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ABSTRACT

Higher salaries and improved working conditions have combined to make teaching a more attractive profession and to reduce teacher turnover rates. At the same time, however, the teaching work force has aged and faces problems in retirement programs. All levels of government should work with interested groups to find solutions to six major problems associated with retirement programs: financial inviability, conflicting state and federal policies, lack of portability of plans, inflexibility, lack of participant control, and inequity between districts. One national and 50 state commissions, which would include all interested parties, should be formed to find solutions to the problems of teacher retirement policies. In many states, high ratios of retired to working teachers threaten the viability of pension funds. Also, some states have shifted more of the financial burden for pension plans to teachers. Many school boards have used early retirement incentives to save money and give teachers more flexibility. However, these efforts often conflict with state policies designed to promote teacher longevity. A national survey should examine this state-local conflict and the negative aspects of early retirement programs. A nationwide 5-year vesting period, greater flexibility, and more individual control are possible solutions to problems in teacher retirement systems. (Contains 16 references.) (JPT)

OSSC REPORT

OREGON SCHOOL STUDY COUNCIL

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Aging Work Force Brings New Look at Teacher Retirement

by Frank V. Auriemma, Bruce S. Cooper, & Stuart C. Smith

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I have been a teacher for 29 years—it is not getting any easier, either in the classroom or from the political point of view. Teachers today are not appreciated and their worth cannot and never will be measured on a computer. Teaching is a profession at heart. It is a profession of caring, not only for the knowledge to be imparted but a caring for the child you see every day. Teaching goes beyond dollars and cents. A good teacher's worth will never be measured or valued on this earth. (An Arizona teacher interviewed by Conley and Cooper 1991, p. 2)

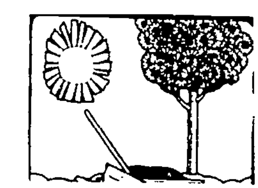
A major goal of education in the 20th century has been to make teaching a profession that would attract teachers for a long and meaningful career. Poor pay, meager benefits, low prestige, and little power combined for generations to make teaching a job that many stayed in temporarily but few embraced for an entire career. Turnover rates were high because young women and men viewed teaching as a step to other careers, marriage, and motherhood. As late as 1989, in fact, the primary occupation of "public school teachers who left the profession was homemaking and/or child rearing," according to the National Center for Education Statistics (1991).

In the 1990s, the goal of improving teaching conditions in the United States has been partially met. Salaries and benefits have been greatly improved, often through the militant action of unions (Eberts and Stone 1984). Today many teachers have one or more master's degrees and even doctorates, and most teachers continue to engage in staff development and other professional coursework. By 1988 the national turnover rate for teachers had dropped to an all-time low of 5.6 percent, down from 21 percent just two decades earlier. Indeed, one indication of the success of the job enhancement movement in the United States is the high number of teachers who have remained in the profession all their working lives and who now, for the first time, constitute a large cohort of aging workers looking forward to retirement.

School Reform and Teacher Benefits

Americans always seem ambivalent about teachers. We alternate between blaming them for pupils' failures or even our inability to beat the Japanese in world markets and praising them as saints who will live forever in the hearts and minds of their students.

Even the recent school reform movement shows signs of both attitudes. For example, the so-called first wave of reform, starting around 1983 with the now-famous *A Nation at Risk* (National Commission on Excellence in Education 1983), tended to point the finger at teachers. Many states instituted policies that raised standards not only by testing *pupils* but also by insisting



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Although school reformers were highly concerned about the professional life of teachers, these policy analysts hardly noticed that the work force was aging.

that *teachers* received a thorough checkup to see if they were intellectually fit. Forty states actually increased their training and licensing requirements in an attempt to enhance the quality of teaching.

