More on the Washington Post Op-ed by Bellwether's Rotherham

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Pension systems for public school teachers provide adequate lifetime incomes to teachers who spend a large part of their careers in classrooms. At the same time, these defined benefit (DB) plans help schools attract and, very importantly, retain experienced teachers who are central to delivering a quality education to our children.

In an opinion piece in the Washington Post on Sunday, May 18, 2014, Andrew Rotherham and Chad Alderman incorrectly state that teacher pensions create a large group of losers. To the contrary, Maryland, cited by the authors as an example, started pension payments in 2013 to 7,260 new retirees who retired with various years of service and for more than seven out of ten retirees their average retirement check exceeds the average amount of the Social Security checks sent to retirees in Maryland. To describe such a plan as poorly structured misleads and fails to consider the workforce advantages of DB plans.

When it comes to saving for retirement, most new public school teachers see one advantage from the very start. When they choose to start a career in teaching coverage for nearly all teachers in pension systems starts with their first day in the classroom.

Their former college classmates, who choose to work in the private sector, face many more daunting choices about retirement savings.

- First, should they take the job offer from an employer that does not offer any retirement plan or should they keep looking?
- If their potential employer offers a retirement plan when will they become eligible to participate?
- They also will have to decide how much to save in the 40(k) plan and that will determine how much of a matching contribution their employer will make.
- Young workers may also puzzle over where to invest their retirement savings?

Each choice has consequences many years down the road. In some cases, their employer may automatically start them saving like teacher plans have always done, but the risks of those choices will fall the employees.

With their entering the workforce so close to the Great Recession, Millennials views on retirement security display heightened concern. Younger workers today are quite cognizant of the risks in our retirement security system. Surprisingly to some, nearly 9 out of 10 Millennials have a favorable view of traditional pensions, like those their grandparents might have.

For workers under age 40 who are covered by a defined benefit (DB), the plan may be one reason why they choose their job and stay working with that employer. 4 out of 10 of these younger workers list the defined benefit plan as an important reason they took their jobs in a survey done by consultant Towers Watson, Meanwhile young employees covered by a defined contribution (DC) plan were half as likely as those in a defined benefit plan to say that the retirement plan was important in recruiting them to their jobs. Additionally, DB pensions have a sizeable influence encouraging experienced teachers to stay in their classrooms. In fact, 6 out of 10 of those same survey respondents age 40 and under claim that their pension is an important reason why they stay with their current employer. With only a third of those surveyed covered by a DC plan saying their retirement plan meets their needs, employers seeking a stable workforce should be concerned about possible high turnover since younger workers who felt unsatisfied with their plan were two times more likely to leave in the next two years. Researchers at Boston College find long-term service is connected to public DB pensions, which confirms that pensions serve as a workforce management tool.

Like other professions, teacher turnover is highest in early years working in the profession. Across Maryland, about 14 percent of first year women teachers decide teaching may not be the right fit for them. Experts on learning, new teachers understand how to master needed skills with on the job practice as they move through the first years of their careers. Education policy research demonstrates a sharp increases in teacher productivity occur over the first 3- 5 years in the classroom. The National Bureau of Economic Research also found a "significant return to teacher experience." Once new teachers reach their peek performance, retaining them is critical because when a mid-career teacher is replace by a new teacher productivity drops for the school as a whole.

Most teachers stay with their school. According to recent national data on teacher mobility published by the National Center on Educational Statistics ,84 percent of teachers stayed at the same school while 8 percent move to a new school system and 8 percent left the profession during the following school year. ,NCES data also show that less than 1 out of ten teachers had fewer than three years of teaching experience. Over time, that retention advantage generates a majority (6 out of 10) of experienced teachers with more than ten years of classroom experience.

The long tenure trends in the public sector outpace those in the private sector. Public employees have significantly higher median tenure when compared to the turnover in the private sector. Particularly striking is the difference in historical trends for females, who make up 76 percent of the teaching profession. Back in 1983, just 2.6% of females in both public and private sectors had tenures of 25 or more years. Over the decades the percent of female workers in the public sector with more than 25 years of service grew much faster and now it is two times greater than for females in the private sector. By 2012, 9.1% of public sector female workers had 25 or more years of tenure compared to 4.4% of private sector female workers. Teachers will have higher tenure numbers than other women in the public sector as over one-fifth have more than 20 years of experience.

