

DPS Employee Compensation: the Role of Pension Benefits

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Summary

Denver Public Schools, like most school districts across the nation, faces challenges in attracting top graduates into teaching and keeping them.¹ For example, the probability that an employee will stay with the DPS until year five is only about 40%. While compensation may not be the most significant reason for this problem, it is surely an important factor.² This paper seeks to examine the total compensation plan with an eye toward retirement benefits, which can represent more than half of total compensation for more senior employees and almost no additional compensation for more junior employees. Examining retirement benefits more closely is important because fewer than one-sixth (15%) of DPS employees stay with the district long enough to receive full pension benefits.³ So while total compensation can be very competitive over time for some employees, a large percentage does not attain these benefits.

Attracting top graduates into teaching is important because, as a recent *Economist* article put it, if “you take pupils of average ability and give them to teachers deemed in the top fifth of the profession, they end up in the top 10% of student performers; if you give them to teachers from the bottom fifth, they end up at the bottom. The quality of teachers affects student performance more than anything else.”⁴

Too often, U.S. teachers graduate in the bottom third of their classes,⁵ and have lower than average SAT scores.⁶ In order to ensure that DPS provides students with the best education possible, it must consistently attract top graduates into teaching and retain those teachers. Doing so requires a compensation plan that is competitive with other industries.

As outlined in this paper, the structure and incentives of DPS’ pension system have a number of critical shortcomings that are very similar to those of other school pension systems throughout the state and the country, including:

- For the first two decades of a typical DPS employee's career, an employee receives minimal pension benefits and the pension system offers little to no incentive from a recruitment or retention standpoint.
- The cost of providing pension benefits for more senior employees prohibits those funds from being invested in larger salaries up-front for a junior employee’s compensation, thus reducing

¹ *Teacher Attrition: A Costly Loss to the Nation and the States*. Alliance for Excellent Education. (2005). Washington, DC.

² *Teacher Attrition: A Costly Loss to the Nation and the States*. Alliance for Excellent Education. (2005). Washington, DC.

³ D. Distler and B. Hallmark. (2007). *Retirement Plan Strategy Review*. Mercer. Denver, CO.

⁴ *How to be Top: What works in education: the lessons according to McKinsey*. (October 18, 2007.) The *Economist* Magazine.

⁵ *Tough Choices or Tough Times: The Report of the New Commission on the Skills of the American Workforce: Executive Summary* (2006.) National Center on Education and the Economy, 12. (Full report discussion, p. 59). Washington, DC.

⁶ C. Capuzzi Simon. *Those Who Can, and Can't*. New York Times. July 31, 2005.

the competitiveness of going into the teaching profession and the quality of those actually applying for open positions.

- Incremental pension benefits earned are so lucrative for employees during the decade before an employee becomes eligible for retirement – more than doubling an employee’s annual compensation every year on average during those ten years -- that DPS employees in this decade effectively cannot afford to leave.
- Once a DPS employee reaches retirement age (which can be as early as 50 years old), the employee has very strong financial incentives to retire or leave DPS, no matter how productive or effective the employee may be.

Compensation plays a significant role in recruiting and retaining educators, and as demographics and social trends change, today’s pension systems may not be allocating resources in the most effective ways.

Introduction

“Education is a labor intensive business--an estimated 60 percent to 80 percent of the more than \$500 billion per year spent operating the nation’s public schools goes directly to paying and supporting school employees.”⁷

In Denver, this figure is about 83%. Teacher quality is so closely correlated to student achievement⁸ that it makes sense to invest heavily in educators if we are to raise student achievement. However, given a limited budget, it is important to ask whether our investments are made in the most thoughtful ways.

This paper focuses on the DPS benefit plan because while the district and teachers’ union have worked together to implement Pro Comp (which offers a modest level of incremental pay for performance and certain other factors), the basic structure of the DPS pension benefit plan has remained largely unchanged for decades. Many of our observations about the DPS pension can be made about most teacher pension systems in the country, including PERA, the Colorado Pension system.

⁷ Marguerite Roza. *Frozen Assets, Rethinking Teacher Contracts Could Free Billions for School Reform*. Education Sector Report. University of Washington Center on Reinventing Public Education (2007.) Seattle, WA.

⁸ L. Darling-Hammond. (1999). *Teacher Quality and Student Achievement: A Review of State Policy Evidence*. Stanford University and the Center for the Study of Teaching and Policy. Palo Alto, CA.

Pension plans were originally designed for a workforce less mobile than it is today. People now change jobs – on average – more than nine times in a lifetime.⁹ Because of changing workforce demographics, and because benefits are such a large part of an employee’s total compensation, we believe that the distribution of compensation deserves a closer look.

