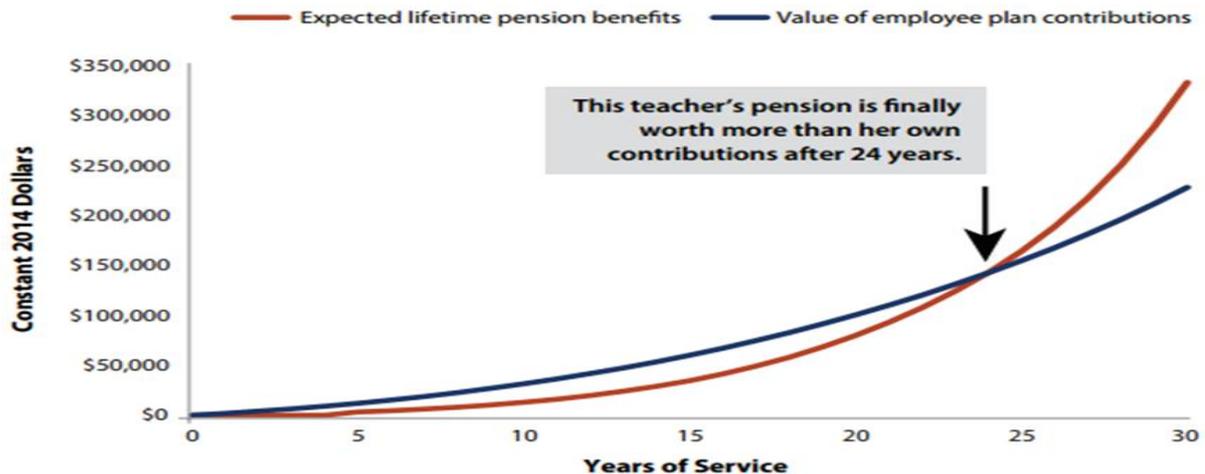




# For Most Teachers in Missouri, Pensions Are a Raw Deal

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**Figure 1** Example of How Pension Benefits and Employee Contributions Grow Over Time



Source: Authors' calculations from the Urban Institute's State and Local Employee Pension Plan database.

Notes: The figure displays the value of lifetime pension benefits and required employee contributions for employees hired at age 25 earning average salaries and enrolled in a traditional plan that provides annual benefits equal to 2 percent of final average salary times years of service. Benefits vest after five years, and retirees may begin collecting at age 60. The required employee contribution rate is 7 percent. Calculations assume 8 percent nominal interest and 3 percent inflation.

By: James V. Shuls

*"Educators and education employees can focus on what they do best, educating and supporting the education of Missouri's school children. After a full career of serving the children of this state, educators and education employees can retire with the peace of mind that they have financial security via a monthly benefit from the Systems."* [emphasis mine]

—[Steve Yoakum](#), executive director of the Public School Retirement System of Missouri (PSRS)

Steve Yoakum is absolutely right. As I have often said, teacher pensions are great for those who stay for 30 years, but they are not for those who don't. Indeed, this was the key finding of a recent report by researchers at Bellwether Education Partners and The Urban Institute.

The report examines how the value of teacher contributions and teacher pension benefits accrue. In Missouri's system, 29% of a teacher's salary is contributed to the pension, 14.5% from the district and the teacher. As you might imagine, these contributions accumulate over time. Unfortunately for teachers, the value of their pension does not accumulate at the same rate because the pension is not tied directly to contributions. The illustration above shows how the value of the contributions can exceed the value of the benefits.

The report finds the break-even point for Missouri teachers is 28 years. That means a Missouri teacher must work for 28 years before the value of their pension exceeds the value of their

contributions.

But how many teachers actually make it to 28 years? According to the report, just 38%. In other words, 62% of Missouri teachers are going to pay more into the pension system than they are going to get out.

“After a full career,” Missouri’s teacher pensions are great. For those not working a full career, Missouri’s teacher pension system is a raw deal. We could fix this, and solve a [host of other pension problems](#), by moving from a defined-benefit plan to a defined-contribution plan. Until we begin to tie retirement benefits directly to contributions, many teachers will continue to get shortchanged.

## About the Author



*James Shuls  
Distinguished Fellow of Education Policy*

*James V. Shuls is an assistant professor of educational leadership and policy studies at the University of Missouri–St. Louis and Distinguished Fellow in Education Policy at the Show-Me Institute.*

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5297 Washington Place      3645 Troost Avenue  
Saint Louis, MO 63108      Kansas City, MO 64109  
Phone: (314) 454-0647      Phone: (816) 287-0370  
Fax: (314) 454-0667

Email: [info@showmeinstitute.org](mailto:info@showmeinstitute.org)

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