



**NIRS Research**

# **ERSRI Retention Study**

**Examining Changes in Worker  
Retention Among ERSRI  
Members**

**January 17, 2024**



**NATIONAL INSTITUTE ON  
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# Key Findings

- Retention of workers has been declining across all groups, with one exception: new teachers.
- This has a variety of implications, including the return on recruitment spending (in terms of years of public service) and the level of experience among public employees.
- Pensions are not the only factor in play, but generally pensions create strong financial incentives aimed at transforming jobs into careers.

# ERSRI: A Look at New Hires

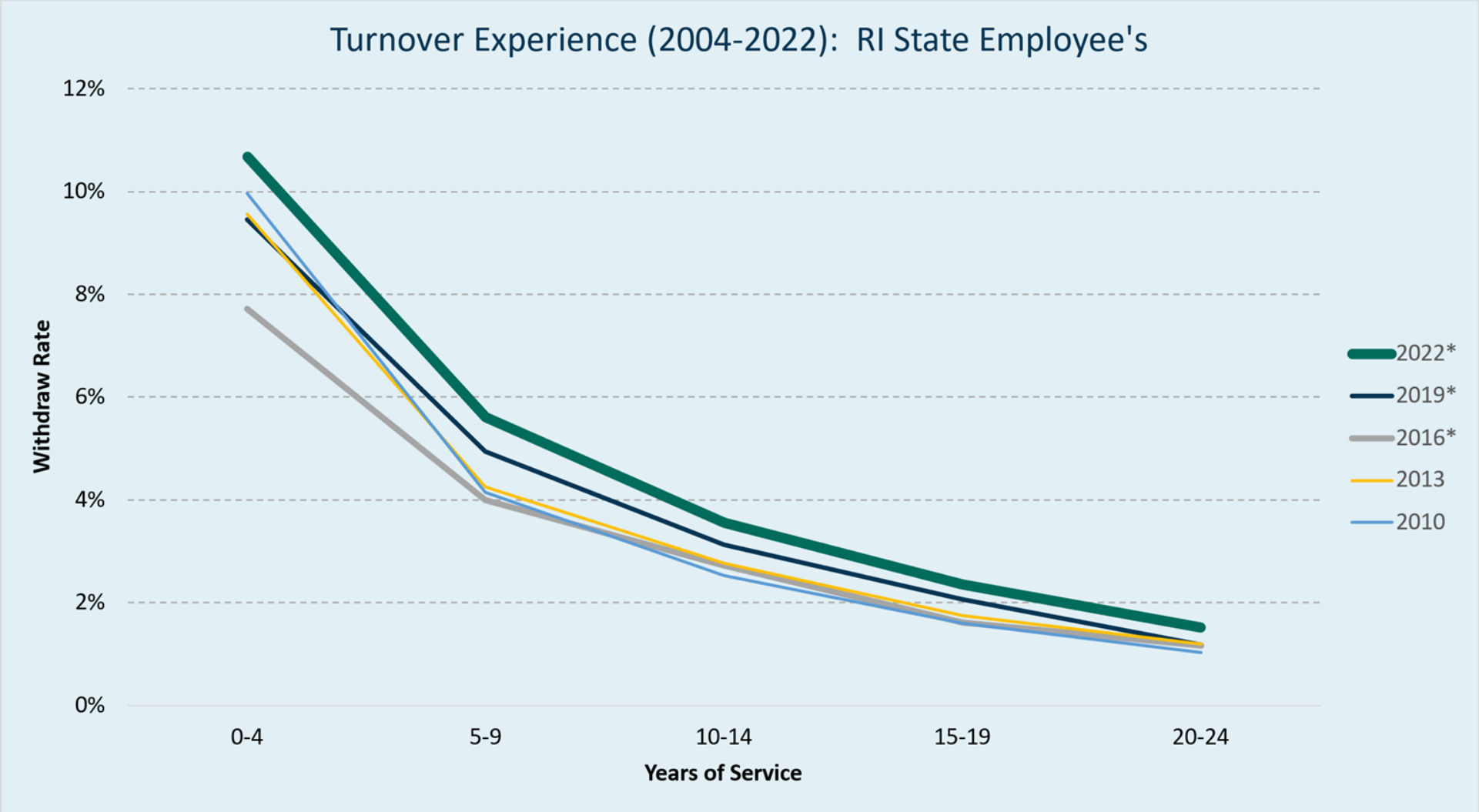
**Table 1: Average and Median Age of New Hires; Percent Over Age 45**

