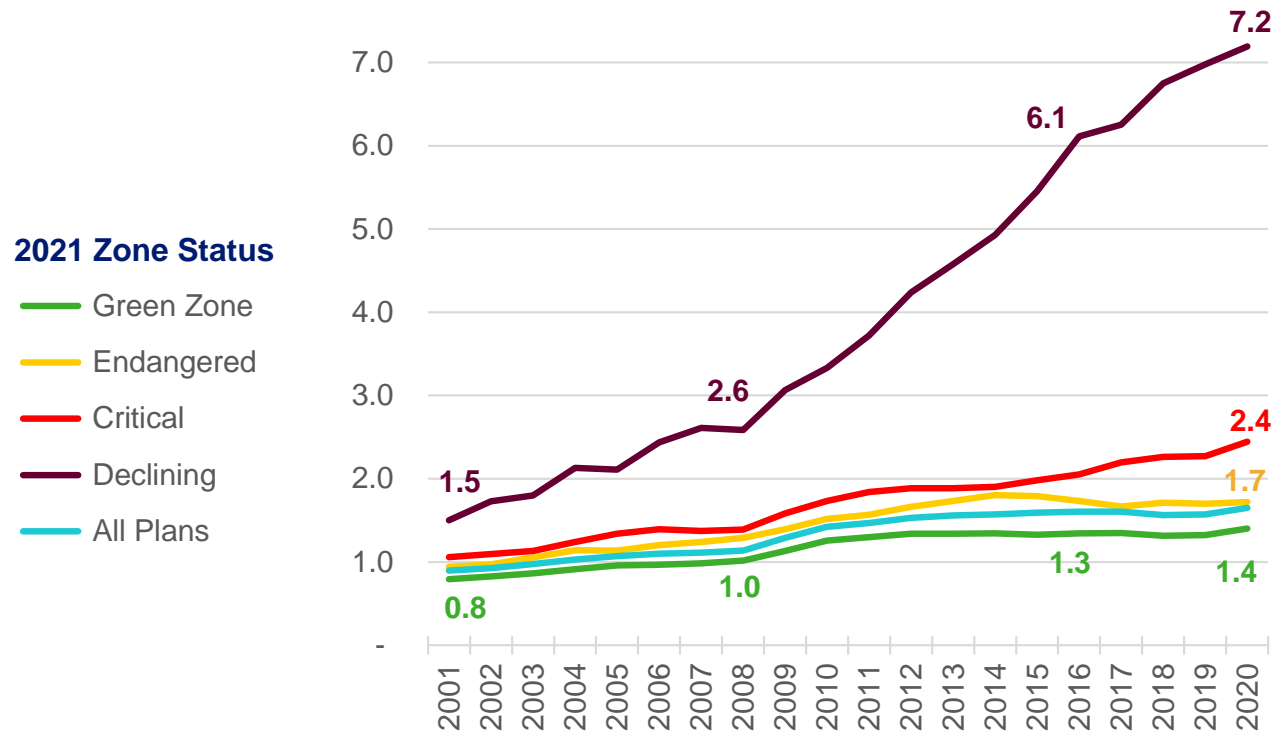
## Cumulative Increase in Contribution Rates

2021 Zone Status	2001-2009	2009-2020	2001-2020
Green Zone	+63%	+68%	+175%
Endangered	+73%	+77%	+207%
Critical	+67%	+117%	+261%
Declining	+78%	+126%	+302%
All Plans	+64%	+80%	+196%

*Study of Form 5500 data by Segal. Exhibit shows cumulative increases in average contribution rates for active participants. Plans are grouped by 2021 zone status.*

