



ESSAY

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TEACHERS' OPINIONS ON MISSOURI'S PUBLIC SCHOOL RETIREMENT SYSTEM

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INTRODUCTION

Since 2001, retirement security has ranked as the number one financial concern among Americans in Gallup polling.¹ In 2016, 64 percent of Americans indicated they were worried they will not have enough money in retirement.²

Many public employees have been told not to worry about their public employee pension plans.³ These plans provide a predictable income based on a formula, employees are told, and the individual does not shoulder the risk involved in a 401(k) or similar investment vehicle. Nonetheless, it is essential for public employees to be engaged with issues

related to their retirement security. More importantly, policymakers need to understand the long-term implications of these defined-benefit plans.

For districts and the state, pensions are huge assets that must be managed well to ensure that teachers receive the benefits they are promised. For many Missouri teachers, pensions are the sole retirement income that they will receive (they do not participate in Social Security). This includes members of the Public School Retirement System of Missouri (PSRS), which covers all school districts in the state with the exceptions of Saint Louis and Kansas City.

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Unfortunately, pension systems across the nation are faced with an increasing “unfunded liability” problem. That is, there are concerns that plans will not be able to deliver on the promises that they have made. According to The Pew Charitable Trusts, state pension systems across the country have roughly \$1.1 trillion in unfunded liabilities.⁴ PSRS itself reported a funded ratio of 84.8 percent in 2016, down one percentage point from 85.8 percent in 2015.⁵ This amounts to an unfunded actuarial accrued liability (UAAL) of more than \$6.5 billion. These figures are based on a set of assumptions that includes an assumed rate of return of 8.0 percent.* In a 2013 Show-Me Institute policy study, Andrew Biggs calculated the UAAL based on a more conservative, risk-adjusted discount rate of 4 percent.⁶ He showed that under these more conservative assumptions, the UAAL soars to more than \$31 billion. This amount would be even higher today.

Although teachers in Saint Louis and Kansas City are covered by Social Security, there is still reason to be concerned when it comes to their teacher pension systems. The Public School Retirement System of the City of Saint Louis (PSRS-STL) has a funded ratio of 84.9 percent and \$162 million in unfunded liabilities.⁷ The Public School Retirement System of the School District of Kansas City (PSRS-KC) is in much worse shape. In 2016, the funded ratio was just 64 percent and unfunded liabilities were \$349 million.⁸ A forecast by Segal Marco Advisors, which was commissioned by PSRS-KC, estimated a 42 percent likelihood of insolvency in 20 years.⁹

In order to appreciate the scale of the problem, it’s helpful to know how many Missourians are in these systems. In 2016, PSRS reported total assets of more than \$35 billion and over 150,000 members and retirees.¹⁰ Meanwhile, PSRS-STL had a total membership of 11,892.¹¹ PSRS-KC had a total membership of 10,363.¹² These are non-trivial numbers of Missourians. In other words, teacher pensions have a direct impact on over 170,000 Missourians and an indirect impact on hundreds of thousands more.

Given the importance of these issues, we wanted to gather information about teacher knowledge and attitudes toward their pensions. To do this, we designed a survey around three primary research questions:

1. What do teachers know about their pension plans?

2. How do teacher beliefs/perceptions change when given information about their retirement plans?
3. How supportive are teachers of their plans and other retirement systems?

In this paper, we first discuss some of the literature regarding teacher pensions. Next, we explain our survey methods and the results of our survey. Finally, we draw some tentative conclusions based on our limited survey responses. As we discuss below, teachers were encouraged not to participate in our study by the Missouri National Education Association. We believe this severely limited our data collection efforts. This action is consistent with our concern that teachers may not receive a full range of information regarding their pension system and retirement security. We discuss the implications of this information challenge at the end of the paper.

LITERATURE REVIEW

As we have already noted, public employee pensions face mounting unfunded liabilities. Unfunded pension liabilities helped bankrupt the city of Detroit,¹³ caused nearly insurmountable budget problems in Illinois,¹⁴ and have inflicted numerous other financial difficulties throughout the country. With that said, it is important to understand how this has occurred. Several factors have contributed to the current problems.

For starters, some pension plans fail to make required contributions to the pension fund, otherwise known as the annual required contribution (ARC).¹⁵ As Munnell and colleagues explain, some systems fail to meet the ARC because they are constrained by outside factors.¹⁶ This is the case for PSRS-KC, where the contribution rate has been set by the state legislature and is currently capped. In instances where systems are not constrained by the state, Munnell and colleagues suggest “the failure to cover 100 percent of the ARC is related to a lack of funding discipline, plan size, and the fiscal pressure on state government.”¹⁷

In addition to funding shortfalls, public pension plans are facing difficulty on the investment side. A 2017 report from the Pew Charitable Trusts states that nationwide, “investment earnings on plan assets are expected to pay for about 60 percent of promised benefits.”¹⁸ Unfortunately,

* Effective June 30, 2016 the assumed rate of return was reduced to 7.75 percent. This should increase the unfunded liabilities and decrease the funded ratio in future calculations.

the investment field is not the same as it was years ago, and low-risk investments do not produce the same level of returns they once did. Therefore, pension plans are increasingly investing in higher-risk investments in an effort to meet return expectations.¹⁹ Yet, they are failing to account for the added risk in their actuarial assumptions.²⁰ In boom times for the stock market, this is great, but when the market turns bearish, pension funds are increasingly vulnerable.

Consider also that pensioners are living longer and drawing their pensions for longer periods of time, and it is easy to see how unfunded liabilities have grown. In Missouri, we have seen all of these problems. As Robert Costrell, professor at the University of Arkansas, showed in a Show-Me Institute Case Study, PSRS regularly increased benefits for teachers from 1975 to 2001.²¹ As Costrell notes, “Contributions did not appear to rise commensurately with benefits through the early 2000s, as the system considered itself well-funded from the bull market gains of that period.”²²

In keeping with the nationwide trend, Missouri’s three systems have also moved to riskier investments. As Shuls and Rathbone note, from 1992 to 2014 PRSS moved from having more than 80 percent of investments in fixed income and cash to just 24 percent. PSRS-KC and PSRS-STL also saw significant changes in their investments. As Shuls and Rathbone point out, “during the period of 1992 to 2014, all of the public school pension plans have undergone significant shifts in the allocation of their invested assets. They have shifted from investment portfolios with little risk and consistent returns to portfolios with the potential for larger returns and greater risks.”²³ Despite these changes, the plans rarely make changes to their actuarial assumptions. They take on more risk, but do not account for the risk.

One of the big differences between a pension system and other forms of retirement accounts is who shoulders the risk. In a 401(k)-style plan, the worker shoulders the investment risk. Pension plans are different. Despite growing unfunded liabilities, pensioners expect to receive their benefits because pensions are promises. The worker does not shoulder the risk. Nevertheless, the money has to come from somewhere. If there is a funding shortfall, either taxpayers must contribute more, or future workers must increase contributions. Often, it is the latter.