Worker Group	# New Hires	Average Age	Median Age	Percent Over Age 45
State Employees	984	37.8	35	30%
General Employees	798	39.9	35	36.5%
Police and Fire	140	29.4	27	7.1%
Teachers	367	37.2	35	28.9%

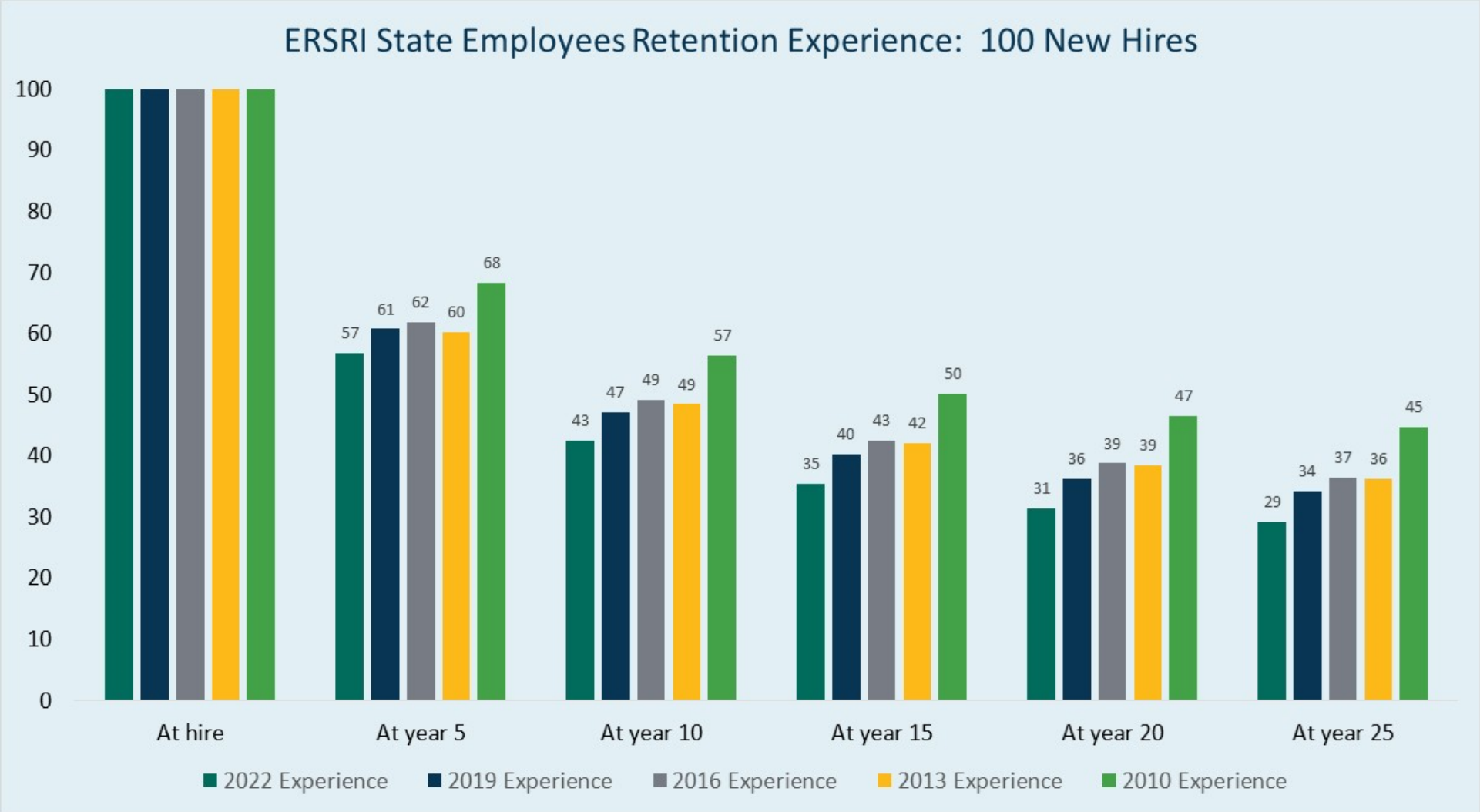
Source: 2023 Valuation reports, <https://ersri.org/publications/actuarial-valuations>