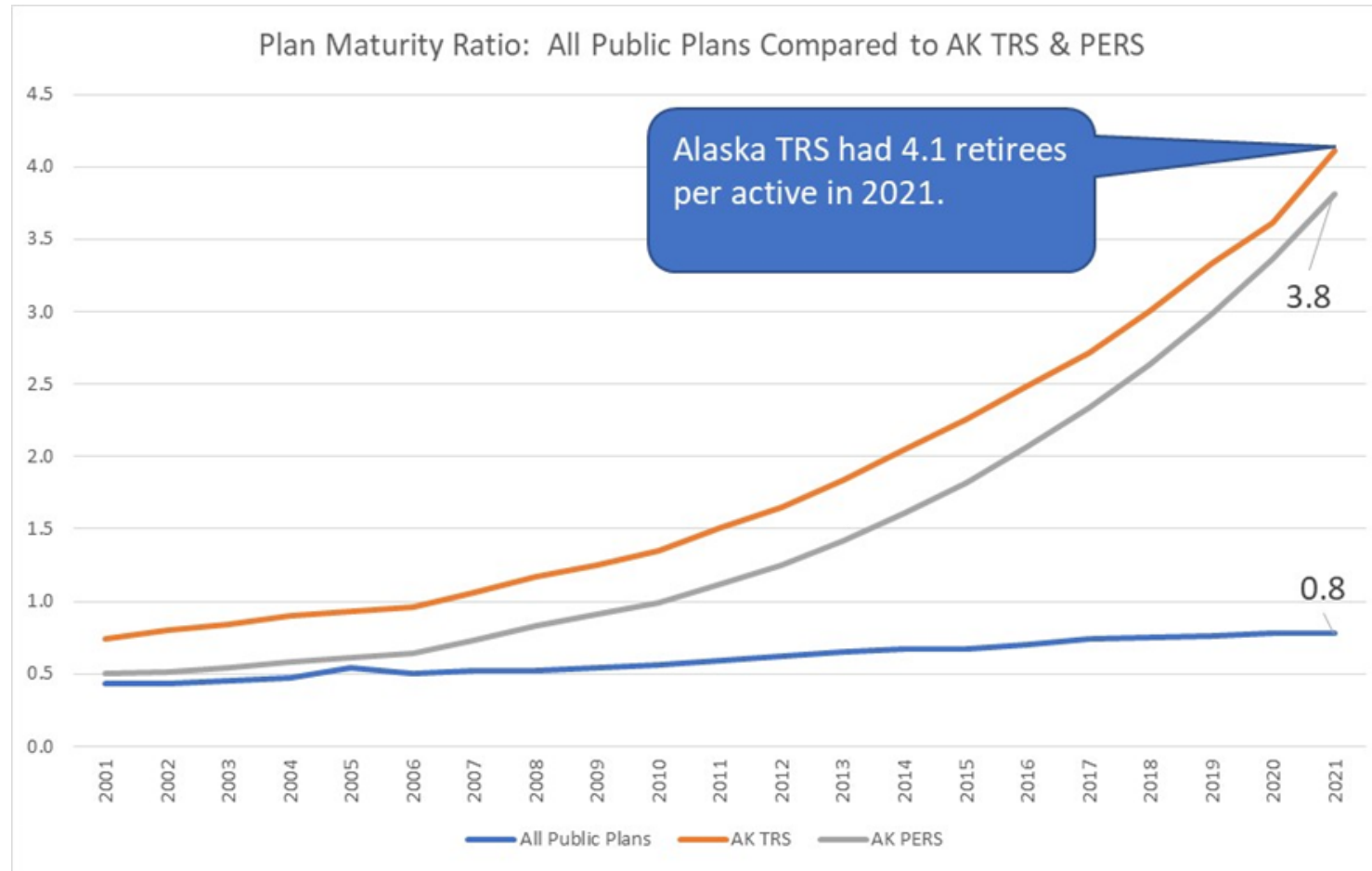
# Plan Demographics Have Had the Greatest Impact on Multiemployer Plans

## Historical Demographic Maturity Ratio



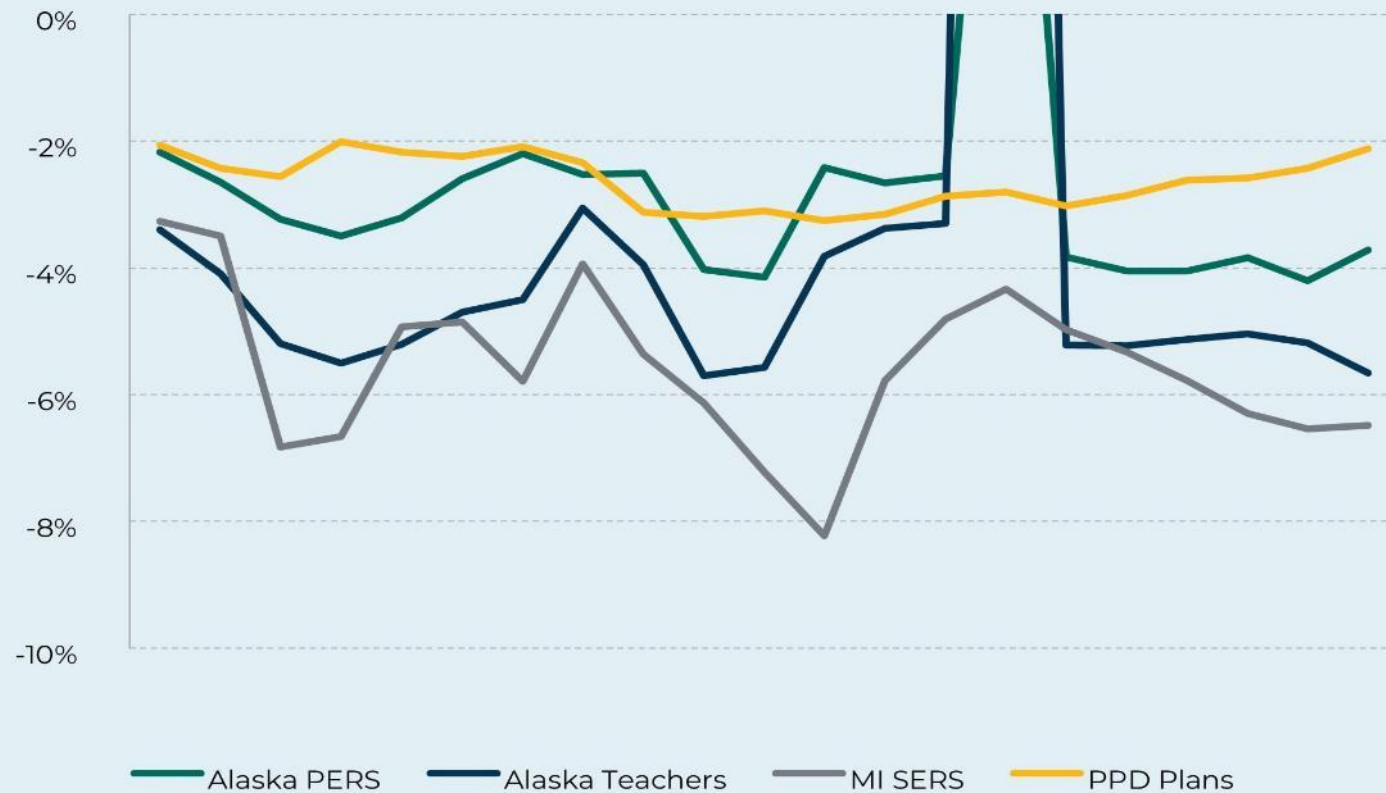
*Study of Form 5500 data by Segal. Graph shows median ratios of non-active participants to active participants at plan year end. Plans are grouped by 2021 zone status.*