The second wave of reform, starting around 1986, "rediscovered" teachers and made them a centerpiece of subsequent innovations. We saw *A Nation Prepared* (the Carnegie Corporation 1986) and the Holmes Group (1986) platform, which sought to improve teacher preparation. We heard much about *restructuring* schools: sharing power and bringing authority closer to the school site through "site-based management" and "shared decision making" (see National Governors' Association 1986, the California Commission on the Teaching Profession 1985, Elmore 1990). Efforts were made to "empower" teachers to become full-fledged professionals and critical decision-makers.

Although school reformers were highly concerned about the professional life of teachers, these policy analysts hardly noticed that the work force was aging. The reform agenda largely ignored the need to consider means for retiring and replacing an increasing number of teachers and administrators. It also failed to foresee the pressure on states and localities to cut personnel costs by building incentive systems for early retirement.

Mixed feelings about the teaching profession are also apparent in the way society has structured its teacher retirement systems. The state-governed pension funds provide teachers with a dependable source of income in their old age. Yet to receive those benefits, teachers must adhere to a host of regulations that are clearly geared to ensuring that they stay in the profession and even in the same state for their entire working lives. Teachers and other public employees are rewarded for teaching in the same system for 30 years, to age 60 or so, and then claiming their pension. If they leave earlier, they are penalized financially: their pensions are usually reduced by a certain percentage (2 percent or more) for every year they retire before age 60 and/or 30 years of working in the system.

This article is adapted from Graying Teachers: A Report on State Pension Systems and School District Early Retirement Incentives, *by Frank V. Auriemma, Bruce S. Cooper, and Stuart C. Smith, published by the ERIC Clearinghouse on Educational Management, University of Oregon, 1992. Used by permission.*

THE RETIREMENT JUNGLE: THE CASES OF JAN MANVILLE AND BOB SIMON

Let's consider the issues confronting **Jan Manville**, a 58-year-old teacher from a small district in upstate New York. Jan has been teaching for 18 years, after spending almost 10 years pursuing her degree. She had worked in the family's retail business from the time of her graduation from high school, and began taking college courses at night at age 30.

After 40 years of work, 18 as a teacher added to the 22 years she worked in the family business, she was ready to retire. As she began investigating her own retirement possibilities, she found some strange arrangements.

She was in luck: the district was offering a one-year retirement incentive plan for teachers at least 50 years of age and with a minimum of 10 years of "creditable service." The incentive was a one-shot bonus of 50 percent of her final average salary. Since she earned $50,000 on average during her last three years, her bonus would total half of that, $25,000. She was off and running.

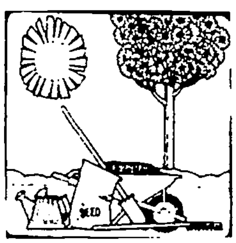
But wait! The state retirement system notified her that, although she may be eligible for the district retirement scheme, she did not meet the requirement for full pension payment since she was 2 years short of the 20-year state minimum. In fact, the state regulations penalized her 5 percent per year for each year she retired early. Hence, 10 percent would be deducted from her pension forever. Ten percent meant a drop of almost $1,800 per year!

More bad news. On July 1, 1973, one month before her appointment as teacher, New York State introduced a new retirement plan (tier II) for staff hired after that date. An additional reduction is imposed under tier II if retirement occurs before age 62 with less than 30 years of service. At age 58, Jan would lose about 18 percent of a normal tier I retirement, or an additional $3,240 yearly.

So far Jan has lost about $5,000, or 28 percent, of her pension from reductions for having less than 20 years' service, plus the tier II penalty. Although Jan's pension is reduced by $5,000, the district's incentive bonus at $25,000 would cancel out the decrease for five years. So why not go ahead and retire?

But things could have been even worse. Jan's cousin, **Bob Simon**, teaches in a state where the statewide incentive retirement plan allows him to retire at age 52 instead of 55. The Internal Revenue Service informed Bob of IRS Section 415, which prevents state regulations from overriding federal policy. The Section 415 regulation, enacted October 14, 1987, "limits benefit increases resulting from [state] legislative improvements." This IRS rule reduced Bob's pension by about 17 percent.

