



# Most Teachers Lose in Current Pension System

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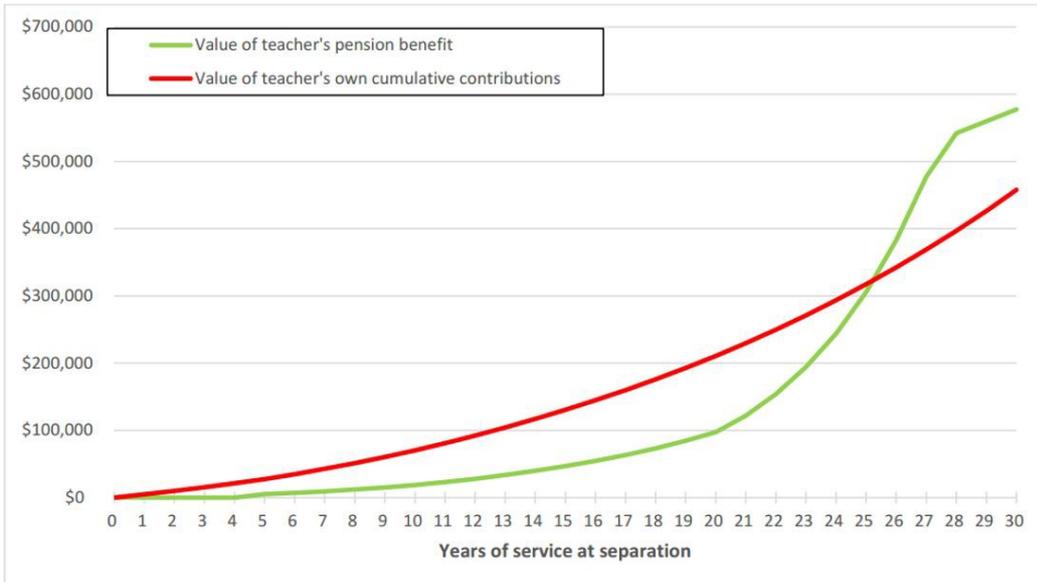
Over the years, I and others at the Show-Me Institute have written about [the need for public pension reform](#) . Inevitably, we hear the following response from a pensioner or someone who works for a pension organization: *They want to take your retirement money.* However, for those who are paying into Missouri's teacher retirement fund, it's much more likely that their money is being taken away by the pension fund itself.

In a recently released report, "[\(No\) Money in the Bank: Which Retirement Systems Penalize New Teachers?](#)," [Marty Leuken, Ph.D.](#) . examines how many years an individual will have to pay into the retirement system before their benefits are worth more than their contributions. The study analyzed the largest public school district in each state. The results reiterate exactly what we have [written before](#) at the Show-Me Institute: Most teachers are paying more into the pension system than they are getting out of it.

Nationally, teachers with a defined-benefit pensions must work, on average, 27 years before their pension is worth more than their retirement contributions. This is incredible when you consider that 72 percent of teachers don't even make it to 20 years of service. In other words, our pension systems benefit less than 30 percent of all teachers.

In Missouri, the study included the [Springfield Public School District](#) . Teachers here must work 26 years before they finally break even.

**Figure 1: A new teacher in Springfield Public Schools must remain in the pension system for 26 years before she realizes a return on her contributions**



*Note: Calculations assume inflation of 2.5 percent, a real interest rate of 2.5 percent, and a female teacher first hired in FY13 with an entry age of 25.*

Missouri’s defined-benefit pension system for teachers is a good fit for those relatively few teachers who work their entire career in one pension system. Most Missouri teachers, however, would be better off if the state moved away from the current pension system. The current system punishes individuals who don’t stay in the system for a full career by transferring some of their retirement wealth to those who do stay.

Pension reform is not an effort to take someone’s retirement money away. Rather, it is an effort to allow individuals to actually keep their own retirement contributions.

## About the Author



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