# Plan Demographics for the Two AK Plans Have Diverged from Other Public Plans



# Negative Cashflows Grow in Closed Plans

**Figure 18: Examining Cashflow Trends: PPD Plans, AK TRS & PERS and MI SERS**





## Termination: Select Rates – TRS DCR

Years of Service	Current		Proposed (Adopted)	
	Male	Female	Male	Female
<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%

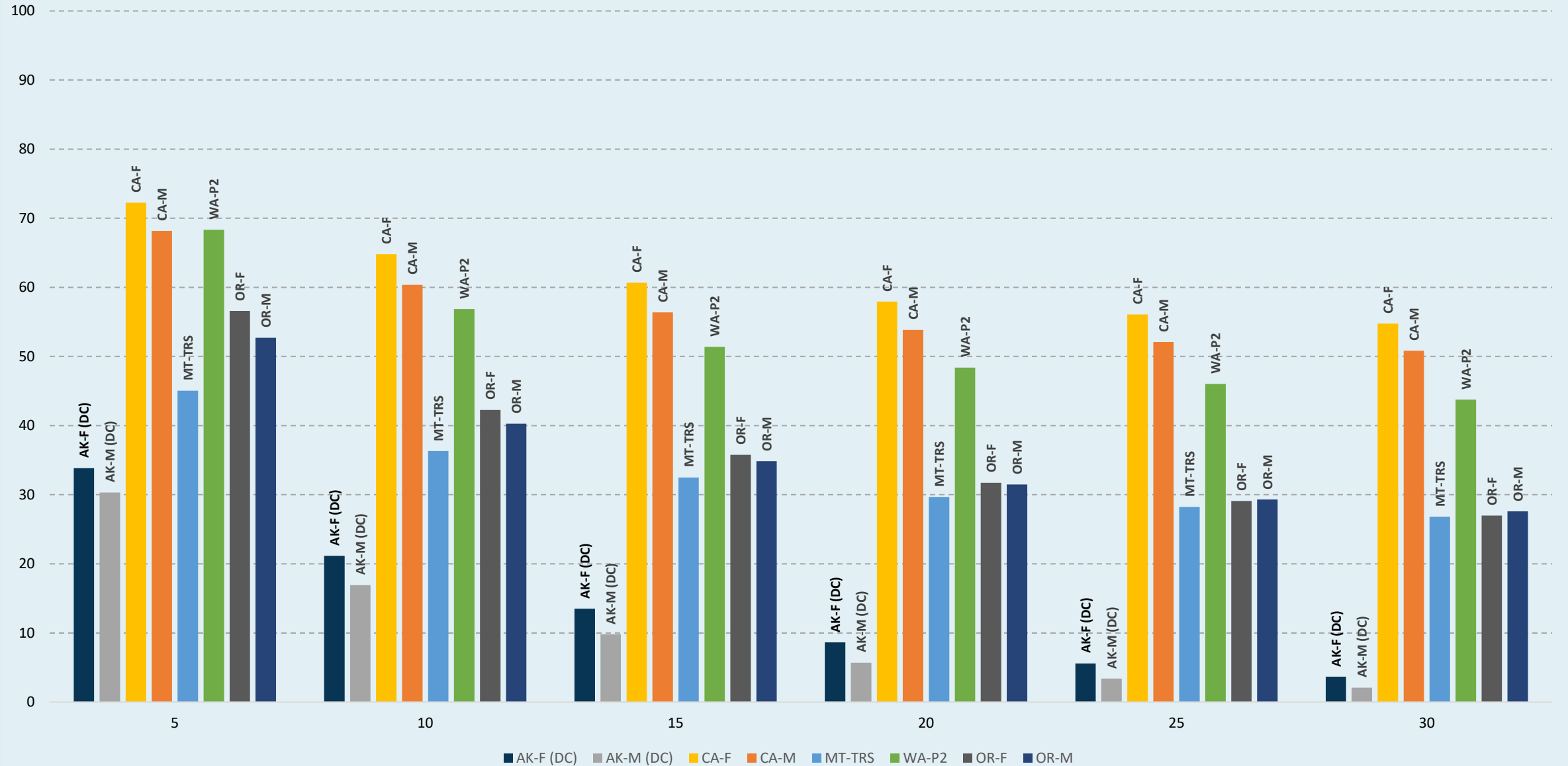
## Termination: Ultimate Rates – TRS DCR