This brief attempts to answer the following questions:

- How are pensions designed now?
- What behaviors does their design encourage?
- How does the DPS pension compare to other benefit structures?

This paper is not intended to make specific recommendations about changes in the compensation structure. Rather, the purpose is to provide readers with a foundation of knowledge about the DPS pension plan.

An overview of the pension design

How do pensions work?

A pension is a type of “defined benefit” plan, meaning that while contributions to the plan may fluctuate, the employer guarantees the employee a set amount of money each month after retirement for the rest of the employee’s life. Because the size of this monthly pension is determined by years employed and salary, pensions become much larger the longer an employee stays in the system and the more he or she earns. For these reasons, and because pensions are not portable (i.e., employees cannot take the pension with them to a new place of employment), pension plans are generally not highly beneficial to participants that leave before retirement age.

Pension plans such as DPS’ are based - like Social Security – on younger workers paying for the pension benefits of retiring workers. In addition, teachers with more years of experience earn considerably higher salaries than teachers with fewer years of experience. This structure compounds the effect of back-weighted pension benefits. In other words, because pension size is a function of both years employed and salary, if an employee leaves the system before retirement, his pension is much smaller than it would be if he stayed until retirement.

Instead of paying higher salaries out in cash to employees during the first two decades of employment, school districts must contribute that cash into their pension funds to ensure that they will be able to

⁹ *Number of jobs held, labor market activity and earnings growth among younger baby boomers: results from more than two decades of a longitudinal survey.* US Department of Labor, Bureau of Labor Statistics. (2002.) Washington, DC.

cover high pension payments later. They also assume that many employees will quit before retirement age. These less senior employees effectively subsidize the pensions of retirees.

How does the DPS pension plan work?

DPS employees are currently paid after retirement from a pension fund that is paid for by the district and managed by a board of trustees. DPS is the only Colorado district with its own pension fund; all other Colorado districts belong to the same fund, called the Public Employee Retirement Association, or PERA. While PERA's pension benefits are slightly more generous than the DPS plan for most current employees and retirees, both funds operate in very similar ways and the DPS pension plan described below is very similar to that of other school districts which are in PERA. The DPS and PERA pension plans are also similar in most key respects to pension systems in school districts across the country. We discuss DPS' pension plan in this paper not to highlight it as unique or different in any material way from the PERA system or other pension systems nationally, but rather to use the DPS system as a concrete illustration of the issues posed nationally by pension systems structured in a similar manner.

DPS teachers contribute 8% of their salary to a pension fund and the district then matches this 8% contribution so that at retirement, employees are guaranteed set pensions directly determined by length of service, retirement age and inflation. In addition to this 8% match, the district is currently paying an additional 19% of the salaries of employees in pension obligations to make up for the fact that the DPS pension was (like many other public employee pension plans nationwide) historically under-funded. (At a funding ratio of 88% the DPS pension is actually better funded than most other public pension across the country.) Some employees also choose to supplement their pensions with 403(b) plans, which operate in a fashion similar to a defined contribution 401(k) plan.

How are DPS pension benefits calculated?

Step 1: Calculate employee's highest average salary over three years (of highest earnings)

Step 2: Multiply 2.5% by number of years served

Step 3: Multiply the product from step 2 by the highest average salary to calculate the Annual Retirement Allowance

So, a person who made \$70,000 for her last three years of thirty years of employment would earn \$52,500 each year after retirement for the rest of her life, with that amount being increased every year to take inflation into account. Note that, unlike a 401(k), this benefit is risk-free to the employee. Regardless of the returns the DPS Retirement System (DPSRS) pension fund earns, the employee is guaranteed this retirement benefit. To the extent that the DPSRS pension fund has poor returns, the employer (DPS) must contribute more money to the pension fund.

Equally important is that these pension benefits are not portable. A DPS employee may not continue to accrue pension benefits if she leaves DPS, even if she goes on to teach in another school district. Thus, unlike a 401(k), the employee must remain a DPS employee if she wishes to continue to earn

years of service that will dictate the size of her pension upon retirement.

For the district, the non-portability of pensions is a problem because it is difficult to attract mid-career professionals from other districts, and for potential and current employees it is problematic as well because employees are “stuck” in the district until retirement or they risk foregoing a large part of their compensation. For recent college graduates unsure whether they will stay with DPS for 30 years, pensions are less attractive than other retirement plans.

Table 1 describes the basic eligibility requirements of the DPS pension plan.