As school districts strive to usher out older teachers and bring in new people and new ideas, their plans seem to collide with state and federal regulations. Somehow, the federal, state, and local jurisdictions need to cooperate to prevent teachers from being caught by conflicting, punitive rules of retirement and early retirement. Unfortunately, the cases of Bob and Jan are typical, as the retirement agenda has become a retirement jungle.



Challenges for the Future

We argue that teacher retirement systems in the United States face challenges that deserve the attention of all levels of government, as well as school administrators, teachers, their unions, public interest groups, and the school community in general. The future of the teacher retirement system depends on resolving six related issues:

> Most states punish early retirement at the same time many local school districts are launching all-out campaigns to promote it.

1. threatened financial viability
2. lack of consistency between local and state policies
3. lack of portability of plans
4. lack of system flexibility in investment and withdrawal of funds for teachers
5. lack of control by teachers as individuals and as a group
6. lack of equity among teachers in various districts

First, we are concerned about the financial viability of the pension funds in some states. As more and more teachers retire, we worry that the systems will not be able to support the number retired, that the investment policies of the pension programs may fail to return enough interest, and that government will try to

Should teachers receive vastly different pensions for performing the same kind of work in different school districts?

cut its support. Definitely, we need to look at the viability of the teacher pension systems across the nation.

Second, policies governing pensions are not always consistent between levels of government. Most states punish early retirement at the same time many local school districts are launching all-out campaigns to promote it. Consider the sidebar featuring the cases of Jan Manville and Bob Simon. As these cases demonstrate, retirement has become as complex as training, certification, and finding a job, perhaps even more so. With so many jurisdictions involved, perhaps we should take a look at how we can better coordinate the national, state, and local policies that govern these vital benefit programs.

Third, most teachers are unable to carry their own personal pension plan contributions across state lines. This greatly limits their ability to move, change jobs, and take their retirement funds and credits with them.

Fourth, investment programs are much less flexible than private-sector plans, mainly because businesses see retirement efforts as a form of forced saving and investment, not as a social welfare benefit from the government. Whereas workers in the private sector have great flexibility in how they invest, the amounts they can invest, and the withdrawal of pension funds, the public sector has been extremely rigid and bureaucratic about the matter. Perhaps we can learn something from Westinghouse.

Fifth, either as individuals or as a group, teachers seem to lack any real control over the policies and programs of their pension funds.

And finally, teachers receive vastly different benefits and pension amounts. Teachers in wealthier school districts tend to earn significantly higher salaries, thus accumulating larger sums in their pension accounts. And when teachers retire, the level of their pension is determined by their average salary over their last three or so years of teaching. Should teachers receive vastly different pensions for performing the same kind of work in different school districts? The equity issue, then, appears in the retirement process, as it does in hiring and remunerating teachers throughout their careers.

A National, State, and Local View

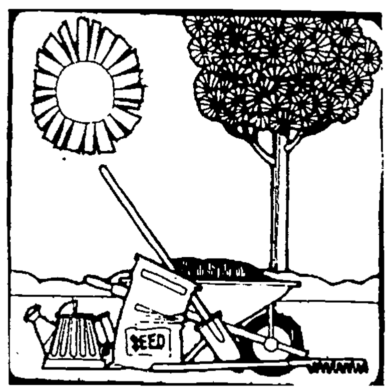
For all these reasons, teacher retirement is and will continue to be a big issue at all levels of government well into the next century. First, it is clearly of *national* concern because of the nation's interest in the welfare of its schools. Since we are now (1) creating a national certification process for teachers, (2) beginning through the Holmes Group to cooperate nationally in the training of teachers, (3) setting higher teaching standards and national recognition awards for outstanding pedagogues, and (4) considering the implementation of national curriculum standards and testing, it only makes sense that the issue of a "national retirement system" should receive attention as well. Issues such as the lack of interstate portability of pension accounts would be on the national agenda.

