

Rocky Mountain News

DPS pensions 'lopsided'

Costly plan makes it harder to hire - and keep - young teachers, report says

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Denver Public Schools' pension plan not only costs the district \$800 more per student than other Colorado school district pension plans, according to a new report, it is "lopsided" and ill-designed to attract top teachers.

The report released Monday concludes that DPS' compensation package, including its retirement benefits, is poorly structured to recruit the best new teachers because it is so heavily weighted toward older employees.

It also encourages the most senior teachers and principals to retire as soon as possible since they can earn more if they leave than if they stay.

And teachers in mid-career are effectively stuck because their retirement benefits become lucrative so rapidly that they cannot afford to go.

"The system is lopsided," said Tony Lewis, executive director of the Donnell-Kay Foundation, which funded the study with the Piton Foundation. "It is great if you plan to stay with DPS your entire career and it is lackluster if you don't."

But, as the report points out, only 15 percent of DPS teachers and other employees stay with the district long enough to collect full pension benefits.

What new teachers want

DPS created the first pension plan for teachers in Colorado in 1945, when the likelihood of changing jobs was less.

Today, though, a U.S. Department of Labor study shows people change jobs, on average, nine times during their lifetime.

Teachers, in particular, are mobile. The probability that a teacher will stay with DPS for five years is just under 40 percent, Monday's report found.

So, Van Schoales, a former teacher who is Piton's urban education officer, questioned whether it makes sense to financially emphasize retirement.

"When I entered the teaching profession, it wasn't high on my list of concerns," he said. "I was concerned about salary, as I think most younger folks are.

"I think right now the pension frankly isn't much of an incentive for folks that are newer employees."

The report by Piton and Donnell-Kay found a DPS teacher would earn, including salary and pension, \$446,259 in their first decade of work.

That figure grows to \$607,799 in the second decade.

But in the third decade, as that teacher nears retirement, her or she would earn more than double those amounts, or nearly \$1.4 million.

The mid-career lock

That rapid increase in compensation can make it tough for a teacher to leave DPS.

"People who put in 10 to 15 years all of a sudden look at where they are and realize it's better to just keep plugging away than it is to move," said Lewis. "You may not be keeping the people who actually are excited and passionate and doing a good job."

It's also difficult for DPS teachers to move because their pensions aren't portable. They have to stay in Denver to continue earning years in the pension system.

But once a teacher reaches retirement age, as early as 50, the plan encourages leaving.

That's because teachers who retire from DPS are eligible for full benefits through the end of their life.

So every year worked after reaching retirement essentially means giving up a year of retirement benefits.

And because benefits are based on highest salary earned, the district could end up paying a teacher more for years retired than for years worked:

"Given that the average life expectancy today of a teacher retiring at age 55 with 30 years of experience is over 85 years of age," the report states, "DPS will be paying the teacher more in her years of retirement than they paid her for years of employment."

A national issue

Schoales said the report is intended to start a conversation about what DPS leaders call their toughest financial issue.

"Often these things are viewed as sacred cows," he said of pension plans. "We wanted just to say, 'Here's what it is, here's what the sacred cow looks like, now is there a different way of thinking about it?'"

School districts nationwide are struggling with the same issue. A report by the National Center on Education and the Economy caused a furor by advocating that districts funnel money from retirement benefits and into higher teacher starting pay.

Such suggestions raise alarm bells for some.

Monday's report "devalues the contribution of experienced employees in this district," said Kim Ursetta, president of the Denver Classroom Teachers Association.

DPS Chief Operating Officer Tom Boasberg emphasized that the pensions of Denver teachers and retirees are "very, very clearly protected by Colorado law."

That said, the report "does make you question whether we have the right incentives in place," he said.

"The last thing we want to be doing is encouraging, in effect, some of our best, most senior employees to leave the district," Boasberg added. "Likewise, we clearly need to do more to recruit and retain folks in their early years . . .

"We should think carefully about whether the system is properly structured to offer the right incentives."

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