# ERSRI: State Employees

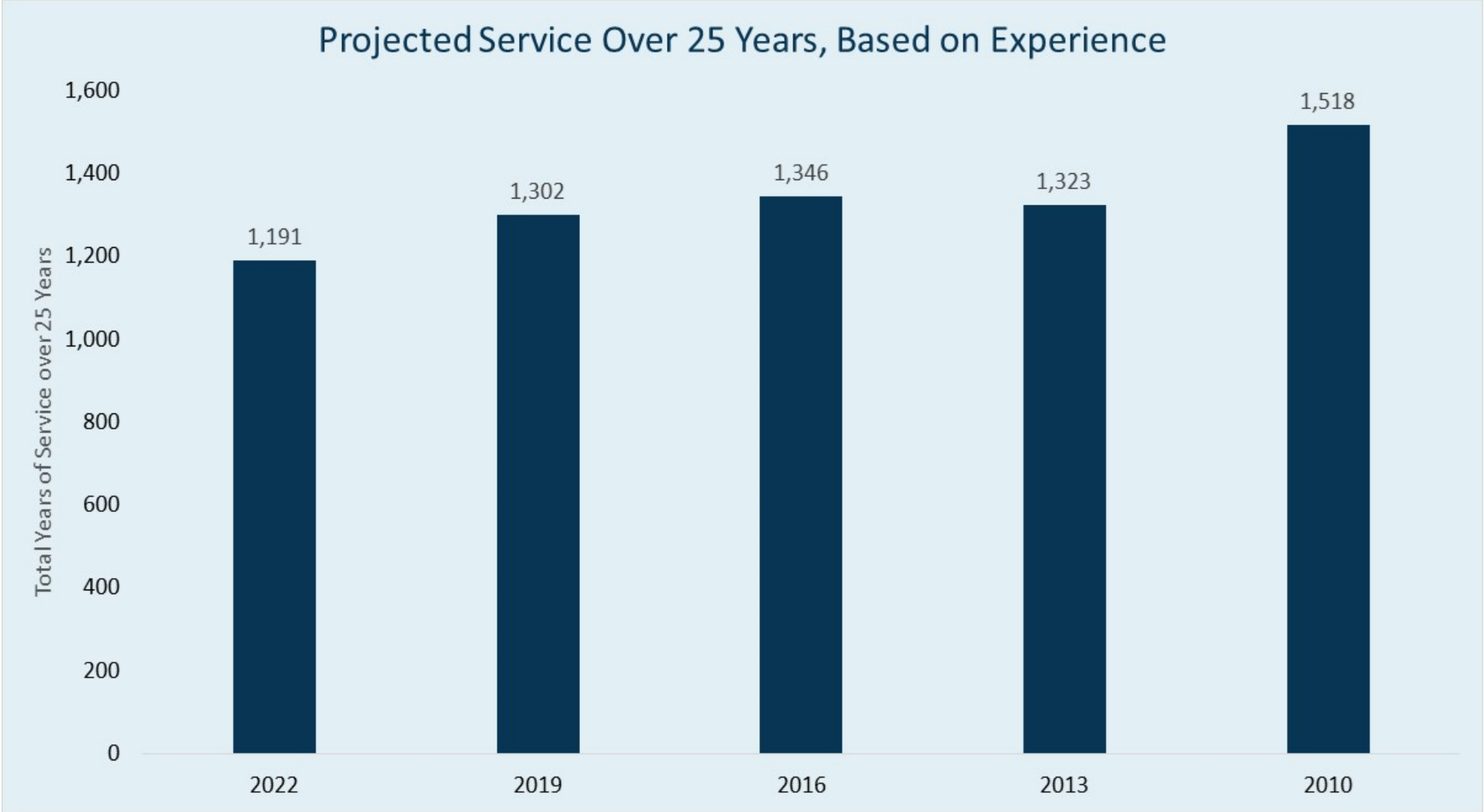
# State Employees: Turnover Has Increased



# State Employees: Fewer Remaining



# State Employees: Less Total Service



# ERSRI: Recent Turnover

**Table 2: Recent Turnover Experience by Worker and Service Groupings, Ranked Highest to Lowest, Among Five Most Recent Studies**