Requiring future or current workers to pay for the unfunded liabilities of the past creates a system of intergenerational inequity. Backes and colleagues use Missouri to illustrate how this works.²⁴ They write:

The required contribution rate to the pension fund for Missouri teachers as reported in the 2013 actuarial valuation report was 29.2% of earnings. . . . However, the actuarially estimated “normal cost” for the plan, which is the percentage of salaries required to fund retirement benefits accrued by currently working teachers, was only 19.1%. The 10.1 percentage point difference represents what is required to pay down the UAAL.

Backes and colleagues refer to this as a “pension tax.”

These problems arise because benefits are not tied to contributions. They are instead based on a formula. It does not matter how much an individual contributes or how well the investments perform; the only thing that matters is the formula. As Shuls demonstrates, this creates a system where some participants subsidize the pension benefits of others.²⁵ By analyzing the salary schedules of 464 Missouri school districts, Shuls shows that the system tends to favor wealthy school districts over poor, rural districts.

There is one other aspect of risk that is rarely taken into account—teacher longevity. Most researchers agree that pension benefits are secure and generous for individuals who work a full career. There is, however, a risk involved when an individual's retirement plan assumes 30 years of service in one place. It is not uncommon for teachers to leave the profession early or to move to another state. Researchers from the University of Missouri analyzed the cohort survival over an eight-year period for individuals entering the profession in 2005.²⁶ Nearly 40 percent of PSRS teachers entering in 2005 had left the system by 2012. Shockingly, more than 70 percent of teachers left the systems in Saint Louis and Kansas City. By leaving the system early, these teachers sacrifice much of their retirement wealth. This is an inherent risk teachers take when working in a defined-benefit pension plan.

Given the importance of these issues, we sought to better understand Missouri teachers’ knowledge and attitudes toward retirement issues. Below we explain our methodology.

METHODS

While much of the research points to growing concern about public employee pensions, pensions have remained popular among workers. As stated earlier, we wanted to better understand teachers' knowledge, attitudes, and beliefs about this issue. Accordingly, we designed a survey instrument to administer to a sample of teachers from across the state. (The full survey is available in Appendix A.) Including demographic information, the survey contained 40 questions.

To distribute the survey, we contacted school and district leaders from both the traditional public and public charter school sectors in Missouri. After a kind introduction from Doug Thaman of the Missouri Charter Public School Association at their annual meeting, on May 10, 2017, we emailed a link to the survey to the 42 leaders of charter schools in the state with a request to forward it to their teachers. On May 15, we emailed the survey to the superintendents of 18 school districts across the state, chosen based on previous relationships with those district leaders. (The full list of charter schools and districts we contacted is available in Appendix B).

Unfortunately, on May 17, a representative of the Missouri NEA sent out a "legislative alert" email to members of that union instructing them not to participate in our survey. (The email is reproduced in Appendix C). Based on social media posts and emails from superintendents, it appears that this email was shared around the state, even beyond Missouri NEA members. We believe that this act greatly curtailed the number of teachers who chose to participate in our survey. More importantly, the email could have affected the objectivity of the responses we received.

After learning of the email, we considered scrapping this whole project and chalking it up to the current environment that something as simple as a survey of teachers' opinions could meet such resistance. But by that point many teachers had already participated, and we wanted to make sure that their voices were heard.

To show that we have absolutely nothing to hide, we determined that it would be best to present the whole survey (Appendix A) and the entirety of the results. We have included all of the responses from teachers in the

open-response section at the end of the survey (available in Appendix D). They are presented unedited, except in the isolated case where we were worried that a teacher had revealed a detail about his or her life or work that would make them possible to identify. Other than those redactions, all other comments are included for all to see.

Our results are clearly not a representative sample of Missouri teachers. Moreover, it is likely that many participants, especially those who had received the MNEA warning, were inclined to respond a certain way. Nevertheless, by presenting all of the survey questions and responses we hope to generate more dialogue about Missouri's public teacher pensions. We also wish to honor the responses of those individuals who took the time to participate.

RESULTS

Demographically, the 53 responses we received represent a diverse slice of Missouri's teaching force. Descriptive statistics on the sample are shown in Table 1. The average teacher in our sample was 43 years old, with just under 15 years of experience; teachers ranged from a brand new 22-year-old teacher to a 37-year veteran. In the sample, 65.4 percent of respondents listed their gender as female and 34.6 percent listed their gender as male.

The teachers also represented both the traditional public school and charter school sectors, as well as areas around the state. Figure 1 shows the breakdown. Two percent of respondents were Kansas City charter school teachers, 44 percent were Saint Louis charter school teachers, 17 percent were Saint Louis Public School teachers, and 37 percent were traditional public school teachers from other school districts.

The survey next asked a series of general questions about teachers' opinions of their pensions. They were asked to indicate their agreement with several statements on a 1–10 scale, with 1 being agreeing very little and 10 agreeing a lot.

There is wide variation in how closely teachers pay attention to their pensions and in their level of awareness of its current structure and its most popular alternative. Answers ranged from 1 to 10 on "I pay close attention to the issues and news surrounding my pension," "I am very

familiar with how a defined-benefit pension plan works,” and “I am very familiar with how a defined-contribution retirement plan works.” In all cases, teachers barely tipped into more confident territory on average, with mean values of 5.6, 5.5, and 5.7, respectively.

The next question yielded some very interesting responses. When asked if teachers planned to teach their full career in Missouri public schools, the average response was 8.4, a very confident yes. This is interesting because data show that most teachers leave before teaching a full career. Given that the average number of years of service in our sample is almost 15, this could reflect “survivorship bias”; that is, the teachers who responded are the ones who have already persisted, so they are more likely to stick it out for the rest of their careers. It could also be true that teachers’ plans change, and many of those who intend to teach a full career end up not doing so.

Three questions were devoted to confidence in knowledge about teachers’ pensions. First we asked if the teachers were confident explaining their pensions to someone else; next we asked if they could readily access information about their pensions; finally, we asked about their sources for information. Interestingly, teachers were split right down the middle over their confidence in explaining their pensions, with a mean response of 5.1. They were more confident in their ability to access information, with a mean of 6.4. It appears that professional associations are not the primary source of information for pensions, with a mean value of only 3.6.

We also asked four questions related to how pensions might affect teacher behavior. First, teachers generally disagreed when asked whether the pension system was one of the reasons they entered the teaching profession, with an average score of 2.7. The number gets higher, however, when teachers are asked if they have made career decisions based

Table 1: Descriptive Statistics for Survey Sample

	Age	Years of Experience
Mean	43.3	14.7
Median	43.0	13.5
Minimum	22.0	1.0
Maximum	63.0	37.0
Standard deviation	10.3	10.0

Figure 1

Respondents by Employer

Nearly half of respondents were charter-school teachers, mostly from St. Louis.

