



PUBLIC SCHOOL RETIREMENT  
SYSTEM OF MISSOURI

# Missouri Teachers Are Better Off in a Defined Benefit Plan than a 401(k)

A recent study conducted by UC Berkeley Labor Center and the National Institute on Retirement Security confirms that a defined benefit plan like PSRS is better designed to meet the long-term financial needs of teachers in retirement than a 401(k)-type plan.

For 8 out of 10 teachers in Missouri, the PSRS defined benefit plan structure provides a greater, more secure retirement income compared to a 401(k)-style plan.

The three goals that guided the design of PSRS in 1946 are still true today. The key findings of the independent study reinforce that the System's goals are being achieved.

**Key Finding:**  
73% of Missouri teachers will serve 20+ years.

**Key Finding:**  
84% of Missouri teachers are better off in a defined benefit plan than a 401(k).

**Key Finding:**  
The contribution costs for Missouri teachers would **double** in order to realize the same retirement income in a 401(k) as a defined benefit plan.

**Goal:**  
To help school districts attract and retain the best and brightest educators for Missouri's children.

**Goal:**  
To provide retirement security to Missouri's educators after a full career of service.

**Goal:**  
To manage the Systems in a prudent and cost-efficient manner while continuing to provide exceptional service to our members.

## Study Looks at Career Teachers, Not Just New Hires

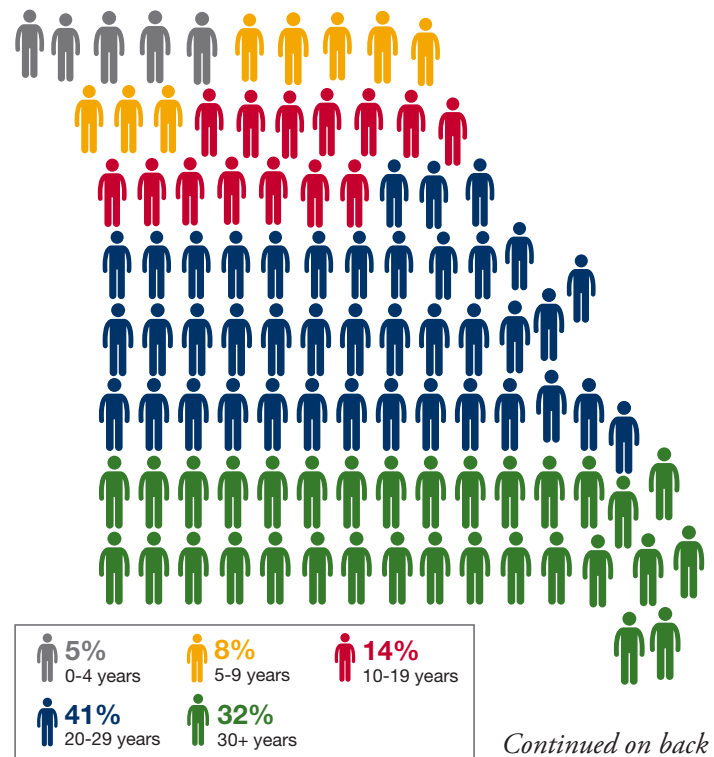
The study looked at teacher pensions versus 401(k)s in six states: Colorado, Connecticut, Georgia, Kentucky, Missouri and Texas. The purpose of the study was to look at whether long-term teachers would be better off in a defined benefit plan or a 401(k). Previous studies on the subject focused on new hire turnover, which does not reflect accurately the teaching workforce.

As is the case with other professions, the turnover rate for classroom teachers is the highest in the early years, with approximately 3 out of 10 new hires leaving the retirement system prior to vesting (five years of service). The reality though is that the majority of teaching is done by educators who do become vested and remain an active member of PSRS until they are eligible to retire.

**Only 5% of Missouri teachers leave before vesting.**

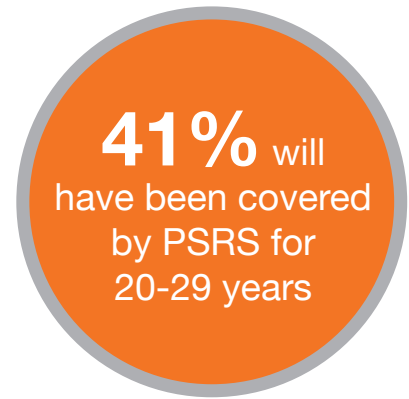
Source: N. Rhee, L. Joyner, Jr. "Teacher Pensions vs. 401(k)s in Six States: Connecticut, Colorado, Georgia, Kentucky, Missouri, and Texas", January 2019.

## Projected Tenure at Exit of Current Missouri Teachers



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# Pensions Benefit Long-Term Teachers in Missouri




## Additional Key Findings about Teachers and Defined Benefit Plans

- The vast majority of teaching positions are occupied by long-career teachers.
- Most long-career teachers will serve until retirement age.
- Teachers, in all six states studied, typically serve 25 years in the **same state**.
- Pensions are portable across a large number of participating employers within the state of Missouri.
- Defined Benefit plans are simply more efficient as a means of financing a large, multi-generational workforce.
- Shifting to a 401(k) would decrease pre-retirement and/or post-retirement income.

Defined Benefit Plans Work  
When Governed and  
Funded Appropriately

“And because traditional pension benefits are designed to encourage and reward long service, they help schools retain experienced teachers, and allow older teachers to retire with sufficient income when they are ready to retire, as their productivity declines.”<sup>1</sup>

<sup>1</sup> Source: N. Rhee, L. Joyner, Jr. “Teacher Pensions vs. 401(k)s in Six States: Connecticut, Colorado, Georgia, Kentucky, Missouri and Texas”, January 2019



If you are interested in reading the full study, you can find it at: [www.nirsonline.org/reports/teacher-pensions-vs-401k](http://www.nirsonline.org/reports/teacher-pensions-vs-401k)

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