Worker Group	0-5 Years	6-10 Years	11-15 Years	16-20 Years	21-25 Years
State Employees	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>
General Employees	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>
Police and Fire	1 <sup>st</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	N/A
Teachers	4 <sup>th</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>

All turnover data developed based upon experience studies found at:  
<https://ersri.org/publications/actuarial-experience-studies>



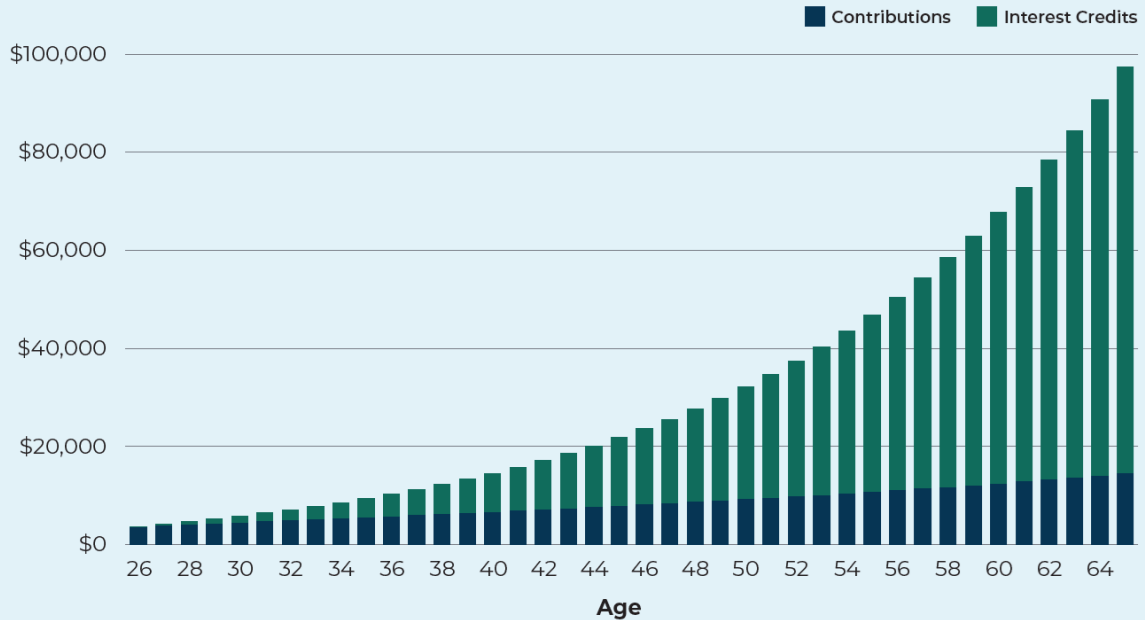
# Retention Conclusion

- Retention of workers has been declining.
- Experience study methodology (6 years of data, done every three years) is sound for managing the retirement system, but likely causes an understatement of changing behaviors.
- Factors besides retirement offerings are surely at play, but retirement benefits are often seen as a strong retention tool.

