



**The Role of Pensions in  
Teacher Recruitment,  
Retention, and Compensation**  
*Key Takeaways*

**2019**



### RESOURCE EXPERT

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### KEY TAKEAWAYS

- Quick Facts from [\*\*Equable's\*\* North Carolina Teachers & State Employees Retirement System at a Glance](#):
  - Slightly more than 1/3 of North Carolina educators and state employees will work the necessary five years to “vest” in the pension system.
  - 24 percent of teachers and state workers will remain in the system long enough to earn more in benefits than they paid into the system.
  - 11 percent of new teachers and state workers will receive a full pension.
  - 53 percent of teachers and state workers will receive no pension benefit.
- In 2017, TeacherPensions.org [\*\*ranked each state's retirement system\*\*](#) by the adequacy of their retirement benefits, and the financial sustainability of the system.
  - States received letter grades; no state received a letter grade higher than a C.
  - North Carolina ranked 14th in the nation having received an F for the adequacy of benefits provided and a D for the financial sustainability of the system.
  - For comparison, Tennessee ranked third, and Virginia ranked fifth while South Carolina ranked 30th.
  - North Carolina, like other states, should consider offering options for portability and should take a closer look at ways to decrease the percentage of the pension being used to pay-down the debt of the system.
- Contributions by members and employers to the North Carolina Teachers and State Employees Retirement System (TSERS) have steadily increased over the last 15 years.
- Rising employee contribution rates haven't deterred new teachers from entering the profession.
- As educators near retirement age, pensions do seem to help with retention.
- Younger educators do not remain in the classroom just to qualify, or “vest,” in their pension; their decision to stay is based on other factors including salary, geography, and general working conditions.

### ACTION STEPS FOR LEGISLATORS

- Policymakers in North Carolina should consider whether the state's retirement system is financially sustainable and can provide adequate benefits to teachers.
- Many teachers, especially those earlier in their careers, are unaware about the status of their pension, and the number of years they would need to work in order to get back what they have put in. Policymakers should consider ways to better inform educators about the pension plan broadly and, more specifically, about the potential outcomes of that teacher's investment.
- State policymakers should review where the plan's investments are being placed and consider conducting a stress test for the state pension plan. Legislators should be prepared to respond accordingly should the market not provide an anticipated return.

### KEY RESOURCES

- **North Carolina:**
  - North Carolina Teacher Pensions: How They Work and How They Affect Teacher Recruitment and Retention ([\*\*slide deck\*\*](#)). Chad Aldeman, Bellwether Education Partners.
  - [\*\*State Pension Profile: North Carolina.\*\*](#)
- **Lessons from Other States:**
  - Aldeman, Chad and Schmitz, Kirsten. (May 2018). [\*\*What does the evidence say about teacher recruitment, retention, and retirement?\*\*](#)
  - Chingos, Matthew and West, Martin. (May 2013). [\*\*When Teachers Choose Pension Plans: The Florida Story. The Fordham Institute.\*\*](#)
  - Marchitello, Max (June 2019). Bellwether Education Partners. [\*\*Teacher Pension Reform: Lessons and Warnings From West Virginia.\*\*](#)