Table 1: Retirement Benefits Provided

Regular retirement eligibility	Age 50 with 30 years of earned service; or 55 with 25 years of service (10 of which can be outside DPS); or 65 with 5 years of earned service
Early retirement eligibility	Age 55 with 15 years of district service, or any age with 25 years of district service
Member contributions	8% of compensation (current salary)
Final average earnings	Highest 36 months or career average if greater*
Vesting	100% vested after 5 years of service

Chart: Mercer, 2007

*Typically the average salary over the last 3 years of employment

What happens if an employee leaves DPS before retirement age?

The employee can take his 8% annual contributions with him upon departure and these contributions are credited with a 5% annual interest credit. Or, if he has worked for the district for at least five years and is therefore vested in his pension, he can leave his contributions in the pension until he reaches age 65. At that point, he can get either:

- (1) a cash payment equal to 200% of the then accumulated contribution balance; or,
- (2) the conventional monthly pension benefit that represents years of service x 2.5% x highest salary.¹⁰

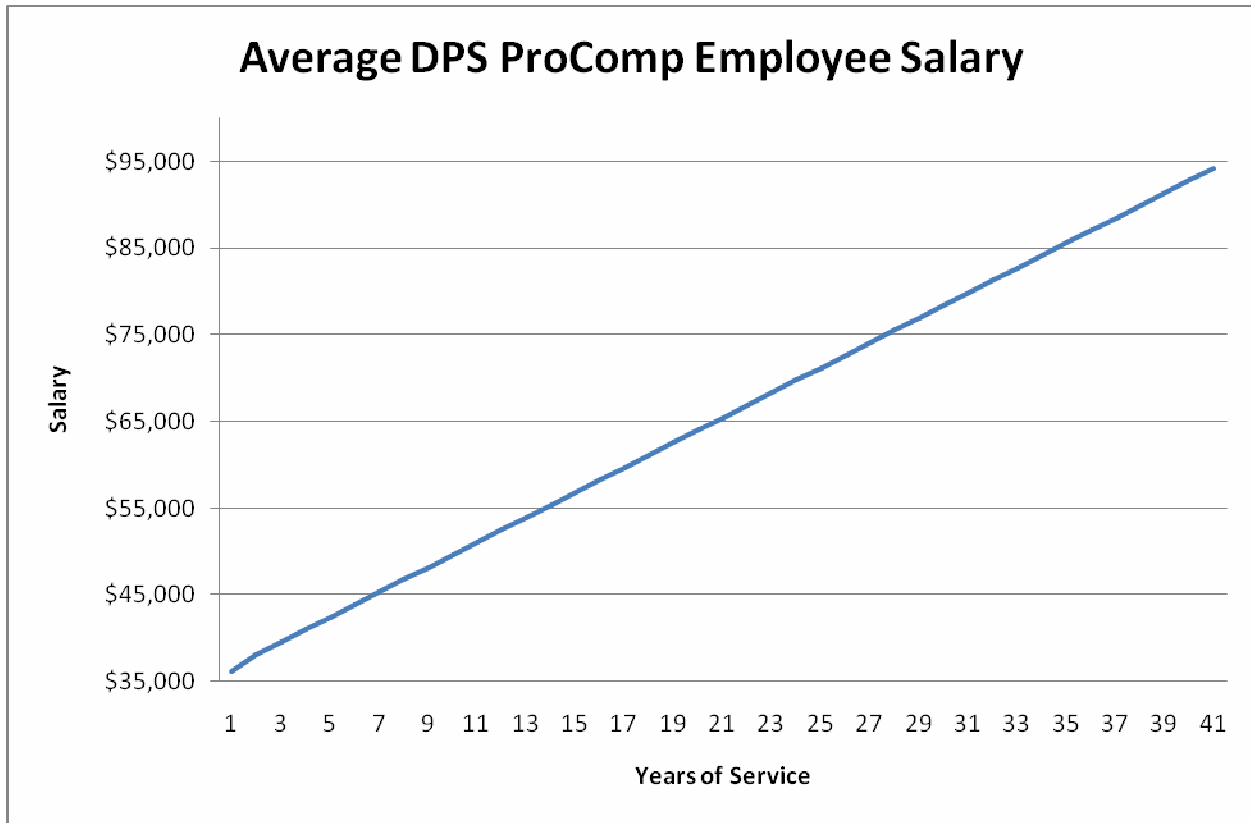
What do salary increases look like over time for DPS employees?

The graph on the following page (figure 1) shows the salary over a 40-year career for the average teacher who joined DPS this year. The salary in the chart is in 2008 dollars and includes no inflation for future years. In practice, this teacher will receive not only the salary increases indicated in the chart but will also receive salary increases of at least inflation each year of her career. For simplicity, we have not taken any of these inflation-based raises into account and leave the annual salary numbers in 2008 dollars. Since this teacher (as all new DPS teachers are) is part of Pro Comp, the table below represents the salary of an average Pro Comp participant. Of course, some Pro Comp teachers will

¹⁰ *Retirement & You 2007*.(2007). Denver Public Schools Retirement System. P. 15. Denver, CO.

make more than in this graph and some less; figure 1 therefore represents the expected average of all participants.