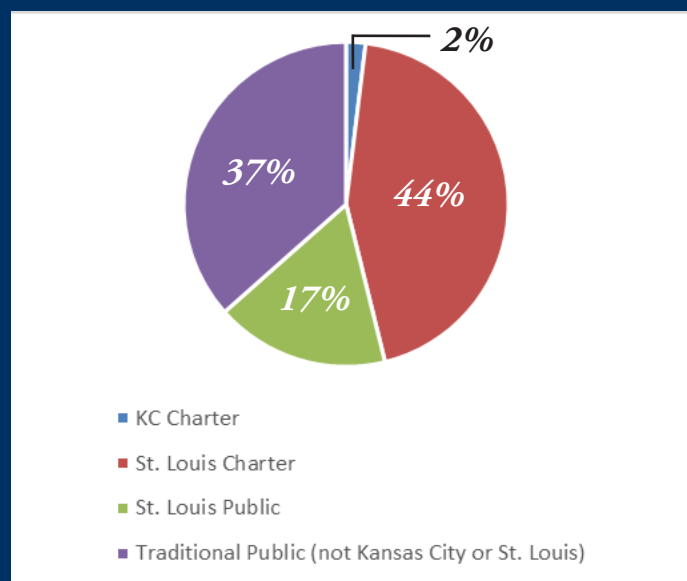


Table 2: **Opinion Questions and Results**

	Mean	Median	Min	Max	Standard Deviation
I pay close attention to the issues and news surrounding my pension fund.	5.6	5	1	10	3.2
I am very familiar with how a defined-benefit pension plan works.	5.5	4.5	1	10	3.4
I am very familiar with how a defined-contribution retirement plan works.	5.7	5.5	1	10	3.4
I plan to work a full career in Missouri public schools prior to retiring.	8.4	10	1	10	2.5
Over the past ten years, my pension plan has outperformed the stock market as a whole.	4.6	5	1	10	3.2
I am confident I could explain how my retirement system works to another teacher.	5.1	5	1	10	3.5
I could easily find out information about my retirement plan if I wanted to.	6.4	7	1	10	3.4
Professional associations (MSTA, MNEA, and AFT) are my primary source of information regarding my retirement plan.	3.6	2	1	10	3.1
The pension system was one of the reasons I became a teacher.	2.7	1	1	10	2.8
I have made career decisions because of my pension.	5.1	6	1	10	3.5
My pension system provides a good deal for me in terms of retirement security.	7	8	1	10	3.3
Missouri's teacher retirement plan is fully funded.	5.7	5.5	1	10	3.6
If given the choice, I would generally prefer a higher salary today than higher retirement benefits.	3.3	3	1	8	2.3

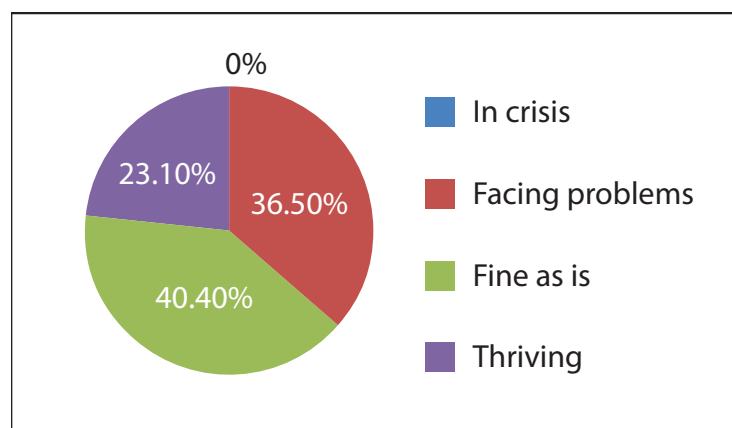
on their pensions, with an average score of 5.1. This could indicate teacher decisions to move from one school district to another or to earn additional degrees in an effort to boost their final average salary. Teachers in general believe that their pension offers them a good deal (average response value of 7) and would not prefer a higher salary today in exchange for a diminished retirement benefit (average response of 3.3).

Interspersed with these items were two questions asking teachers' opinions relative to facts about the pension fund and its performance. We asked teachers if they thought that their pension fund had outperformed the stock market. By a small margin (average score 4.6) they did not have confidence that it had. We also asked if they thought the system was fully funded. Teachers were more confident that this was true (average score 5.7), but not overwhelmingly so.

The next section of the survey asked another battery of opinion questions. We can walk through these one by one.

The first question asked about teachers' opinions of the stability of their pension fund.

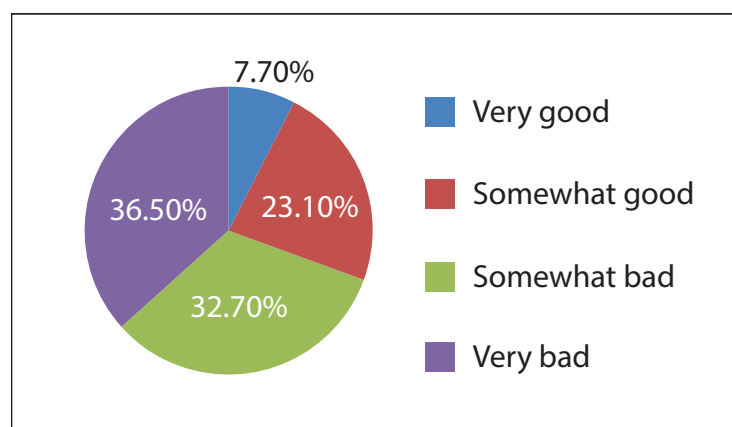
Question: Based on what you have seen, read, or heard, which of the following best describes the current situation with your pension fund?



Most teachers saw their pension funds as doing fine or even thriving. Zero teachers surveyed believed that their pensions are in crisis, but over one-third believed that their pension fund is facing problems.

We then asked about the unique structure of Missouri pension systems:

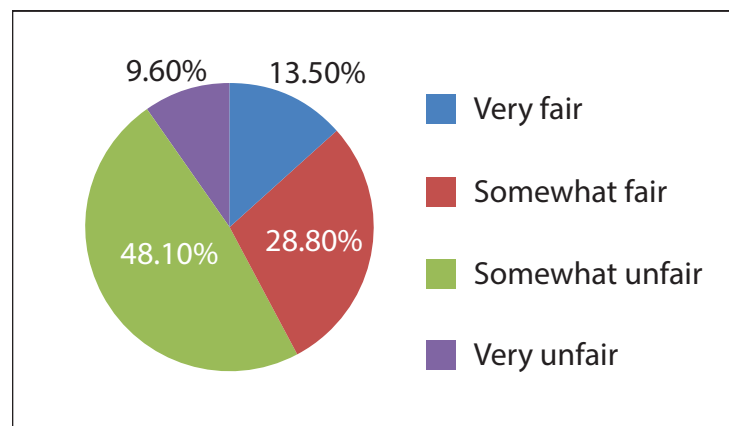
Question: In Missouri, there are three separate teacher pension systems; one in St. Louis, one in Kansas City, and one for the rest of Missouri. If a teacher were to work a full career (30 years) in Missouri, but split half of their time in one system and half in another, their combined pensions would be worth significantly less than if they would have worked a full 30 years in one system. In general, do you think having three separate defined benefit pension plans is a good or bad thing for Missouri?



The teachers we surveyed generally disliked the fact that the multiple pension systems in Missouri penalize teachers moving among them. Just under 70 percent rated this arrangement as “somewhat bad” or “very bad.” Only 7.7 percent think that this is a “very good” system.