Meanwhile, teacher retirement remains a *state* matter, since it is the state that creates and manages the rules, regulations, funds, and programs that comprise public-sector retirement. And since school districts bargain or confer informally with teachers about issues of early retirement incentives, the *local* school boards and school executives also play a vital role.

But primarily, retirement is a *personal* choice that profoundly affects individual teachers during the later years of their lives. Over the past several decades teachers have made incredible progress in securing a decent living and a comfortable retirement.

Recommendation: Establish National and State Commissions on Teacher Retirement

We propose that a national commission, matched by study committees in each state, be convened to examine the issues discussed below in teacher retirement and replacement (perhaps in tandem with such consideration for all employees in the public sector). Who should create such a structure is not clear. Perhaps the Secretary of the U.S. Department of Education could bring the following interested parties together: National



PONDERING RETIREMENT: THE CASE OF ETHEL LINDSTROM

Ethel Lindstrom was tired and worn out after 31 years of teaching third and fourth graders at West End Elementary School. Starting at age 24, after completing college and a stint as an office assistant, she had taught her children long and well. Now she was ready to lay down her chalk and retire.

She called the union leadership, the school district's Office of Personnel Services, and the state department of education office for information about when she was eligible (perhaps this year?), how much her monthly pension check would be, and what to do next.

The information was amazingly simple. During her years of service, she had contributed 6 percent monthly from her paycheck toward her retirement. The school district had in turn kicked in an additional 8 percent. Thus, 14 percent of her salary each year went toward her retirement. Although the contribution to her retirement fund had been 14 percent times her salary for each of her 31 years of service, her actual retirement benefits could amount to more, should she live to a ripe old age. In that event, her retirement total would outrun the total of her contribution and the district's or state's.

But was she eligible to retire? Under her state's retirement laws, she certainly was. Ms. Lindstrom had worked one year longer than the required 30 years of service. She was 55 years of age, exactly the age that the state required for retirement. Under the so-called "85 Rule," she had accumulated 31 years of service, plus the age of 55, exceeding the requisite "85" total. She found out that indeed she could retire any time, even midyear, though the idea of leaving the kids "in the lurch" had not occurred to her.

How much was she to receive for her retirement? The amount was based on two factors. First, she needed to know what her *average annual salary* had been as a teacher for the last three years. She had earned $39,000 in 1989, $40,000 in 1990, and $41,000 in 1991, not including benefits. Thus, her average salary for these three school years was $40,000. Now, she had to calculate the percentage of the average salary that the state would use to determine her yearly pension payment. This percentage is calculated by multiplying 2 percent times each year of service. Since Ms. Lindstrom had 31 years in the system, she would receive 2 percent times 31 years, or 62 percent of $40,000. Her annual pension thus would be $24,800 if she decided to retire now. The incentive to keep working, of course, was that next year she would receive 2 percent times 32 years or 64 percent of the average of her 1990 through 1992 salaries, perhaps $42,000. Under this assumption, her pension would grow to $26,880 just for teaching another year. Hummh?

She had to think this one over. If she waited a year or more, she would receive (1) her regular salary, (2) possibly even an increase, (3) 2 percent per year more toward retirement, (4) an even higher average three-year salary, and (4) an extra year, now 32. Was it worth the money? What should she do? She called her friends, three of whom came into the system the same year she did. Perhaps, they'd all go out together! If she retired, she realized, she would also receive from the school district a portion of her health insurance benefits under the plan. What about the school children? What would she do with herself at age 55? Certainly, she could get another job. Doing what . . . ?

Education Association, American Federation of Teachers, American Association of School Administrators (superintendents of schools), Council of Chief State School Officers, National School Boards Association, university officials, governors, state government associations, state pension fund executives, financial experts, business and industry representatives, parents, and so forth, to set the agenda and to help states and districts improve the early retirement process.