Such stability means more teachers will be eligible to retire with meaningful yet reasonable retirement income benefits even if they choose to retire before they would be eligible to draw the highest possible pension income. While teachers in Maryland who teach for 30 or more years get an average monthly pension of $3,297, the lower pension income for teachers who spend fewer years in education such as 20-25 and 25-30 years are meaningful amounts - $1,712 and $2,231, respectfully. Shorter service teachers earn lower benefits. Even those teachers who leave before they vest reap the benefit of the pension plan's forced savings as their contributions are returned with a guaranteed 5% interest. This has proven to be a positive benefit over the last decade, in light of the much lower returns available in the financial markets for stable investments.

In addition to helping to maintain teacher effectiveness and productivity, the long tenure also saves taxpayers on turnover cost. Once again to return to the example of Maryland, each time a teacher leaves a class room it cost school systems in the state over $13,000 on average to fill that position. Those turnover cost can add up and NIRS has identified $45 million in turnover cost saving based on the retention effect of the Maryland teacher pension plan.

The Great Recession capped off a decade of lack luster economic performance and placed tough tradeoffs before individuals, companies and governments at all levels. Restoring public pensions to the funding levels they reached in 2000, while state revenues declined resulted in nearly every state enacting pension reforms.

Competing goals and declining resources required careful consideration. With the exception of a handful of states, policymakers realized the benefits the states' DB pensions provided the unique workforce needed to deliver public services and they enacted reforms adjusting the current DB plan structure. Maryland had to make tough choices to move the teacher pension to a financially sound path. Specifically, the state required higher employee contributions, trimmed the benefit formula, increased retirement ages and changed the vesting period while also gradually removing the employer contribution collars, which contributed to the growing funding gap.

Extending the vesting period in Maryland will no doubt mean some younger teachers who reach five year of service might have less of a retirement benefit with the change if they leave in their second five years but it is not a sizeable penalty. Departing teachers can ask for a refund of the 7 percent of salary they contributed into the DB plan each year. Not only will those departing teachers receive their contributions, the state will compound the value with a guaranteed 5 percent investment return. If a teacher might want to return to the classroom in a few years, their contributed funds will continue to grow with the guaranteed 5 percent return for up to four more years if held in the plan. Later, perhaps after a family leave, the teacher could put in the added years needed to vest the employer provided benefit as well.

To suggest the reformed Maryland plan will put teachers in a worse position than their former college classmates, who sought work opportunities in the private sector, ignores the realities of the voluntary retirement savings opportunities at private companies and the typical retirement choices young employees make.

First, more than one-third of private sector employees do not have access to any employer-sponsored retirement plan. Younger workers, between ages 25-35, are less likely to join a voluntary plan. When they leave their job,typically in two or three years even if they joined the 401(k) plan, they have the highest rate of cashing out their accounts and spending retirement savings. Here are some numbers researchers at the Urban Institute found. Just 37 percent of workers between ages 25-35 had a 401(k) account and 10 percent of accountholders in the age group cashed out roughly one-third of aggregate value held in such 401(k) accounts for the age group.

Given that most younger workers put less into their 401(K) accounts than the 7 percent employee contribution Maryland teachers must make; the average shorter job tenure in the private sector; and the waiting periods before for a match and vesting, the odds do not suggest a DC retirement security advantage for the majority of young private sector workers.

In fact, data from the Federal Reserve Bank on the median asset value households have from outside their current job in DB-type plans is $55,100 while the corresponding value for 401(k) type accounts is $25,000 points toward the DB plans having an advantage even if workers are not covered by the DB plan for their full career.

While some young workers in a private sector jobs might do all the right things for retirement when they are under 30, most do not. Therefore, suggesting the Maryland teachers who start to save for retirement from their first days in education face a penalty if they leave teaching in a few years because of the recently expanded vesting ignores reality.