In a related question, we asked about the particular method that PSRS uses to calculate a teacher’s retirement benefit.

Question: The Public School Retirement Systems calculates benefits based on a teacher’s three highest years’ salaries. It ignores retirement contributions for all other years. This structure makes it possible for one teacher to contribute more to the retirement system than another teacher, but to get less in retirement benefits. In general, do you think this system is fair to all teachers?

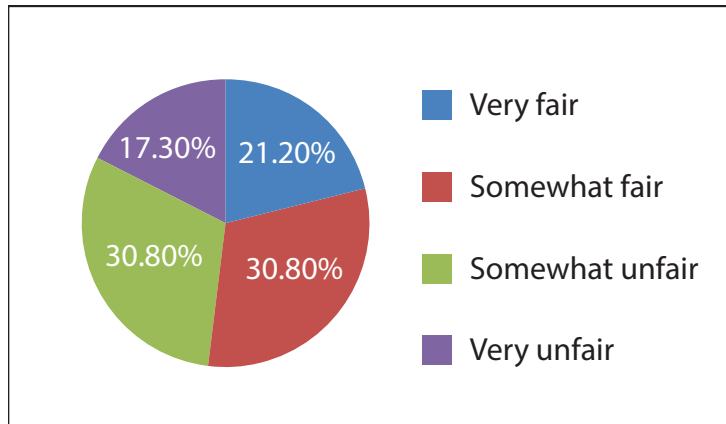


Most teachers responded that basing retirement benefits on the last three years of earnings was “somewhat” or “very unfair.” Only 13.5 percent believe that this is a very fair system.

Next, we presented data from a recent study highlighting the “break even” point for PSRS pensions. The study found that a teacher needs to work for 28 years before she will get more out of her pension than she will put in.

Question: According to a study conducted by Bellwether Education Partners and The Urban Institute, Missouri teachers must work 28 years before their pension is worth more than the value of the teacher’s contributions (teacher and district). Teachers who leave prior to this time will receive less than the value of their

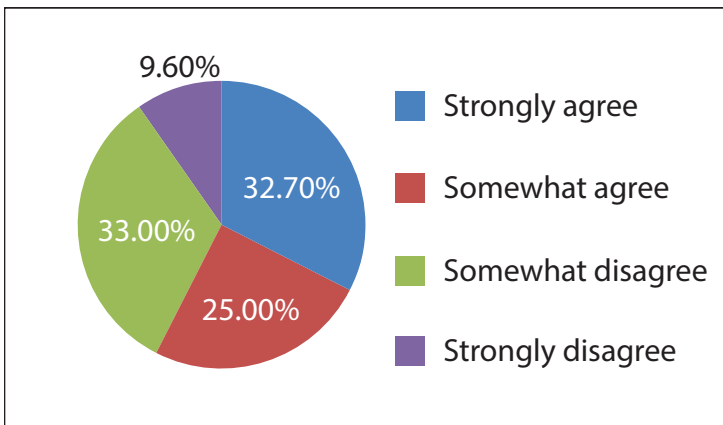
contributions. Conversely, teachers who work longer will receive more than the value of their contributions to the system. In general, do you think this system is fair to all teachers?



Responses were split on this question. Just under half of teachers thought this was “very” or “somewhat unfair,” and just over half thought this was “very” or “somewhat fair.” More than 60 percent of the responses were in the middle two categories. The general support for this system may reflect the belief that teachers should be rewarded for longevity.

Next we asked teachers to look into the future to assess their confidence in the long-term stability of the pension system.

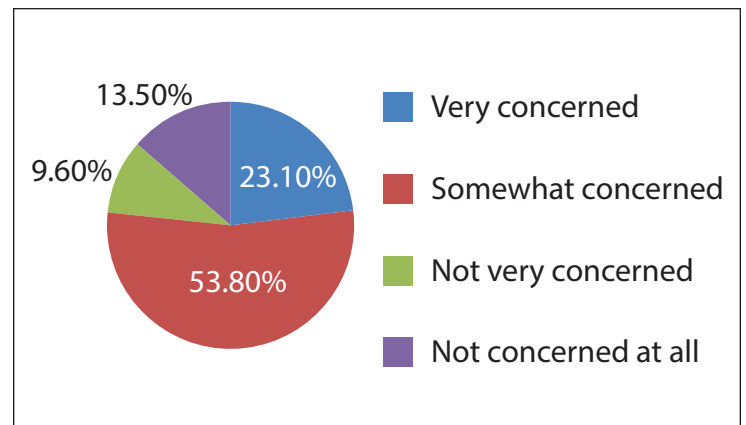
Question: To what degree do you agree or disagree with the following statement? “Missouri’s current defined benefit pension system for teachers is sustainable over the long term.”



Almost half (42.6%) of the teachers we surveyed do not believe that their pension is sustainable over the long term. At the same time, almost one-third of teachers are extremely confident in the long-term sustainability of the pension system.

In the next question, we used PSRS’s own numbers to be more concrete about the funding level of the current pension system. After presenting teachers with the data, we again asked their opinions on the long-term stability of the pension system.

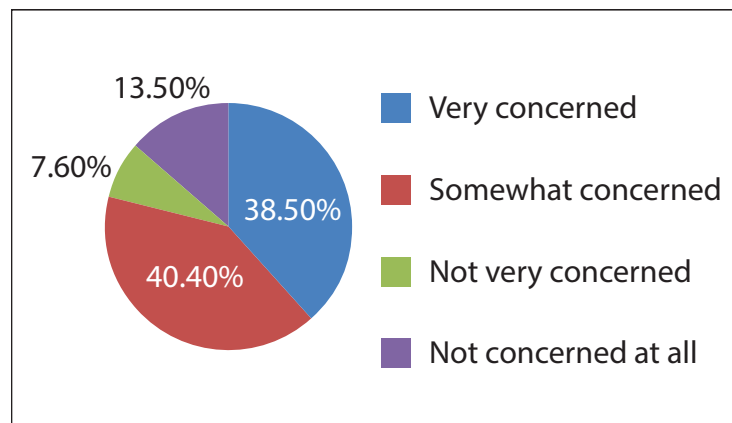
Question: Pension systems make promises to retirees based on a formula. These promises are called liabilities. When a system does not have enough funds to cover the promises, these are called unfunded liabilities. Based on the assumptions used by the Public School Retirement System, Missouri’s pension plan is more than 80% funded and has more than \$6 billion in unfunded liabilities. Given this information, are you concerned about the sustainability of this retirement plan?



Interestingly, when the data is presented, opinions change. After being presented with the facts, over 75 percent of teachers surveyed then said that they were “very” or “somewhat concerned” with the long-term sustainability of the pension system. While most of those are concentrated in the “somewhat concerned” slice of the pie, the “very concerned” slice is the same size as the two “not concerned” slices put together.

We then presented the teachers with more data, this time using more conservative assumptions than PSRS uses when calculating unfunded liabilities.

Question: If the Public School Retirement System were to use more conservative assumptions, such as an expected rate of return of 4%, the system's unfunded liabilities would be more than \$31 billion. Given this information, are you concerned about the sustainability of this retirement plan?