The issues on the table should include those listed earlier in this article, among others.

Viability of State Pension Funds

Although this study did not attempt to analyze the fiscal viability of state retirement systems, we did learn of some consternation among teachers and administrators about the ability of the retirement system to support and extend coverage to them. Some states have higher ratios of active teachers to retired teachers than do others. In a few states with low ratios, only about two teachers are still working and thus contributing to the funds for every teacher who is already retired. Maine, for example, has the worst ratio of working to retired members, is in the throes of a recession, and is considering a change in its policies to make retirement itself more difficult and costly for teachers.

McLoone (1987) raises three financial issues concerning pensions funds: (1) Are they adequately funded to pay present and future liabilities? (2) Are the investments getting maximum rates of return? and (3) Are investments in keeping with current social policies and concerns? These and other questions must be examined carefully if pension plans are to be sufficiently strong to support the rising number of retirees.

At present, we do not know the effect on the rate of return of making retirement investments "politically correct."

Funding levels, the subject of McLoone's first question, have been an issue since the 1920s when pension plans began using actuarial estimates in setting rates. States must be able to fund their share of the pension contribution and keep their hands off this attractive pot of money. As the secretary-treasurer of the National Council of Teacher Retirement said, "The biggest challenge facing teaching retirement systems is keeping politicians out of the trust funds" (Deigmueller 1990). As McLoone explains,

> The annual contribution made by government is the sum of the administrative costs and the contribution level necessary to finance the benefit level, minus the rate of return on investments. When this formulation requires increasing governmental contributions, either benefit levels or employee contribution levels are changed. When this formulation indicates no need for a change in government contribution or a lower government contribution, benefits formulas and levels are liberalized. When the rate of return lags behind the rate of inflation, as in the 1970s, questions are raised about the adequacy of funding and the ability of a retirement system to provide adequate payments in the future. (1987, p. 242)

Currently, a recession in combination with rising costs have caused some pension plans to shift greater responsibility to employees. New York State, for example, created a multitiered approach, whereby workers hired earlier (tiers 1 and 2) still make no employee contribution but newcomers (on tier 3 and beyond)) contribute 3 percent of their salaries toward retirement. Shifting the burden to future staff defused a political bombshell from unions and other groups. Other states are raising the employee share. The levels, viability, and government contribution should be examined in relation to investment policies and yields.

McLoone's second and third questions—the rate of return and the social responsibility of investments—also require examination by a national commission and individual state committees. States that avoid investing in South Africa, Northern Ireland, and other places, and in corporations such as Exxon because of some objection to their policies may find it difficult to switch stocks quickly because they cannot keep up with the latest "unacceptable" stock or bond option. Furthermore, issues ranging from war to women's issues to fishing for whales to foreign policy to sex and racial discrimination and abortion rights may be so complex that the pension fund leaders cannot keep pace with which stocks to buy. At present, we do not know the effect on the rate of return of making retirement investments "politically correct." Whatever the result, one disadvantage of changing investments with the social and political winds is that investment policies are dictated by the "cause" of the moment.

At any rate, state legislatures, teacher groups, and others should keep a close eye on the government's contribution, the rates of return, and which policies are being used.

State-Local Policy Consistency

Each state should take a good, hard look at its retirement goals and policies. The two levels of government have disparate goals. For superintendents and school boards, hard pressed to stretch budget dollars, an early retirement

A national commission should survey states and districts to determine just how different the state and district goals are.

incentive program (ERIP) makes perfect sense. Data in this study show the remarkable savings that can occur when an ERIP is well planned and executed. Retiring teachers and administrators early allows districts to eliminate positions without layoffs or transfers and to hire lower-cost personnel to replace some of those who retire. Further, our research indicates enormous pentup demand among veteran employees to change careers or retire completely.