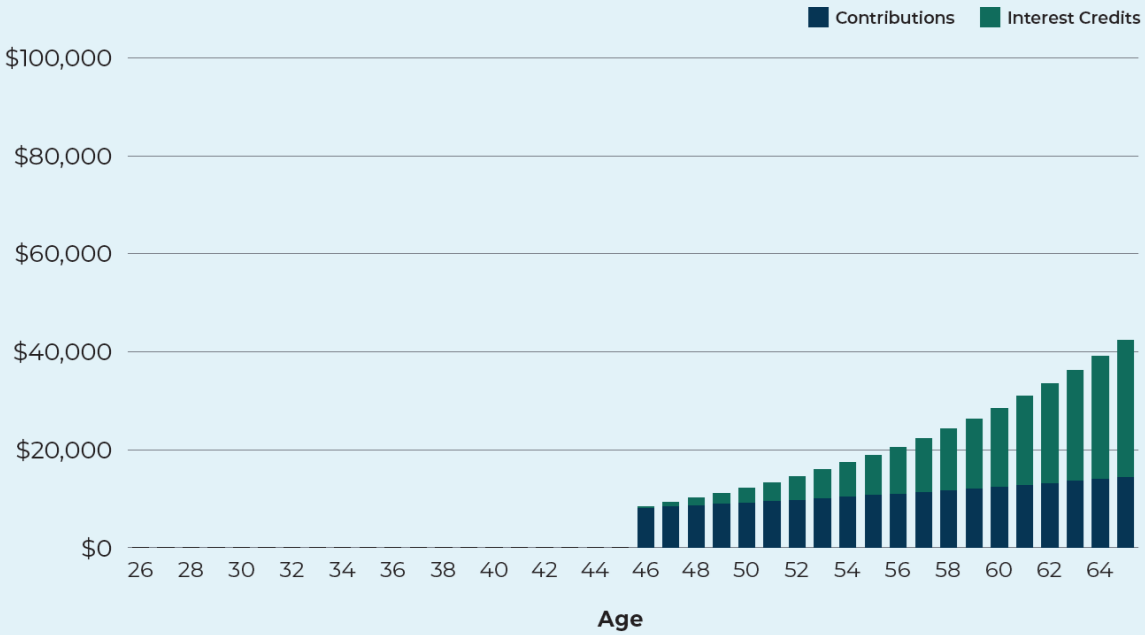
# Benefit Observations

# Impact of Age at Hire in DC Plans

**Figure 2: Annual Increase in Account Balance, with Contributions and Interest Defined - Full Career**



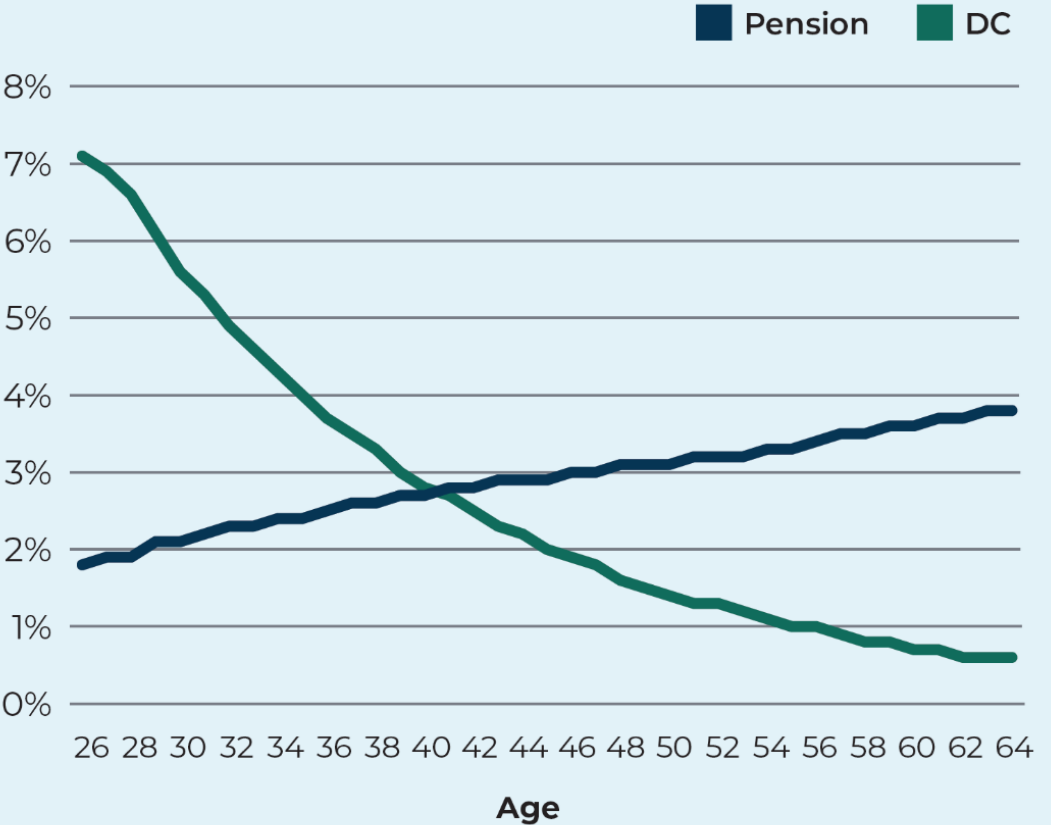
**Figure 3: Annual Increase in Account Balance, with Contributions and Interest Defined - Mid-Career Hire**



Source: NIRS, Hybrid Handbook, 2021

# Generating Income: Accrual Patterns

**Figure A2: Dollars of Life Income Earned from Additional Year of Service as Percentage of Current Pay - Full Career**



**Key takeaway:**

Beginning your career in a DB plan  
+  
Finishing in a DC plan  
=  
Unfavorable outcome for workers.