Figure 1: Average salary over a 40-year career in 2008 dollars



Note: Figures are in 2008 dollars and are not adjusted for inflation.

The salary of this average teacher increases quite considerably over her 40 year career in real dollars. Where a teacher in her first year earns \$36,116, she earns \$64,020 in her 20th year, \$78,418 in her 30th year and \$92,816 in her 40th year – all again, in 2008 dollars before any adjustments for inflation. Since pension benefits are based in large part on the retiree’s highest salary, these higher salaries in the teacher’s later years entitle the teacher to a significantly higher pension benefit than if the salary had not risen at such a steep rate.

What does total compensation (salary plus earned pension benefits) look like over time?

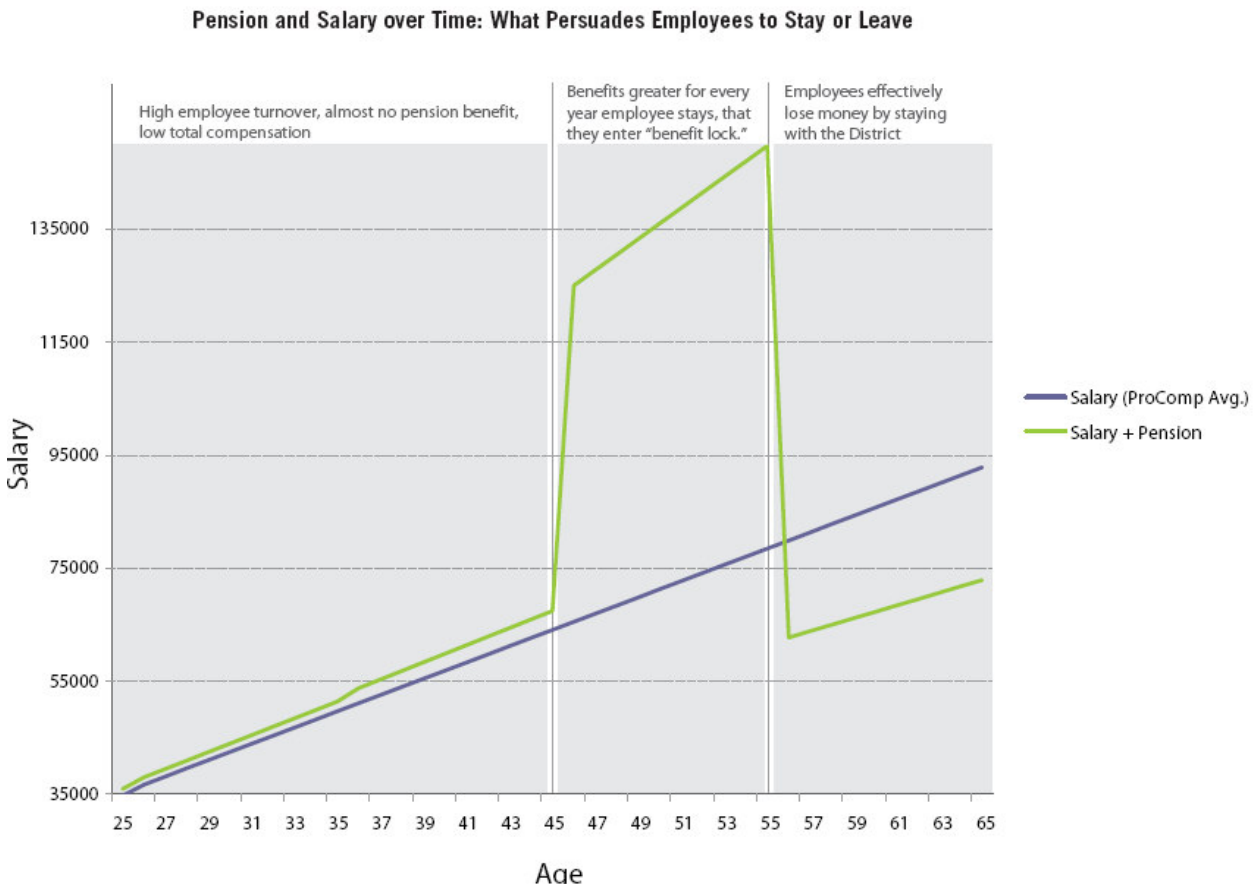
Where the preceding chart (figure 1) looked only at the average teacher’s salary over time, the chart on the next page (figure 2) examines total compensation over time for the average teacher in DPS. Figure 2 again is in 2008 dollars and does not include the increases the employee will receive for inflation over her career. The blue line in the chart represents the employee’s salary over time and is the same as in the previous chart (figure 1). The green line represents the employee’s total compensation earned over time. Total compensation includes both salary and the incremental pension benefit that the employee

earns for each year of additional service. Or, put another way, total compensation includes both salary and deferred compensation.

