Teacher Pension Policy in Utah

A report card on the sustainability, flexibility and fairness of state teacher pension systems

Utah’s pension system ratings

Sustainability
Pension system is stable and well-funded.

Flexibility
Pension system is flexible and fair to all teachers.

Neutrality
Retiree benefits to teachers accrue uniformly with each additional year of work.

Snapshot of Utah’s pension system

Teacher pension system is well-funded (at least 90%).

Teachers have the option of a fully portable primary pension plan.

Teachers vest in three years or less.

Teachers leaving early can take at least a partial employer contribution with them.

Teacher and employer contribution rates are reasonable.

Retirement eligibility is based on age only.

Pension benefits accrue in a way that treats each year of work uniformly.

Utah’s pension system characteristics

<table>
<thead>
<tr>
<th>Type of plan</th>
<th>Choice of Hybrid or Defined contribution (DC)</th>
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<tbody>
<tr>
<td>Unfunded liabilities (percent of system funded)*</td>
<td>$3,317,938,200 (77.9%)</td>
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<tr>
<td>Vesting period</td>
<td>4 years</td>
</tr>
<tr>
<td>Teacher contribution rate (percent of salary)</td>
<td>Hybrid: varies based on cost; DC: no required contribution</td>
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<tr>
<td>Employer contribution rate (percent of salary)</td>
<td>10%</td>
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<tr>
<td>Basis for retirement eligibility</td>
<td>Years of service (Hybrid)/Any age (DC)</td>
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<tr>
<td>Cost of living adjustments (Hybrid)</td>
<td>Linked to Consumer Price Index</td>
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<tr>
<td>Participation in Social Security</td>
<td>Yes</td>
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<tr>
<td>Contributions teachers may withdraw from plans if they leave after 5 years</td>
<td>Hybrid plan: DB portion, own contributions</td>
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<tr>
<td>Policy for purchasing time for prior teaching or approved leave</td>
<td>Unlimited</td>
</tr>
<tr>
<td>Cost per teacher of allowing retirement before age 65 (Hybrid)</td>
<td>$438,758</td>
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</tbody>
</table>

* For states in which teachers are part of a larger public employee system, the liabilities were adjusted to reflect an estimate of the percentage of teachers in the system.

For more information about Utah and other states’ teacher retirement policies, including full narrative analyses, recommendations and state responses, see www.nctq.org/statePolicy
Teacher pension trends in the U.S.

Just seven states offer a fully or nearly fully portable primary pension plan for teachers.

Other indicators also reflect worrisome trends.

Number of states where pension funding ratios have decreased since 2008: 43

Number of states that require excessive contributions of teachers, employers or both: 43

Number of states that have increased teacher contribution rates since 2008: 29

Number of states that have ten-year teacher vesting periods: 15

Teacher pension system debt has reached a half trillion dollars.

[Graph showing debt progression from $394 billion to $499 billion between 2012 and 2014]