

MPSERS Pension Explainer: Retention Rates for Teachers and School Employees

There is a common misperception that defined benefit pension plans are an important component of public sector compensation because they help to retain top talent. However, the data for MPSERS suggest this is not always true for teachers in Michigan. The current retirement plans may support retention for a small percentage of late-career employees, but it appears that retirement benefits do not have a strong influence on retention for most teachers.



1. Half of All MPSERS Members Leave Before Earning Any Retirement Benefit

- ❖ MPSERS requires a minimum of 10 years of service for a teacher or other plan members to be “vested” and thus qualify for a retirement benefit. Plan participants need to work 30 years to qualify for a full normal retirement benefit.
- ❖ The most recent MPSERS data show that only about 52% of teachers will stick around long enough to qualify for any retirement benefit.¹
- ❖ If a plan participant exits MPSERS before 10 years of service they will only get back their own contributions with interest. And when they leave the system, they forfeit all contributions made by their employer.²

2. Only 35% of Teachers Reach 30 Years of Service for a Full Pension

- ❖ To achieve the full pension, a teacher or other public school employee needs to work to 30 years of service. Any service time between 10 and 30 years of service will only result in a partial pension.
- ❖ There is only a 35% chance that a teacher hired tomorrow will receive a full pension. This means that the existing system is not working for everyone.

3. New Teachers Need to Work More than a Decade Before the Value of Their Retirement Benefit is Greater than the Value of Their Own Contributions

- ❖ Depending on when a member of the DB MPSERS' pension plans was hired, **it will take between 10 and 14 years for the value of their deferred retirement benefits to be worth more than their own contributions to the plan**, according to Bellwether Education Partners and the Urban Institute.³

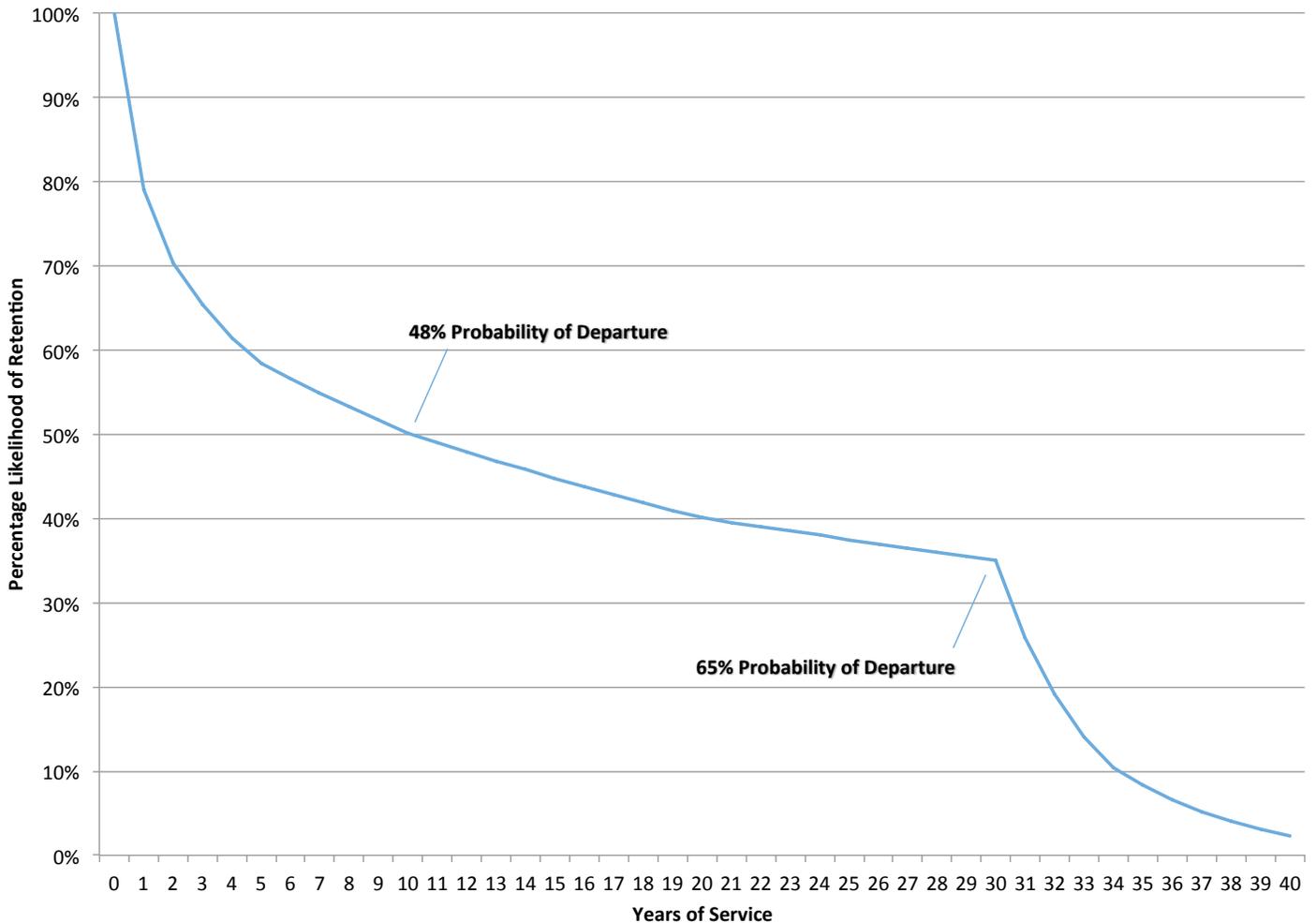
¹ MPSERS Experience Study 2007-2012;

http://www.teacherpensions.org/sites/default/files/Bellwether_PensionPaper_070814_Web.pdf

² http://www.michigan.gov/documents/r311c_15881_7.pdf

³ <http://www.urban.org/sites/default/files/publication/71521/2000431-Negative>Returns-How-State-Pensions-Shortchange-Teachers.pdf>, page 20

MPSERS Members Likelihood of Staying in the Pension System Probability Based on Age



Questions about pension reform? Want to see the sources for the numbers quoted here?
Check out www.reason.org/MPSERS