Standing in the way, however, are ponderous state retirement systems dedicated to longevity, rewarding those who remain with their teaching careers to the end and punishing those who retire early. A national commission should survey states and districts to determine just how different the state and district

Teachers who change systems experience a significant drop in pension benefits.

goals are. Surely, the two levels could work out their differences and reach a compromise. For example, states could reduce the penalties they impose on early retirement and districts could reduce the incentives they offer. Teachers, despite this conflicting message, seem to be willing to absorb the reduction of pension for the bonus money and the chance to retire early.

The commission should also ascertain to what extent states are "backloading" the costs, allowing teachers to retire early but making money on the deal by permanently reducing their pensions by an average of 2 percent to 5 percent per year. Backloading refers to the practice of cutting workers out of their full pensions by setting up lures and roadblocks.

Several backloading techniques are used: long vesting periods (discussed below), stingy formulas for benefits, reduction of benefits for early retirement, and Social Security offset provisions. A number of states are reducing pensions for early retirement, and a few even do so for teachers who earn Social Security. These and other practices warrant examination. Perhaps educating teachers about their rights under a pension plan would dissuade them from leaving their jobs prior to vesting or before they qualify for full retirement. Or perhaps the commission's findings would convince states to go along with districts and waive the penalty for early retirement when districts are able to make a case for reductions in force and budgets. After all, a state's entire education system is stronger and healthier when staffing levels are appropriate and when teachers can retire when they desire, within reasonable limits.

Portability of Pension Plans

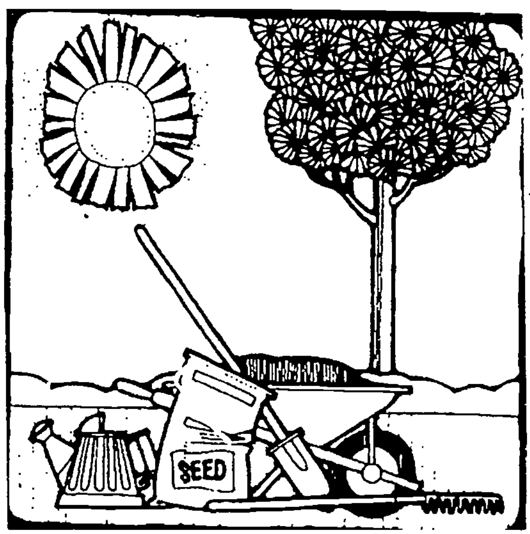
It seems to us that in a highly mobile society such as ours retirement plans should be transportable to other districts and even other states. As it stands, teachers who move from one state retirement system to another lose at both ends. They forfeit the credit they have accrued in the system they leave, and, unless the new state retirement system allows teachers to get credit for prior service in other retirement systems, they must start from scratch in building credit in the new system. In some cases, teachers may be able to "buy" credit from a prior state and use it toward retirement in their new state. However, states often set a maximum number of years of service that can be credited, say 10 years, or "buy" them on a two-for-one basis. And service in private or parochial schools is usually *not* credited toward public school retirement.

Teachers who change systems experience a significant drop in pension benefits. Consider what happens, for example, when a teacher, after working in one post in New York State for 18 years, takes an out-of-state teaching job. This teacher has worked 8 years after vesting (10 years) but 2 years before retirement is allowed. The state must pay this teacher a pension at age 60, along with other vested teachers at that age, but the state reduces the amount of that annual payment by 5 percent per year for each year short of 20 years of service. Hence, for this teacher the reduction is 10 percent—two years multiplied by the 5 percent penalty.

Bernard Jump, Jr., in a report for the Carnegie Forum on Education and the Economy, found that teachers who spend 20 years with one employer and then 15 with another earn only 70 percent of the pension benefits that they would have earned had they stayed with just one employer.

One might argue that if education is to be considered a full-fledged profession, teachers should be free to pursue better opportunities in other states, regions, settings. Being trapped in one system lowers morale, creates staleness, and robs schools and students of a flow of new staff and ideas. If the United States is to have a national certification program for outstanding teachers, why not have a national pension plan to support the mobility of outstanding teachers?