By pension benefit, we mean the value to the employee **today** in today's dollars of the future pension payments she will receive upon retirement. And, by incremental annual pension benefit, we mean the additional amount of pension benefit that employee earns for working one additional year (i.e., the value in today's dollars of the additional pension payments she will earn upon retirement by virtue of having worked one more year). This incremental benefit is above and beyond all the pension benefit that she has already earned for all years worked to date.

As is demonstrated below, this incremental pension benefit can more than double an employee's total annual compensation in the decade before the employee reaches retirement age. If one were to think about this in terms of a 401(k) plan, the amount the total compensation line exceeds the salary line would be the amount the employer is putting into that employee's 401(k) plan in that year. So, in 401(k) terms, in the ten years between ages 46 and 55, the district would be putting on average over \$70,000 a year each and every year into this employee's 401(k) account.

Figure 2: Pension and Salary over Time



Future pension benefit calculated by discounting value back to present at 6%; chart averages value of pension benefit over each decade of service; all dollars are in 2008 dollars with no adjustment for inflation in future years.

Why are the differences in total compensation so great for junior versus senior employees?

At first glance, figure 2 appears difficult to believe. How is it that employees in their last decade before retirement earn over 100% of their salary in incremental pension benefit every year while employees in their first two decades of employment earn less than 6%? Is it really true that a teacher in her last decade of employment will earn three-to-four times the annual compensation (including pensions) of a teacher in her first decade of employment?

Table 2: Annual and total compensation over a career

<i>Annual compensation (including pension) for first two decades:</i>	\$ 52,703 (mean*) \$52,647 (median**)
<i>Average annual compensation (including pension) for third decade:</i>	\$138,128 (mean) \$95,022(median)
<i>Total compensation (including pension) for decade ONE:</i>	\$ 446, 259
<i>Total compensation (including pension) for decade TWO:</i>	\$ 607,799
<i>Total compensation (including pension) for decade THREE:</i>	\$ 1,381,277

Notes: All dollars are in 2008 dollars with no compensation gains resulting from inflation. It is important to note that the numbers above are approximate because they are based on pro-comp averages.

**Mean is the arithmetic average of a set of values*

***Median is the number separating the higher half of a set of values, from the lower half*

There are a couple of factors that drive the extraordinary compensation differentials illustrated in table 2. First is the fact, as demonstrated in figure 2, that a senior teacher earns more than double the salary of a junior teacher every year. This higher salary results in a much higher pension payment. Second is the fact that DPS (like PERA) allows teachers to retire with full retirement benefits at age 55 -- unlike social security or many private sector retirement plans where the retirement age is 65 or higher. Given that the average life expectancy today of a teacher retiring at age 55 with 30 years of experience is over 85 years of age, DPS will be paying the teacher more in her years in retirement than they paid her for years of employment. And, since those retirement benefits are calculated based on highest salary, DPS will pay that teacher an annual pension in retirement that is higher than what her average salary was during employment (again, all in today's dollars and thus excluding future pension increases based on inflation).

The biggest driver of the spike in total compensation (illustrated in both figure 2 and table 2) in the last decade before retirement is the fact that an employee with 20 years of service who retires or leaves DPS at age 45 must wait until she is 65 to receive any pension payments. By contrast, an employee with 25 years of service at age 55 can retire and begin to receive pension payments immediately and for every year for the rest of her life. This timing difference accounts in large part for the enormous

spike in the total compensation. The 45 year old who leaves DPS must wait 20 years for her pension payments, and thus the value **today** to her of those future payments is significantly discounted by having to wait twenty years. By contrast, the 55 year old who retires begins to receive payments immediately and thus the value today to her is not discounted by having to wait decades for her retirement benefits.¹¹ In addition, because the 45-year old employee in this case will not receive any payments until she is 65, she will only receive pension payments for the remaining 20-22 years of her expected lifespan. The 55 year old employee, by contrast, will receive pension payment immediately and receive them for the next 30-32 years of her expected lifespan. Thus, these two factors – the time value of money and the number of years one receives a pension – are what make it so extraordinarily valuable (and so extraordinarily costly for the District) for the 45 year old employee to stay in employment ten more years until she reaches 55 and is eligible for full retirement with immediate pension payments.

