



Two Must-Read Missouri Pension Pieces

Published on *Show-Me Institute* (<https://showmeinstitute.org>)



By: James V. Shuls

If you haven't already, please read my colleague Mike McShane's piece, "[Teacher pensions have a math problem](#)." Mike does a terrific job of outlining the major problems with defined-benefit pension systems, particularly teacher pensions in Missouri. Then, I want you to read Dale Singer's piece, "[COLA fizzles: Retired Missouri teachers won't get pension increase in 2017](#)," on *St. Louis Public Radio's* website.

Mike gives you the context and outlines the underlying problems. Dale illustrates these problems by simply reporting on the current state of the Public School System of Missouri (PSRS).

Like most pension systems, PSRS assumes a relatively high rate of return—until recently, 8%—on its investments. Realizing they were probably being too optimistic (or maybe they read a few [Show-Me Institute](#) reports), they lowered their assumption to 7.5%. That simple change means the system needs more money to meet its current obligations to retirees. On top of that, retirees are living longer—which increases the pension plans obligations—and actual investment returns are not hitting their targets.

As Mike said, "pension plans have a math problem." To combat the problem, they either need more money or they need to reduce obligations. To do this, they only have two mechanisms under their control. They can increase the contribution rates for teachers—who already pay 14.5% into the system, as do their school districts—or they can hold down

payments to retirees by not providing a cost of living adjustment (COLA). Neither of these are long-term solutions for addressing the mounting unfunded liabilities.

Give these two pieces a read. I think they make it pretty clear that it is time for a change.

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.

Read Online

<https://showmeinstitute.org/blog/public-pensions/two-must-read-missouri-pension-pieces>

Links

[1] <https://showmeinstitute.org/blog/public-pensions/two-must-read-missouri-pension-pieces>

[2] <https://www.aei.org/publication/pension-reform-debates-add-more-heat-than-light/?platform=hootsuite>

[3] <http://news.stlpublicradio.org/post/cola-fizzles-retired-missouri-teachers-won-t-get-pension-increase-2017#stream/0>

[4] <http://showmeinstitute.org/publication/public-pensions/funding-status-state-and-local-government-pensions-missouri>

Mission Statement

Advancing liberty with responsibility by promoting market solutions for Missouri public policy.

Show-Me Institute

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

Support Our Work

The Show-Me Institute is a tax-exempt 501(c)(3) nonprofit organization. Make your tax

deductible contribution today: <http://ShowMeInstitute.org/donate>