Professors in universities and colleges have great mobility and take their pensions with them, under TIAA-CREF, a private system. This system is one of the largest and most viable retirement plans in



We are suggesting that at least part of the teachers' fund be seen as a form of personal *investment* and part continue to be a form of employee *welfare benefit*.

the nation, worth over $50 billion at last count. Why not allow teachers to move around, too?

Some difficulties would arise under a portable system. States have different rules, different vesting periods, different contribution formulas, and different levels of pay. But surely ways of accommodating these variations can be found once the concept of mobility and transportability is established nationally.

A report on the portability of teacher pensions presented at the 1988 meeting of the National Governors' Association found that "some states were hiring large numbers of teachers with out-of-state experience." For example, in the 1986-87 school year, "26 percent of the teachers hired in Colorado were from out of state, as were 22 percent of those in Maine and 18 percent of those in Illinois."

The National Governors' Association suggests various ways to achieve some portability:

- States that allow teachers to buy credit for past service (38 states do so) should simplify their often cumbersome processes and make them more affordable.
- An interstate agreement could be set up to allow transfer of pension assets. Teachers would make up any differences themselves. This would be similar to Canada's system.
- A defined contribution plan, in which a teacher pays into one account over the entire career, could collect the money and pay it out on retirement. No benefits are promised; the teacher hopes for the best.
- The vesting period should be shortened or eliminated.

If we are truly one nation, and if teachers are to respond to shifting demography, economic conditions, and regional differences, some kind of national view of retirement support needs investigation. As McLoone concludes, "With changing economic conditions of states and regions within states, and their concomitant population shifts, lifetime careers in education within a state may not be possible. Portability of benefits can become increasingly important" (1987, p. 240).

Earlier, Uniform Vesting

States vary widely in the length of time required before teachers are vested in state retirement systems—the point at which teachers' pension plans are protected. The fewest number of years required for vesting—three—is found in Minnesota; the longest period is in West Virginia, where a teacher must contribute to the state retirement system for 20 years before their investment is protected.

A national standard for pension vesting by public employees would be in keeping with laws pertaining to the private sector. In *The Wage Carrot and the Pension Stick*, Kotlikoff and Wise explain:

> Prior to ERISA, companies often required as many as 25 years of service for pension vesting. To protect workers from being dismissed, falling ill, or leaving their employment for other reasons immediately prior to becoming vested, ERISA mandated 100 percent vesting within 10 years of initial participation in a pension plan. The 10-year vesting rule was reduced to 5 years in the 1986 Tax Reform Act. (1989, p. 9)

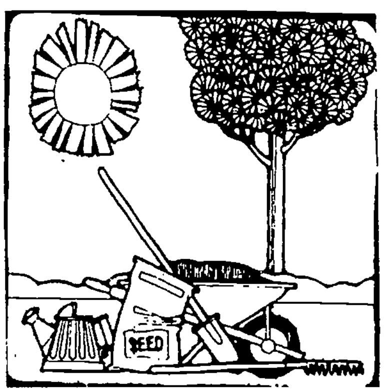
We suggest that states consider a five-year vesting period, which 27 states already meet or exceed (several states vest after four or even three years). Given the mobility of teachers, it seems only fair to have a national vesting standard: five years is the most common in the public sector and universal in the private. Such a move would protect teachers' pensions while giving these professionals a greater sense of security. If uniform vesting were combined with portability, teachers could work in one state for five or more years, then move to another and take their protected investment with them.

Greater Flexibility

Pension plans in the public sector are highly rigid systems of employee welfare. They limit the ability of participants to help determine:

- the mix of investment opportunities they wish to pursue, whether stocks, bonds, money markets, or real estate
- the amount of extra contributions and other investment options
- the rate and means for withdrawing the pension funds once retirement occurs
- the overall pension policies

While we are not advocating "privatizing" the retirement system for teachers, we are suggesting that qualities



of private pension systems might be included in the public system.