Lower DB accruals when young,  
and lower DC accruals when older.

Source: NIRS, Hybrid Handbook, 2021

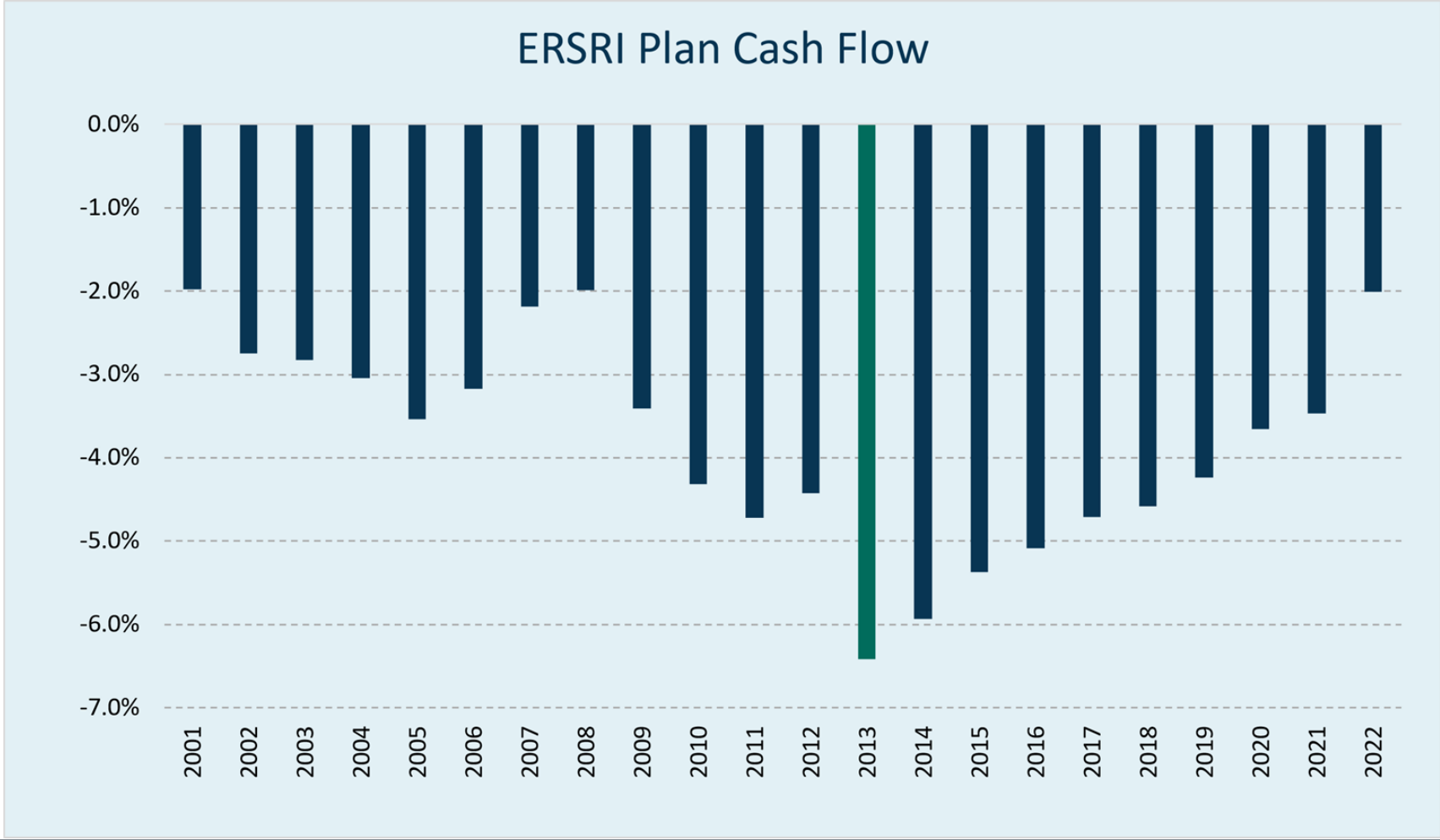
# Benefit Considerations

- DB benefits are fantastic for long-service workers, and mid-career or later hires.
- DC is most effective when employees start saving young and do not cash out.
  - IBM lawsuit and settlement.
  - Post-retirement is a big challenge, but annuitization is now offered.
- Raises Questions:
  - Redirect DC dollars to pension or improve it?
  - Will workers know about TIAA annuity option; Will they take it?