Age	Current		Proposed (Adopted)	
	Male	Female	Male	Female
<26	9.41%	8.31%	10.50%	8.70%
26	9.41%	8.32%	10.50%	8.70%
27	9.40%	8.33%	10.50%	8.70%
28	9.39%	8.32%	10.50%	8.70%
29	9.39%	8.32%	10.50%	8.70%
30	9.38%	8.31%	10.50%	8.70%
31	9.37%	8.31%	10.50%	8.70%
32	9.36%	8.30%	10.50%	8.70%
33	9.35%	8.29%	10.50%	8.70%
34	9.35%	8.28%	10.50%	8.70%
35	9.34%	8.27%	10.40%	8.60%
36	9.34%	8.26%	10.40%	8.60%
37	9.33%	8.25%	10.40%	8.60%
38	9.31%	8.24%	10.40%	8.60%
39	9.29%	8.22%	10.40%	8.60%
40	9.26%	8.21%	10.30%	8.60%
41	9.24%	8.19%	10.30%	8.60%
42	9.22%	8.17%	10.30%	8.60%
43	9.16%	8.15%	10.30%	8.60%
44	9.11%	8.12%	10.30%	8.60%
45	9.05%	8.09%	10.00%	8.40%
46	8.99%	8.07%	10.00%	8.40%
47	8.94%	8.04%	10.00%	8.40%
48	8.86%	8.00%	10.00%	8.40%
49	8.78%	7.95%	10.00%	8.40%
50	8.70%	7.91%	9.50%	8.10%
51	8.62%	7.86%	9.50%	8.10%
52	8.54%	7.82%	9.50%	8.10%
53	8.37%	7.73%	9.50%	8.10%
54	8.20%	7.64%	9.50%	8.10%
55	8.03%	7.55%	8.80%	7.90%
56	7.86%	7.46%	8.80%	7.90%
57	7.69%	7.36%	8.80%	7.90%
58	7.76%	7.50%	8.80%	7.90%
59	7.82%	7.64%	8.80%	7.90%
60	7.89%	7.78%	9.30%	8.70%
61	7.95%	7.92%	9.30%	8.70%
62	8.02%	8.05%	9.30%	8.70%
63	8.59%	8.29%	9.30%	8.70%
64	9.17%	8.52%	9.30%	8.70%
65+	9.75%	8.75%	10.90%	7.40%

# Quick Comparison of Retention in Other States

Years of	Alaska TRS		CalSTRS		Montana TRS	Washington TRS		Oregon Schools				
<u>Service</u>	<u>Female</u>	<u>Male</u>		<u>Female</u>	<u>Male</u>		<u>Full Time</u>		<u>Plan 1/2</u>		<u>Female</u>	<u>Male</u>
1	31.0%	28.0%		11.3%	12.3%		28.0%		12.0%		13.5%	16.6%
2	21.0%	28.0%		7.0%	8.5%		16.0%		8.0%		12.5%	14.3%
3	18.0%	19.0%		5.5%	6.8%		12.0%		6.5%		10.5%	11.5%
4	13.0%	17.0%		4.3%	5.4%		9.0%		5.0%		9.1%	9.5%
5	13.0%	13.0%		3.3%	3.8%		7.0%		5.0%		8.1%	7.9%
Number of Original 100 Remaining @ 5 Years	34	30		72	68		45		68		57	53

## Retention of 100 newly hired, 25-year Old Teachers Over 30 Years



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