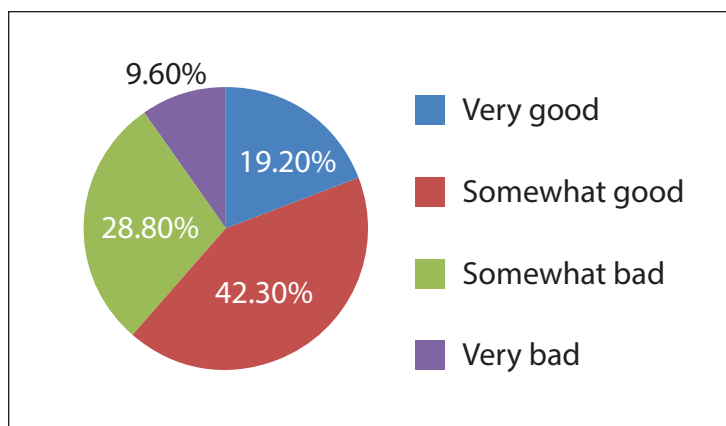


After being presented with these data, teachers became even more concerned with the sustainability of their retirement plan. While the overall combination of “very” and “somewhat” concerned rose to 78.9 percent (not a huge rise from the previous question), the percentage of respondents in the “very concerned” category grew considerably.

After all of this, we finished with two questions about the overall structure of the pension system. First we asked what teachers think about “defined benefit” pensions, which is how the plan is currently structured.

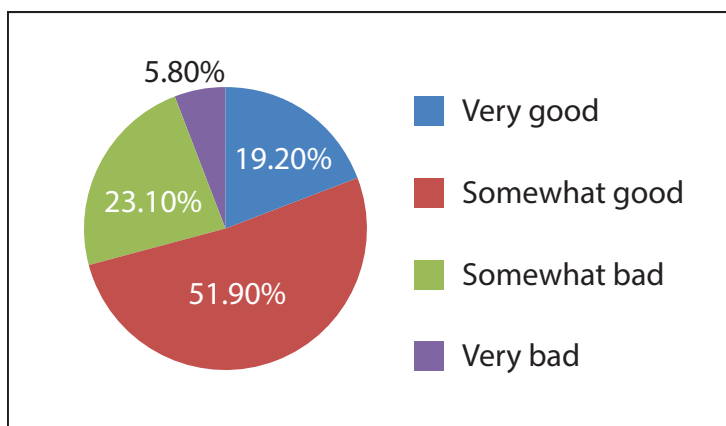
Question: In a defined benefit pension plan, the employer promises a specified monthly benefit on retirement that is predetermined by a formula based on the employee's earnings history, tenure of service, and age. Employees typically are not fully “vested” in their plan and own their benefits until they have worked for five years. Public employees can't stay in the pension system if they move to another state or take a private sector job. In general, do you think a defined-benefit pension plan is a good or bad retirement plan?

The majority of responses fell in the middle, with the largest slice of the pie being “somewhat good.” In total, 61.5 percent of respondents fell on the “good” side and 38.4 percent fell on the “bad” side.



We then asked about the other side of the coin. After a brief explanation of what a “defined contribution” pension would look like, we asked what they thought.

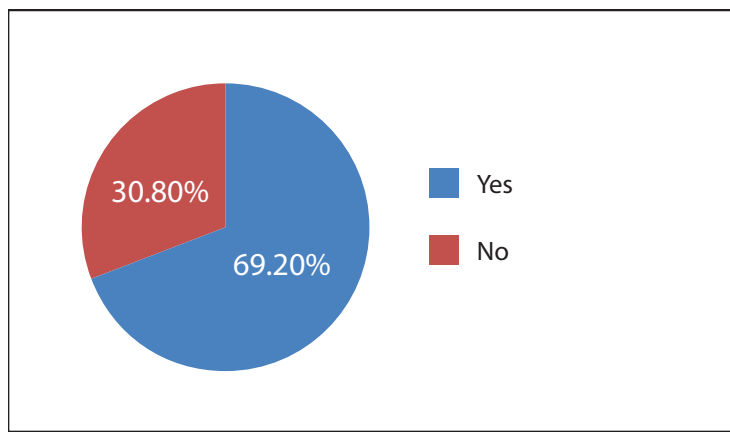
Question: In a defined contribution retirement plan, employees contribute a predetermined portion of their salary before taxes to an individual retirement account. The employers also contribute a predetermined percentage to the employees' individual retirement accounts. Employees can be fully “vested” in their plan and own their entire account after just one year on the job. The individual employee controls how the money in their account is invested and the account is portable so they can take it with them to other jobs. Retirement benefits in a defined contribution plan ultimately depend on how much is saved in an employee's plan and on how much their investments have earned. In general, do you think a defined contribution plan is a good or bad retirement plan?



Interestingly, the responses weren't much different than for the defined contribution question, but defined contribution plans actually have a slight edge, with 71.1 percent of respondents falling into one of the two "good" slices of the pie.

In the next section, we asked a series of yes-or-no questions about teachers' pension preferences, as listed below.

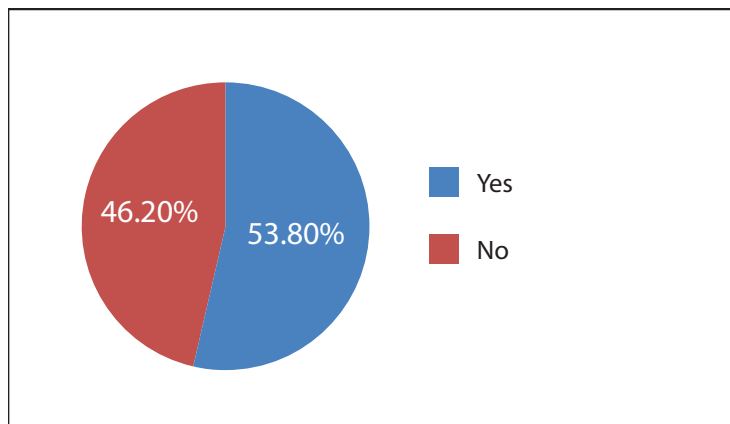
Question: Do you support giving future public school teachers the choice of having either a defined benefit pension plan or a defined contribution retirement plan?



By a more than 2 to 1 margin, the teachers we surveyed believe that teachers should be able to have a choice in their retirement program and should be free to choose either a defined contribution or a defined benefit pension.

Relatedly, we asked the reverse of the question to see if teachers wanted to require other teachers to participate in a defined benefit pension.

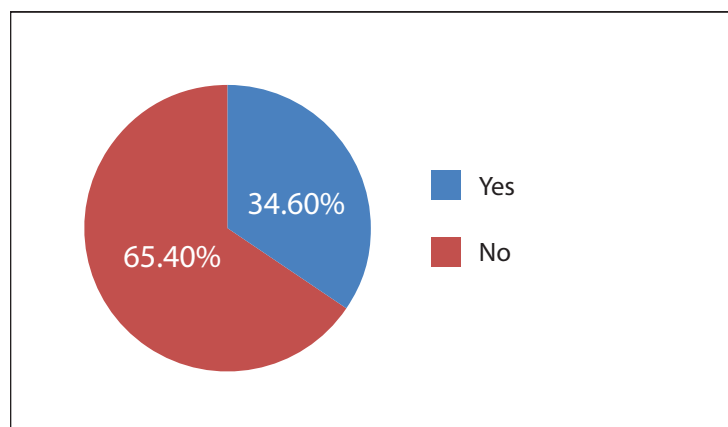
Question: Do you support requiring all future public school teachers to join a defined benefit retirement plan?