What are the implications of the current pension system for DPS employees (and the employees of the other Colorado school districts who are members of PERA) ?

Recruiting and retaining new employees:

As mentioned previously, few financial incentives exist, either for new employees to join DPS, or for younger employees to stay for their first twenty years of employment. For one, DPS does not offer signing bonuses or starting salaries competitive to those in the private sector. Additionally, for these first twenty years, total compensation remains very low, making the total compensation package an order of magnitude less for starting teachers than for career employees. As a result, unless the teacher plans to stay at DPS for more than 20 years, she has very few financial incentives to remain. See page 13 for comparison of how these employees would fare under a defined contribution system such as a 401k vs. the defined benefit pension plan.

Very high compensation for senior employees in the decade before retirement age:

As salary builds toward the end of an employee's career, the associated pension benefits compound, making it very difficult for employees to leave the system. This creates what is referred to as a "benefit lock." Even those employees ready to leave the district or change careers will not, as their opportunity cost is so high. As demonstrated above in table 2, the total compensation for a teacher in her third decade contrasts sharply with that of more junior teachers.

Retaining valuable veteran employees:

Because an employee who remains with DPS after she is eligible to retire is in effect giving up a year of pension benefits that she would have received had she retired, it makes no economic sense for an

¹¹ Chart discounts these future payments by 6%, which given current market rates for a risk-free annuity payment stream probably *understates* the difference in value of the retirement payments for these two individuals

employee to continue working after reaching retirement age. The teacher in the figure 2 would have earned a salary of \$81,298 had she continued working at age 56, but she would be giving up her right to collect the \$59,893 pension benefit that she would have received if she had retired. In effect, her net total compensation drops to \$21,404 per year. For valuable senior employees – principals for example – it makes no sense to stay with DPS if they can collect their full DPS pensions and still take a job in another school district at age 51 or 56. This pension structure is thus very damaging to the effort to retain the district’s most valuable senior employees.

While a much greater portion of resources is devoted to veteran employees than to newer ones, evidence shows that veteran teachers are often no more effective than teachers with moderate experience.¹² This is relevant in that while DPS must reward employees fairly, it must ultimately raise student achievement.

How do steep salary and benefit increases toward the end of teachers’ careers effect spending per student?

Table 3: Cost to students

Cost of Teacher Salary Increments + Pension benefits Based on Years of Experience	5 Years experience	15 Years experience	25 Years experience
Average number of pupils per teacher employed	30	30	30
Cost per pupil of salary + pension for years of experience	\$1,463	\$2,003	\$4,745

Examples:

To put the information on the previous pages in the context of individual teachers, we give the following five examples in table 4. The examples illustrate that employees who leave prior to retirement age get disproportionately far less in pension payments for the same number of years of service than an employee who stays until retirement age.

The table provides five different scenarios designed to explain the benefits employees might receive based on a starting annual salary of \$36,116.

¹² J. King Rice. (2000). *Teacher Quality: Understanding the Effectiveness of Teacher Attributes*. Economic Policy Institute. Washington, DC.

Table 4: Examples of pension value for employees

	Characteristics	Age pension payments are received	Years of service		
Anna	Anna starts at age 25 and stays until 29.	29	4	Net Present Value (NPV) of Pension Annuity	\$13,306
				Annual Pension Payment	0 (because she does not vest)
Betty	Betty starts at age 25 and works until 35.	65	10	NPV of Pension Annuity	\$35,635
				Annual Pension Payment	\$12,406
Cecil	Cecil starts at age 45 and works until 65.	65	20	NPV of Pension Annuity	\$528,101
				Annual Pension Payment	\$32,010
Ellen	Ellen starts at age 25 and stays until 45	65	20	NPV of Pension Annuity	\$164,665
				Annual Pension Payment	\$32,010
Derrick	Derrick starts at age 25 and stays until retirement at 55.	55	30	NPV of Pension Annuity	\$1,240,373
				Annual Pension Payment	\$58,814

Pensions will grow annually with inflation. The monetary values reflect the value of the pension at the time employees leave DPS.

The comparison in table 4 illustrates the potential annual payment that a retiree might receive. Pensions are lucrative for employees that stay in the system until retirement, but penalize those that leave early. For example, Betty works 33% as long as Derrick but earns only 3% of the retirement benefits that he does. She works 50% of the time Cecil does, and only earns about 7% of the pension he does. In addition, the chart shows how beneficial under the current pension system it is to begin your career with DPS at a later age rather than an earlier age. Because Cecil does not start work until 45, he is eligible for full retirement after 20 years when he is 65. Ellen must wait 20 years from the time she leaves DPS until she receives pension payments. Note that while Ellen and Cecil each work for 20

years, Ellen’s pension is worth considerably less because she must wait so long to collect it (it loses inflationary value over 20 years).