For example, we might consider moving away from a strict "defined benefit plan" toward a "defined contribution plan," thus putting each member of the retirement system in charge of part of his or her own portfolio. Perhaps the retirement fund for each teacher could be divided so that the state retains control over investing one half and the teacher is given control over the other half, similar to the control teachers already have over their 403B (tax-sheltered annuities) investments. For his or her portion of the fund, the teacher could then select the desired mix of stocks, bonds, money markets, annuities, and level of investment risk. The success or failure of the teacher's own investments would thus determine in part the size of the retirement package the teacher would eventually receive.

In a sense, we are suggesting that at least part of the teachers' fund be seen as a form of personal *investment* (to be monitored, added to, switched around, and controlled by each individual member) and part continue to be a form of employee *welfare benefit*. Currently, the whole fund is seen as a state-run benefit system over which the teacher has only limited access, interest, and control.

Equity among Teacher Retirees

Finally, we raise a provocative question: Why should a teacher who happens to work in a poor school district retire with a much lower pension than one who works in a wealthier district with richer students, higher pay, and a larger pension contribution? As long as the pension level is based on the final salary, some teachers will do better than others. Why not take a look at actual pensions across the nation, state by state, district by district, to get some sense of the inequalities that exist?

Variations in salaries and state-to-state differences in the percentages of salaries that are contributed toward retirement can combine to create alarming disparities in teachers' retirement funds. For example, the average teacher in Arizona accumulates less than one-third what the average Pennsylvania teacher receives toward retirement.

In the absence of an equalized statewide salary system (such as Hawaii has), the commission might investigate some form of statewide pension plan whereby teachers could be financially compensated in retirement for what they lost during their working careers. Already, we see some evidence that teachers are willing to trade slightly lower salaries for a better retirement package. Teachers in poor districts might be willing toward the end of their careers to contribute more of their own money to their retirement funds if the state would use it to raise their pensions. Some kind of matching formula might be worked out whereby teachers would kick in extra money to be matched at a set ratio by the state and district. Such an effort might reward these teachers for the years of lower salaries and sometimes tougher students they have had to endure.

Conclusion

During the past decade, while the nation has been preoccupied with reforming its schools, something else has been happening in those schools that has received little attention. The clock has been ticking, transforming the demography of America's teachers. A teaching force that was once typically young and mobile has become older and more stable.

The aging of the teacher work force has given rise to concern about the level of support for state pension systems and also about the control and application of retirement procedures. Specifically, school districts are now examining early retirement incentives. Inducing older teachers to retire early might, as Tarter and McCarthy put it, "result in salary savings and a healthy infusion of younger and possibly more-effective teachers" (1989, p. 133).

This article has presented our findings about both regular and early retirement and highlighted some of the problem areas. Solutions are not so easy. This is why we call upon the 50 states that created and maintain these retirement systems, in concert with the national government, national teachers' unions, and national associations of school boards and superintendents, to carefully examine the problems and seek solutions in a coherent, comprehensive, coordinated way.

In general, teachers in the United States are benefitting from large, sound, and well-run state retirement systems, which are equal to if not better than many private plans. Although some states are undergoing serious budget crises in the early 1990s, Reilly's statement still generally describes the state of the nation's teacher retirement systems:

> It is undisputed that these systems generally perform at a higher level than do their private and federal government counterparts. More public employees participate in retirement plans (98% by the late 1980s as compared to 74% of the ERISA-relevant work force). State retirement systems offer more diverse benefits and higher benefit levels than do private plans. And recent U.S. Census analyses show that public plans are better funded [except in a small percentage of the cases] . . . . Finally, state administered pension plans are well managed and no state plan has ever defaulted in pension payments. (1985, p. 7)

Some prudent fine-tuning of these retirement systems done now in the coordinated way we prescribe could guarantee that Reilly's description holds true for many more years to come.

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