Interestingly, and perhaps unexpectedly, the same sample of teachers that endorsed the view that teachers should have the freedom to choose different retirement systems also favors (though by a narrower margin) requiring future teachers to use the defined benefit pension system. We are not sure what to make of this contradiction. It could be the case that teachers were confused, or it is possible that some individuals were influenced by the MNEA's "alert."

We stayed in this vein for the next question to gauge opinion on whether teachers should be required to join a defined contribution system.

Question: Do you agree with requiring all future public school teachers to join a defined contribution retirement plan?

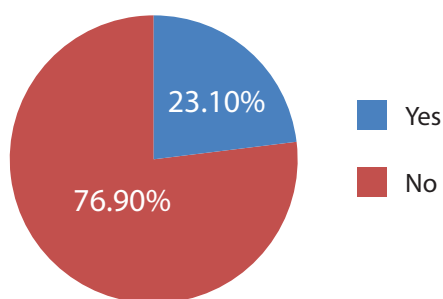


This answer tacks closer to responses to the earlier question on freedom to choose, as over two-thirds of respondents did not agree that teachers should be forced into a defined contribution plan.

Next, we asked about future actions that pension plans might have to take if they are facing insolvency. First, we asked about increasing contributions.

Question: Do you agree with raising the amount teachers have to contribute to their pension plan?

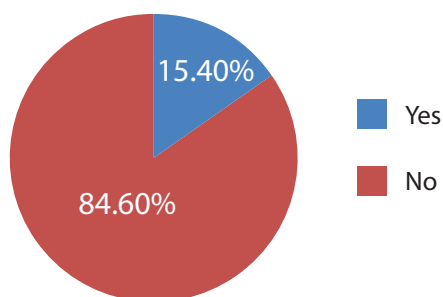
Not surprisingly, increasing teacher contributions is extremely unpopular. More than three-quarters of the teachers that we surveyed did not want to see their contributions increased. This number is larger than both the percentages of teachers who agree with the statement



that their pension is sustainable (57.7%), and that it is “thriving” or “fine as is” (63.5%) from our earlier questions. It is important to keep those numbers in mind as we look to the next survey questions.

How about increasing the retirement age?

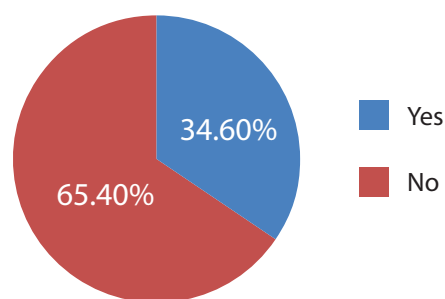
Question: Do you agree with increasing the retirement age for teachers to receive pension benefits?



Increasing the retirement age is even less popular than increasing contributions. Almost 85 percent of teachers we surveyed did not want the retirement age for teachers raised.

Another option would be to increase the vesting period, forcing teachers to work longer before they are eligible for a pension.

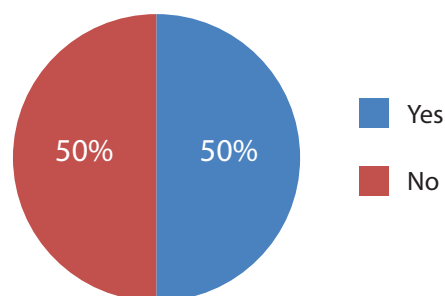
Question: Do you agree with increasing the vesting period for future teachers, which is the number of years a teacher has to work before they have a right to the full amount in their pension?



Of all the potential options, this was the most popular (or least unpopular) More than one-third of teachers appear open to this option, but it is still overwhelmingly opposed by the teachers we surveyed.

Finally, we wanted to get opinions on what are known as “hybrid” pension systems. These systems combine defined benefit and defined contribution pension systems and could represent a middle ground between the two options.

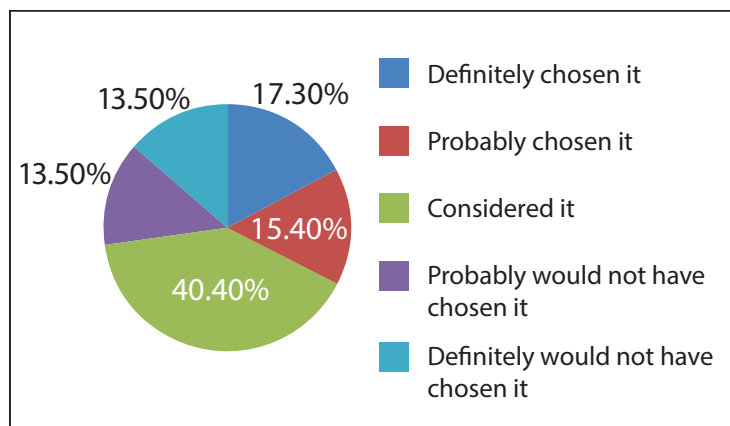
Question: Do you agree with creating a hybrid retirement plan for future teachers that combines a defined benefit and defined contribution plan together. The defined benefit portion would give teachers a smaller guaranteed pension benefit than they receive now, but teachers would also have a defined contribution plan that they contribute to and the government also contributes a certain percentage. In the defined contribution plan’s account, the individual gets to control how their money is invested?



Teachers were perfectly split on this question. Half of teachers agreed with creating a hybrid plan, and half disagreed.

Finally, we asked teachers to think back to when they were hired as teachers (which was a longer journey for some than others) and asked them if they would have been open to a different type of retirement plan.

Question: *If you were given the option of choosing a defined contribution retirement plan when you were hired as a public school teacher, would you have?*



Responses were split. The plurality of teachers stated that they would be open to considering such an arrangement. Over one-third of teachers would have “definitely” or “probably” chosen a defined contribution plan, and 27 percent would have “probably” or “definitely” not.

DISCUSSION AND CONCLUSION

Although the responses here are not a representative sample of Missouri teachers, they contain some important information worth considering. For starters, many teachers expressed a lack of knowledge about their own pension plan. Many expressed reservations about being able to explain their plan to others. Given the importance of retirement security, teachers would benefit from learning more about their retirement plans.

The current structure in Missouri doesn’t give teachers flexibility or choice regarding their retirement plan. As we have seen here, there is certainly some desire for alternative plans. It is at least worth exploring further whether the desires and needs of current and future teachers may be met by another retirement vehicle.

Perhaps our most interesting finding was that teachers’ views on the health of their pension funds changed when they were presented with objective data on unfunded liabilities. Even the more generous estimates provided

by PSRS alarmed many respondents, and presenting the unfunded liabilities calculated with more conservative estimates moved their opinions even more.