How does the DPS pension system compare to most other retirement plans?

Pension plans themselves are different from 401(k) and 403(b) plans or other retirement plans that are typically used by businesses, and non-profit organizations like universities. 401(k) and 403(b) plans are referred to as “defined contribution” plans because the employee makes a set, tax deferred, contribution each month to an individual account. Some percentage of this contribution is usually matched by the employer. Employees have opportunities to dial risk up and down depending on their age, market conditions and risk propensity. The benefits received at retirement are based on income, expenses, gains and losses. When the employee moves jobs, he or she can take that plan to the new job or can roll it into a private retirement plan.

In comparison to defined contribution plans, pension plans are not portable and are designed to provide the greatest benefits to employees that stay in the same organization until retirement.

How do pensions differ from other plans?

To illustrate the ways that a 401(k)-type plan might compare to the pension benefits for the employees introduced above, we include a sample 401(k) plan in the table below (table 5) for the purpose of comparison.

Table 5: Pension Value Compared to 401(k) Value

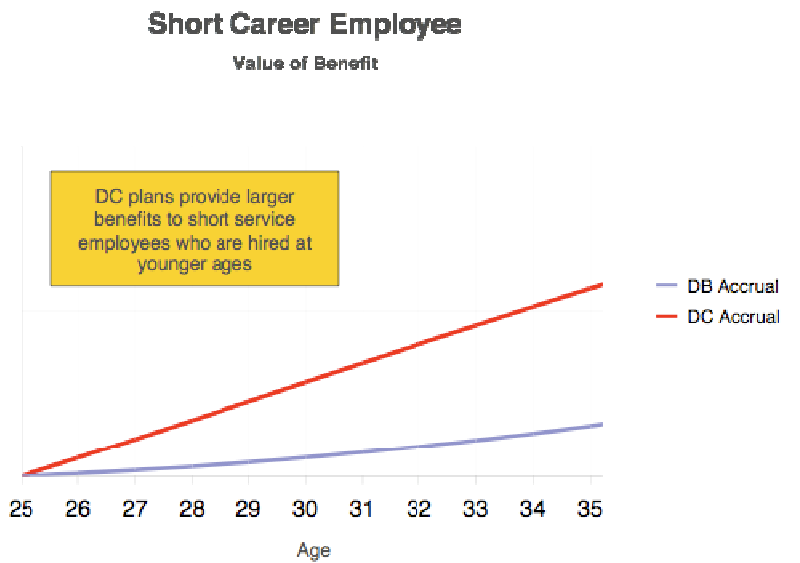
	Characteristics	Age	Years service	401(k)*	NPV of Pension Annuity
Anna	Anna starts at age 25 and stays until 29	29	4	\$27,386	\$13,306
Betty	Betty starts at age 25 and works until 35.	35	10	\$93,450	\$35,635
Cecil	Cecil starts at age 45 and works until 65	65	20	\$309,269	\$528,101
Ellen	Ellen starts at age 25 and stays until 45	65	20	\$309,269	\$164,665
Derrick	Derrick starts at age 25 and stays until retirement at age 55.	55	30	\$765,647	\$1,240,373

**Assumptions: employer matches 100% of first 8% of employee contribution. Employee contributes 8% of salary. Rate of return is 7%.*

As described in table 5, the pension is more lucrative for Cecil and Derrick. However, Anna, Betty and Ellen benefit more from a defined contribution plan, even though the employer contribution is lower.

This is significant in DPS because the average employee stays for four years and earns a total of only about 7.4% on the money she contributed. Only a fifth of employees stay long enough to take full advantage of total compensation packages. For employers, defined benefit plans are also much more costly than defined contribution plans. According to economics professor Michael Podgursky, “retirement costs amount to 5.9% of the average teacher’s salary, compared to private sector retirement costs of 3.8% of the average salary.”¹³ For DPS employees, this means that the district must allocate funds to pensions for veteran teachers that it might otherwise use to increase starting salaries.

Figure 3: The Value of Defined Benefit and Defined Contribution Plans for Short Service Employees



*chart: Mercer, 2007

DB = Defined Benefit or Pension; DC = Defined Contribution or 401(k)

Figure 3 illustrates that if *short-term* employees like Anna were given the option of investing in a 403(b) or 401(k) plan, their financial gains would typically far-outweigh the pension benefits.

How do retirement ages effect total compensation?