# Implications of Various Benefit Changes

- Increasing Multiplier:
  - Future service only (increase costs vs. diversion back)
  - Past service: granted vs. purchased
- Additional employer DC contribution: All years vs. surplus strategy
- COLAs: Fairness, funding and retention are considerations

# Negative Cash Flows Increased with Reforms; Higher Contributions Helped Re-Balance



**\*Cash Flow =  
Contributions -  
Expenses**

Source: Public Plan Database,  
<https://publicplansdata.org/>

# Questions

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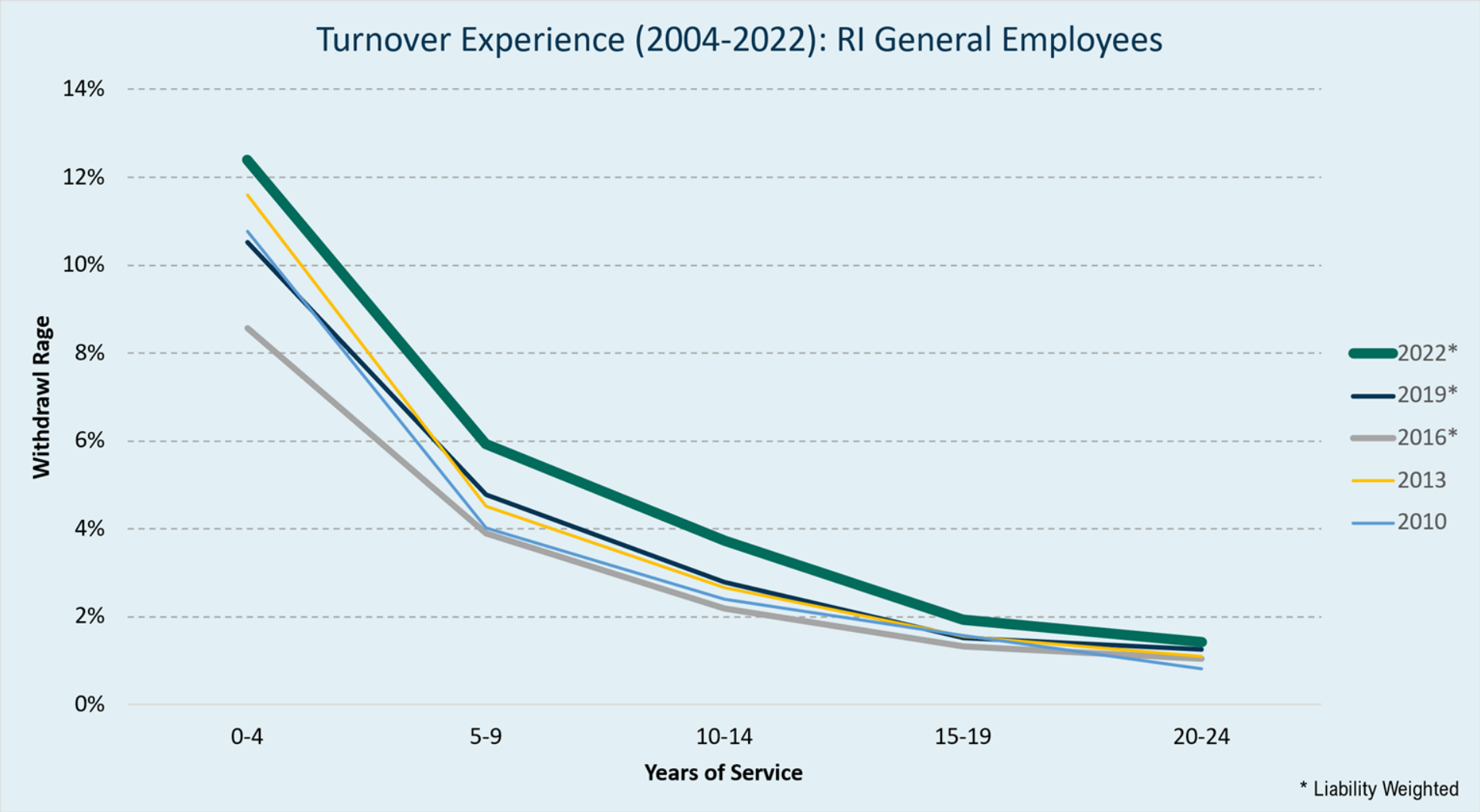