The real story here, however, may not be what was said in the survey responses, but in how the state’s largest teacher’s union responded. Upon learning about the survey, the MNEA sent out a “legislative alert” email warning teachers not to participate in the survey. We have included a copy of the email as Appendix C. Judge for yourself if this alert is providing objective information to its membership or engaging in what marketing firms sometimes refer to as “scare tactics.”²⁷

In any case, it is unfortunate that the state’s largest teacher’s union would discourage teacher efforts to engage in a policy discussion that is vitally important to more than 170,000 Missourians. Given this, policymakers should be aware that any attempt to address pension issues will certainly be highly politicized. Even a simple attempt to conduct a survey of teachers regarding their knowledge and beliefs regarding pensions met with fierce resistance from the MNEA, including baseless accusations about our motivations. Judging by the combative response to an attempt to open a discussion about pensions, it will probably be difficult (but worthwhile) to expand the conversation.

APPENDIX A: SURVEY

PENSION SURVEY

Thank you for taking part in this survey. Please feel free to answer openly and honestly, as your individual answers will be kept completely confidential. We simply ask that you do not ask anyone for help or look up answers. We want to know what you know and think. Thank you for your time!

Please tell us a little about yourself.

Age:

Sex:

Where do you work?

- A. St. Louis Public School District
- B. A St. Louis Public Charter School
- C. Kansas City Public School District
- D. A Kansas City Public Charter School
- E. A traditional public school (not Kansas City Public Schools or St. Louis Public Schools)

How many years have you taught in Missouri?

On the following questions, please indicate your level of agreement on a scale of 1 to 10; with 1 being very little and 10 being a lot:

I pay close attention to the issues and news surrounding my pension fund.

I am very familiar with how a defined-benefit pension plan works.

I am very familiar with how a defined-contribution retirement plan works.

I plan to work a full career in Missouri public schools prior to retiring.

Over the past ten years, my pension plan has out performed the stock market as a whole.

I am confident I could explain how my retirement system works to another teacher.

I could easily find out information about my retirement plan if I wanted to.

Professional associations (MSTA, MNEA, and AFT) are my primary source of information regarding my retirement plan.

The pension system was one of the reasons I became a teacher.

I have made career decisions because of my pension.

My pension system provides a good deal for me in terms of retirement security.

Missouri's teacher retirement plan is fully funded.

If given the choice, I would generally prefer a higher salary today than higher retirement benefits.

Please provide a short answer

How many different teacher retirement systems are there in Missouri?

What percentage of your paycheck do you contribute to the pension system?

How much does your school contribute into your pension fund?

After how many years do you "vest" in your pension, that is, become eligible to receive pension payments when you retire?

Your pension benefits are calculated based on a Final Average Salary calculation. How many years are included in your Final Average Salary?

If you want to maximize your retirement income, when is the best time to retire?

Based on what you have seen, read, or heard, which of the following best describes the current situation with your pension fund?

- A. In Crisis
- B. Facing Problems
- C. Fine as is
- D. Thriving

In Missouri, there are three separate teacher pension systems; one in St. Louis, one in Kansas City, and one for the rest of Missouri. If a teacher were to work a full career (30 years) in Missouri, but split half of their time in one system and half in another, their combined pensions would be worth significantly less than if they would have worked a full 30 years in one system. In general, do you think having three separate defined benefit pension plans is a good or bad thing for Missouri?

- A. Very Good
- B. Somewhat Good
- C. Somewhat Bad
- D. Very Bad

The Public School Retirement Systems calculates benefits based on a teacher's three highest years' salaries. It ignores retirement contributions for all other years. This structure makes it possible for one teacher to contribute more to the retirement system than another teacher, but to get less in retirement benefits. In general, do you think this system is fair to all teachers?

- A. Very Fair
- B. Somewhat Fair
- C. Somewhat Unfair
- D. Very Unfair

According to a study conducted by Bellwether Education Partners and The Urban Institute, Missouri teachers must work 28 years before their pension is worth more than the value of the teacher's contributions (teacher and district). Teachers who leave prior to this time will receive less than the value of their contributions. Conversely, teachers who work longer will receive more than the value of their contributions to the system. In general, do you think this system is fair to all teachers?

- A. Very Fair
- B. Somewhat Fair
- C. Somewhat Unfair
- D. Very Unfair

To what degree do you agree or disagree with the following statement? "Missouri's current defined benefit pension system for teachers is sustainable over the long term."

- A. Strongly Agree
- B. Somewhat Agree
- C. Somewhat Disagree
- D. Strongly Disagree

Pension systems make promises to retirees based on a formula. These promises are called liabilities. When a system does not have enough funds to cover the promises, these are called unfunded liabilities. Based on the assumptions used by the Public School Retirement System, Missouri's pension plan is more than 80% funded and has more than \$6 billion in unfunded liabilities. Given this information, are you concerned about the sustainability of this retirement plan?

- A. Very concerned
- B. Somewhat concerned
- C. Not very concerned
- D. Not concerned at all

If the Public School Retirement System were to use more conservative assumptions, such as an expected rate of return of 4%, the system's unfunded liabilities would be more than \$31 billion. Given this information, are you concerned about the sustainability of this retirement plan?

- A. Very concerned
- B. Somewhat concerned
- C. Not very concerned
- D. Not concerned at all

In a defined benefit pension plan, the employer promises a specified monthly benefit on retirement that is predetermined by a formula based on the employee's earnings history, tenure of service, and age. Employees typically are not fully "vested" in their plan and own their benefits until they have worked for five years. Public employees can't stay in the pension system if they move to another state or take a private sector job. In general, do you think a defined-benefit pension plan is a good or bad retirement plan?

- A. Very Good
- B. Somewhat Good
- C. Somewhat Bad
- D. Very Bad

In a defined contribution retirement plan, employees contribute a predetermined portion of their salary before taxes to an individual retirement account. The employers also contribute a predetermined percentage to the employees' individual retirement accounts. Employees can be fully "vested" in their plan and own their entire account after just one year on the job. The individual employee controls how the money in their account is invested and the account is portable so they can take it with them to other jobs. Retirement benefits in a defined contribution plan ultimately depend on how much is saved in an employee's plan and on how much their investments have earned. In general, do you think a defined contribution plan is a good or bad retirement plan?

- A. Very Good
- B. Somewhat Good
- C. Somewhat Bad
- D. Very Bad

Do you support the following (Yes or No):

Giving future public school teachers the choice of having either a defined benefit pension plan or a defined contribution retirement plan?

Requiring all future public school teachers to join a defined benefit retirement plan?

Requiring all future public school teachers to join a defined contribution retirement plan?

Raising the amount teachers have to contribute to their pension plan?

Increasing the retirement age for teachers to receive pension benefits?

Increasing the vesting period for future teachers, which is the number of years a teacher has to work before they have a right to the full amount in their pension?

Creating a hybrid retirement plan for future teachers that combines a defined benefit and defined contribution plan together. The defined benefit portion would give teachers a smaller guaranteed pension benefit than they receive now, but teachers would also have a defined contribution plan that they contribute to and the government also contributes a certain percentage. In the defined contribution plan's account, the individual gets to control how their money is invested?

