

Strategic impact of STRS changes

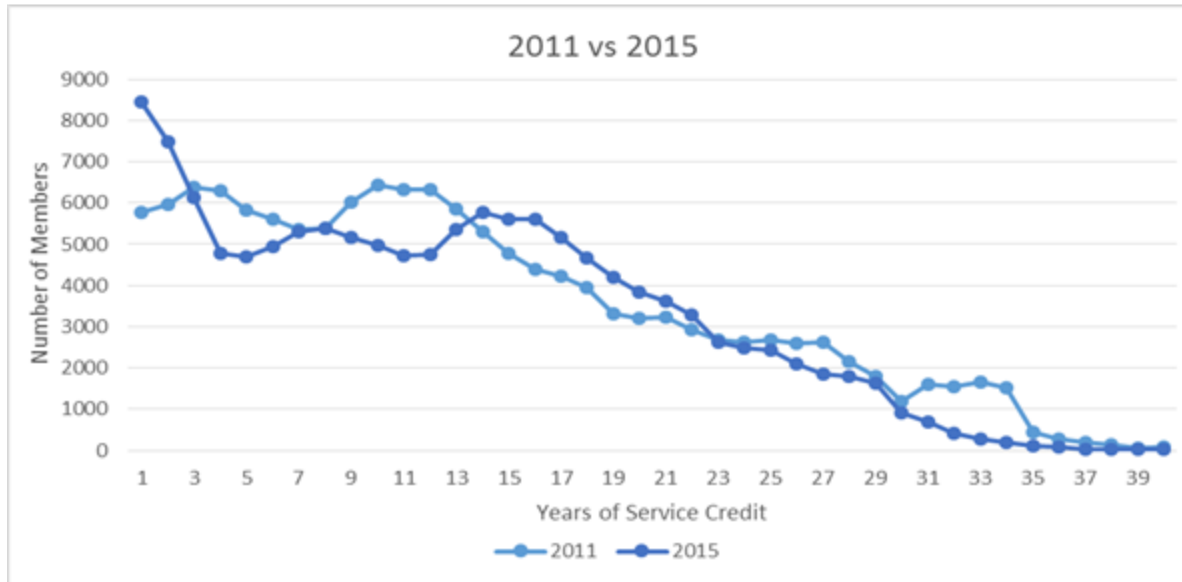
STRS changes

- STRS has been adjusting to new requirements for retirement.
 - These changes have been driven by fiscal need
 - They generally require teachers to pay in more and work longer to retire.
 - The new rules phase in over time
- Many senior teachers have retired earlier than originally intended to avoid new conditions.

Demographics

- Each district has a specific mix of staff –some newer and some more senior.
 - Often growing districts have more younger staff as they have been hiring recently
 - Districts with static enrollment may have more senior staff
- The STRS retirement changes will eventually significantly impact this mix of staff across the entire state.
- The future demographic changes carries several implicit impacts for school districts

STRS K-12 Member Data



Teacher Tenure

- Since 2011 the average service credit has declined from 13.8 to 12.7
- The 2013 class was the last group to retire with cost of living adjustments on first year.
- Bubble of 9 to 13 year members has shifted to right, however there are far fewer 30+ members.
- Past year has seen 8,100 retirees, next year projected at 3,500 stabilizing at 4,700 in 2025.

STRS Incentive History

- Formerly most common retirement age was 52 with only 9% of retirees at 35 years.
- Enhanced benefit incentive program was instituted to encourage longer service.
- Program increased common retirement age to 57 with 42% at 35+ years of service.
- Incentive program is gone and replaced by stick – mandating 35+ or age 60 for full benefits.

Teacher retirement

- Teachers are motivated to retire by many factors
 - Love of teaching students
 - Retirement eligibility or affordability
 - Personal health concerns
 - Ability to connect with students
- STRS changes to retirement eligibility could override other factors that previously might influence teachers to retire.

The 'hidden' cost

- Over the next 10 -20 years, teachers will have to work longer to complete their careers.
- The average staff years in service will grow from 10.9 to 20.9 years (for my district)
- As a result of the typical salary matrix, having a more senior staff will shift the average teacher pay 14.3 % higher
- This cost will be borne by the district not STRS.

Typical Salary Schedule

year	BA	BA+20	MA	MA+20
0	1	1.04	1.1	1.156
1	1.046	1.091	1.156	1.212
2	1.092	1.142	1.212	1.268
3	1.138	1.193	1.268	1.324
4	1.184	1.244	1.324	1.38
5	1.23	1.295	1.38	1.436
6	1.276	1.346	1.436	1.492
7	1.322	1.397	1.492	1.548
8	1.368	1.448	1.548	1.604
9	1.414	1.499	1.604	1.66
10	1.46	1.55	1.66	1.716
11	1.506	1.601	1.716	1.772
12	1.552	1.652	1.772	1.828
13	1.598	1.703	1.828	1.884
17	1.644	1.754	1.884	1.94
20	1.69	1.805	1.94	1.996

Schedule structure

- Increase with experience
- Slower increases as experience grows
- Increase with more education
- Salary can top out
 - With experience (20 -26 years)
 - With education (MA+20)
- NOT directly tied to classroom performance

Education

- All Districts encourage teachers to be life long learners--- set the example
- As teachers top out on the experience level, the incentive is strong to further education
- School district may well face the dual impact of average teacher increased experience AND increased education- possibly 20-25% for the same staff

Side consequences

- Contract Negotiations
- Training
- Resistance to innovation
- Connection with students

Contract Negotiations

- The more senior mix of teachers can also have contract negotiation impacts.
- With more senior teachers represented, it seems likely that there will be more pressure to add additional steps beyond the standard 20 years
 - Some district have a 26 year step, but there may be desire for 30, 34, and other year steps
- This could be a growing feature of negotiations and could exacerbate the future cost impact.

Training

- More senior teachers will require more emphasis on retraining
- Education goes through many phases, cycles, buzz words and new techniques
- Many are definite improvements
- Some are simply attempts at improvements
- Experienced teachers have seen many changes and may have become more cynical
- True innovation may have to fight an uphill battle against the lessons learned of how to teach
- The more senior the teacher the bigger the generation gap to be spanned between teachers and students

Conclusion

- The STRS retirement changes will impact teacher demographics
- School Districts need to prepare for a predictable new future
 - Financially
 - Contractually
 - Training and personnel challenges