



Teachers Live Forever

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It has been said that “teachers live forever in the hearts they touch.” And a new report from the [Society of Actuaries](#) (SOA) suggests that some teachers live nearly forever, period. Here is a summary from [Pensions & Investments Online](#): “The public-sector tables also show that pension obligations for teachers are higher than other job categories, when other factors are equal. Female teachers reaching age 65 have a life expectancy of 90 or above.” You read that right; the life expectancy for female teachers who have reached 65 is 90 years old or more. Given that roughly [three-fourths](#) of teachers are female, this spells trouble for many teacher pension funds.

Missouri’s largest teacher pension fund, the [Public School Retirement System](#) (PSRS), has already begun to recognize the improved mortality rates of teachers. A PSRS [report](#) on contribution rates for 2017-2018 notes that the system has already begun updating the plan’s mortality assumptions:

People are living longer. Mortality is improving, not just in Missouri, but also across the nation. As a result, actuaries are utilizing updated mortality tables, which reflect this trend. PSRS/PEERS conducted Actuarial Experience Studies to compare our actuarial assumptions to the actual experience of the Systems. In other words, are members living as long as we assumed they would, or are they actually living longer?

According to the internal PSRS analysis, people are living longer than the plan had assumed.

Adjusting for greater longevity led to a tremendous increase in the plan's liabilities. According to PSRS board chairman Aaron Zalis, "the revised mortality assumptions better reflect PSRS/PEERS' actual experience, which results in an increase of over \$2.1 billion in liabilities to the Systems."

Teachers in PSRS are eligible to retire with full benefits after 30 years of service, and there are also early retirement options. This means a teacher may retire by 55 with 30 years of service. Given the new mortality tables from the SOA, a large subset of teachers might be expected to live beyond 90 years old, drawing a pension for 35 years or more.

It is unclear if the SOA's updated mortality tables for teachers will encourage PSRS or Missouri's other two pension plans to once again change their assumptions. If they do, we can assume the financial health of the plans will decline.

Let's process what that means for a second. Some teachers in the past did not put enough into the retirement system to cover their own benefits. As a result, the pension plan will become increasingly underfunded. To make up for this, the plan will have to increase contributions for new members, hold down retirement benefits for retirees, or seek higher returns on investments (Read: "risky investments"). None of this is good for teachers of today or tomorrow.

So teachers, keep this in mind when you sign that contract. You are agreeing to fund the benefits of those who went before you. You may be striking a bargain that you end up regretting.

About the Author



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[1] <https://showmeinstitute.org/blog/public-pensions/teachers-live-forever>

[2] <https://www.soa.org/experience-studies/2018/pub-2010-retirement-plans/>

[3] http://www.pionline.com/article/20180828/ONLINE/180829825?utm_source=friend_refer&utm_medium=email&cslet=UnhOY2ILeJlKL0NVK2lvK3VyL0dPTzlxcnU3cnMyekdPclK9

[4] <https://nces.ed.gov/fastfacts/display.asp?id=28>

[5] https://www.psr-peers.org/docs/default-source/PEERS-For-Your-Benefit-Newsletters/PEERS-For-Your-Benefit_November-2016.pdf?sfvrsn=50f9400d_4

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