If you were given the option of choosing a defined contribution retirement plan when you were hired as a public school teacher, would you have:

- A. Definitely chosen it
- B. Probably chosen it
- C. Considered it
- D. Probably would not have chosen it
- E. Definitely would not have chosen it

Thank you for taking the time to complete this survey. We welcome any comments or thoughts you would like to share with us.

APPENDIX B: CHARTER SCHOOLS AND DISTRICTS IN SAMPLE

CHARTER SCHOOLS

ST. LOUIS

Carondelet Leadership Academy
 City Garden Montessori
 Concept Schools
 Confluence Academy
 De La Salle St. Louis
 Eagle Prep
 Grand Center Arts Academy
 Hawthorn School
 KIPP St. Louis
 Lafayette Prep
 Lift for Life
 Northside Community School
 Preclarus Academy
 Premier Charter School
 South City Prep
 St. Louis Language Immersion School

KANSAS CITY

Academie Lafayette
 AFIA-Kansas City
 Allen Village
 Alta Vista
 Benjamin Banneker
 Brookside Charter
 Crossroads Academy
 CWC Kansas City
 De La Salle Kansas City
 Della Lamb

Frontier
 Genesis
 Gordon Parks
 Hogan Prep
 Hope Leadership Academy
 The Kaufmann School
 KC Neighborhood Academy
 KIPP Endeavor
 Lee A Tolbert Academy
 Pathways Academy
 Scuola Vita Nuova
 University Academy

DISTRICTS

Affton
 Butler R-V
 Fort Zumwalt
 Francis Howell
 Jennings
 Joplin
 Kirkwood
 Lindbergh
 Meramec Valley R-III
 Normandy
 Orchard Farm
 Pattonville
 Republic R-III
 Riverview Gardens
 Rockwood
 Valley Park
 University City
 Wentzville

APPENDIX C: MNEA EMAIL

MNEA LEGISLATIVE ALERT

May 17, 2017

By: [REDACTED]

MNEA Legislative

AVOID THE BOGUS SURVEY ON PSRS FROM SHOW-ME INSTITUTE

Some district officials have recently received an email from an employee of the Show-Me Institute, a Missouri-based belief tank funded by billionaire Rex Sinquefeld. Sinquefeld uses the Show-Me Institute to push his comprehensive privatization agenda, including tax credit vouchers for private and religious schools and elimination of the PSRS retirement system.

The original email comes from Show-Me employee Michael McShane and asks teachers to participate in a survey about “how much teachers know about their current retirement plans” and “how teachers would feel about other arrangements for retirement compensation.”

TRANSLATION: it is the Show-Me Institute’s declared goal to eliminate the current, defined-benefit plan under PSRS and replace it with a cheaper 401(k) plan where all the risk is borne by the employee and the plan offers no guaranteed retirement option. This “survey” is an effort to further that goal by asking skewed questions that will mislead teachers and suggest that they agree with the Institute’s legislative goal to eliminate the PSRS plan.

Former Show-Me Institute employee James Shuls has forwarded McShane’s email to district officials to ask for the district’s support in promoting participation. Shuls attempts to give the survey a patina of legitimacy. Shuls is now at the University of Missouri—St. Louis and claims the survey to be approved by UMSL’s research board. Shuls continues to do “research” that is aligned with Show-Me Institute goals and is a regular speaker at Show-Me Institute sponsored events.

ACTION NEEDED: The Association asks that you do the following:

- 1) be on the look out for any communication to you or in your district or local regarding this survey;
- 2) DO NOT participate in the survey;
- 3) let board members, administrators and other educators know what this “survey” is really about by sharing this email; and
- 4) let the Association know of any such activity in your district or local by sending an email to [REDACTED]
[REDACTED]

The Association appreciates your attention and effort to support our quality PSRS retirement system and to oppose the efforts of those who seek to eliminate the PSRS system and the benefits it provides to Missouri educators.

APPENDIX D: OPEN RESPONSES

"The language is very bias against the current retirement plan."

"Some of the ways the questions were asked made it difficult to respond. Without details (such as what the company match would be), it is difficult to make judgments about what I would prefer. In general, switching from a pension would move risk onto the individual as opposed to the group--for most people--this tends not to benefit them in the long run."

"I believe that the fact that schools in Saint Louis City offer only the Saint Louis City retirement plan is a HUGE hindrance to attracting and retaining qualified teachers and administrators. I left the Missouri PSRS after working in [REDACTED DISTRICT NAME] for 11 years and almost didn't take the job because of the different retirement system. When I left, several other teachers expressed an interest in coming to work with me. They ultimately decided not to because they didn't want to lose their years in Missouri PSRS. Despite the fact that I love my job and my charter school is thriving in its first year, I will eventually have to apply for other admin positions that will get me back into my old retirement system. Something really needs to be done about this... it's ultimately an injustice to the students and families in Saint Louis City that it's harder to attract and keep educators because of the retirement system."

"This survey is skewed towards show me institutes agenda."

"I support a plan that allows teachers to move their pension plan from one part of St. Louis to the next and to another state. Further, it should be up to the teachers how much they contribute and they should be able to manage the investments in a manner similar to a 401K."

"The current pension system works, both for individual teachers and school systems. Teachers benefit from consistent retirement benefits, ensuring they can contribute to the economy after retirement. Students benefit by having teachers retire when they have exhausted their enthusiasm for the job."

"This survey should have answer options that state, 'I don't know' or 'I don't have enough information to provide an educated answer.'"

"We have one of the strongest retirement plans in the nation. The only way it will fail is if the Republicans and Rex Sinquefeld get their hands on it and have people pay into Soc. Security (which at this rate will fail) or give people the option of paying into their own 403B. If you give people a choice most won't do it because they want the immediate benefit of a higher paycheck, but they won't save long term. The majority of teachers don't save anything into a 403B outside of PSRS unless they are forced to. It would be nice to have matching payments from the school district into a 403B but that will never happen. Please do not make up some so called "research results" to get people to dump our current retirement system."

"I would love to see the results or your survey as well as recommendations you may have."

"I guess I shouldn't be surprised that I seem to know less about my pension than I thought I did, even though I have attended workshops and have actively tried to stay up to date with information on it. I think the retirement system (?) could do a better job of communicating clearly about our pensions, especially as we begin our careers - I got almost no information and had to seek it out myself. I also think the rules about teacher's pensions have some unfair aspects. For example, I worked for 16 years in the private sector and contributed to Social Security during those years. My understanding is that for every year I have worked and will continue to work in the public school system since then, my Social Security is being reduced. I guess it seems to me that money I contributed to a retirement fund should remain available to me, regardless of the intervening work I do before I retire. Finally, my biggest concern about Missouri's teachers' pensions is that the state will try to commandeer those funds somehow. Even though they are partially unfunded, there is still a huge amount of money in the coffers that politicians will only eye greedily as state budgets continue to tighten."

"This is a horrible survey."

Michael McShane is the director of education policy for the Show-Me Institute. James Shuls is a distinguished fellow of education policy for the Show-Me Institute and is an assistant professor of educational leadership and policy studies at the University of Missouri—St. Louis.

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NOTES



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