As discussed, pensions can be lucrative for *long-term* employees. However, what makes these plans especially attractive for veteran employees and extremely expensive for the district, are the ages at which the plans begin to pay out. The DPS pension begins to pay out very early compared to other types of retirement plans, thus providing a higher lifetime earning total. For example, if a DPS employee

¹³ Marguerite Roza. (2007). *Frozen Assets, Rethinking Teacher Contracts Could Free Billions for School Reform*. Education Sector Report. University Washington Center on Reinventing Public Education. Seattle, WA.

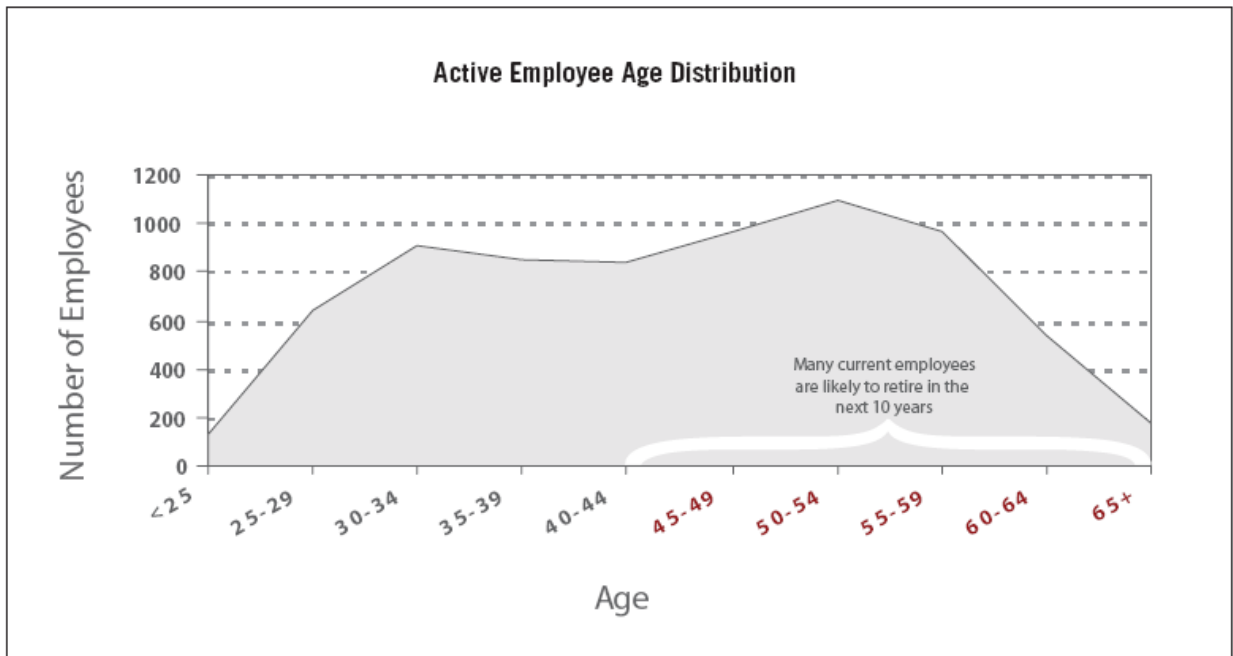
begins working at age 25, he can begin collecting retirement benefits at age 50, while the average retirement age in the United States is age 62¹⁴.

Retiring at 50, or even 55, often means that *retirees collect compensation for more years not working than they do while working; and that a higher percentage of total compensation is paid out after retirement than during the employee's career.*

Conclusion

DPS is faced with the challenge of providing a retirement plan that makes working for the District just as attractive to new employees as it is to valuable senior employees – an effort that is particularly important now because most of the district's employees are likely to retire in the next ten years. The district will be forced to replace these employees and must be able to attract the best and brightest graduates into teaching.

Figure 4: Age Distribution of Employees



* Chart: Mercer, 2007

¹⁴ A. Munnell, S. Sass, and M. Soto. (2007). *Employer Attitudes towards Older Workers: Survey Results*. Center for Retirement Research at Boston College. Boston, MA.

Denver Public Schools is not alone in the challenge to consistently recruit and retain the best teachers, and has been one of few urban districts to change traditional compensation structures. But DPS, like other systems, could go further.

As put by researcher Marguerite Roza, “instead of using a defined benefit pension plan that disproportionately benefits teachers who stay in the system for decades, a district could choose to provide more generous, portable, up-front retirement benefits as a means of recruiting younger teachers who expect to change professions multiple times throughout their careers.”

We believe that because pensions can represent such a large portion of total teacher compensation, we must take a closer look at whether they are fair for all teachers and whether they are providing the right incentives.