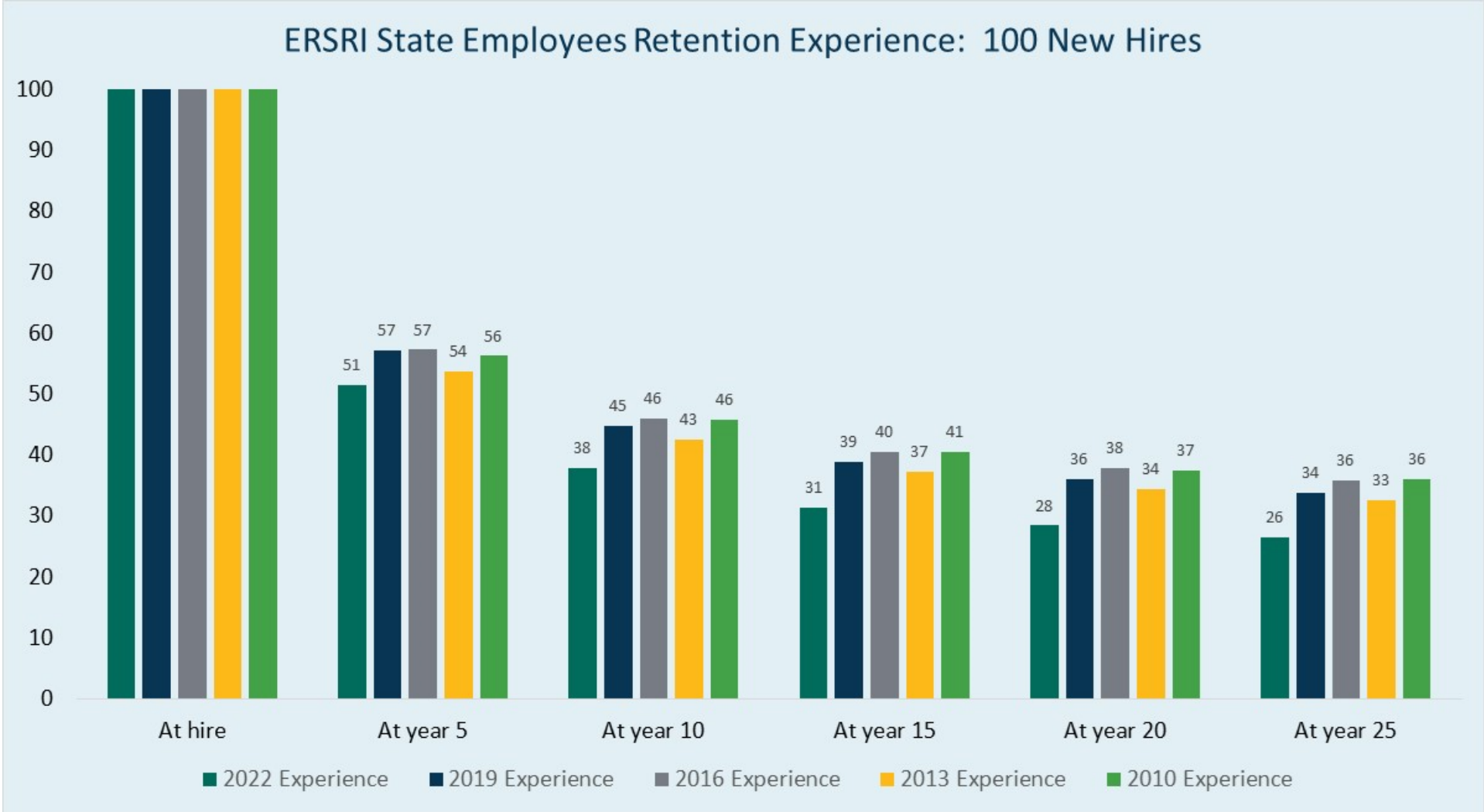
# Appendix: Retention Data for Remaining Groups

# ERSRI: General Employees

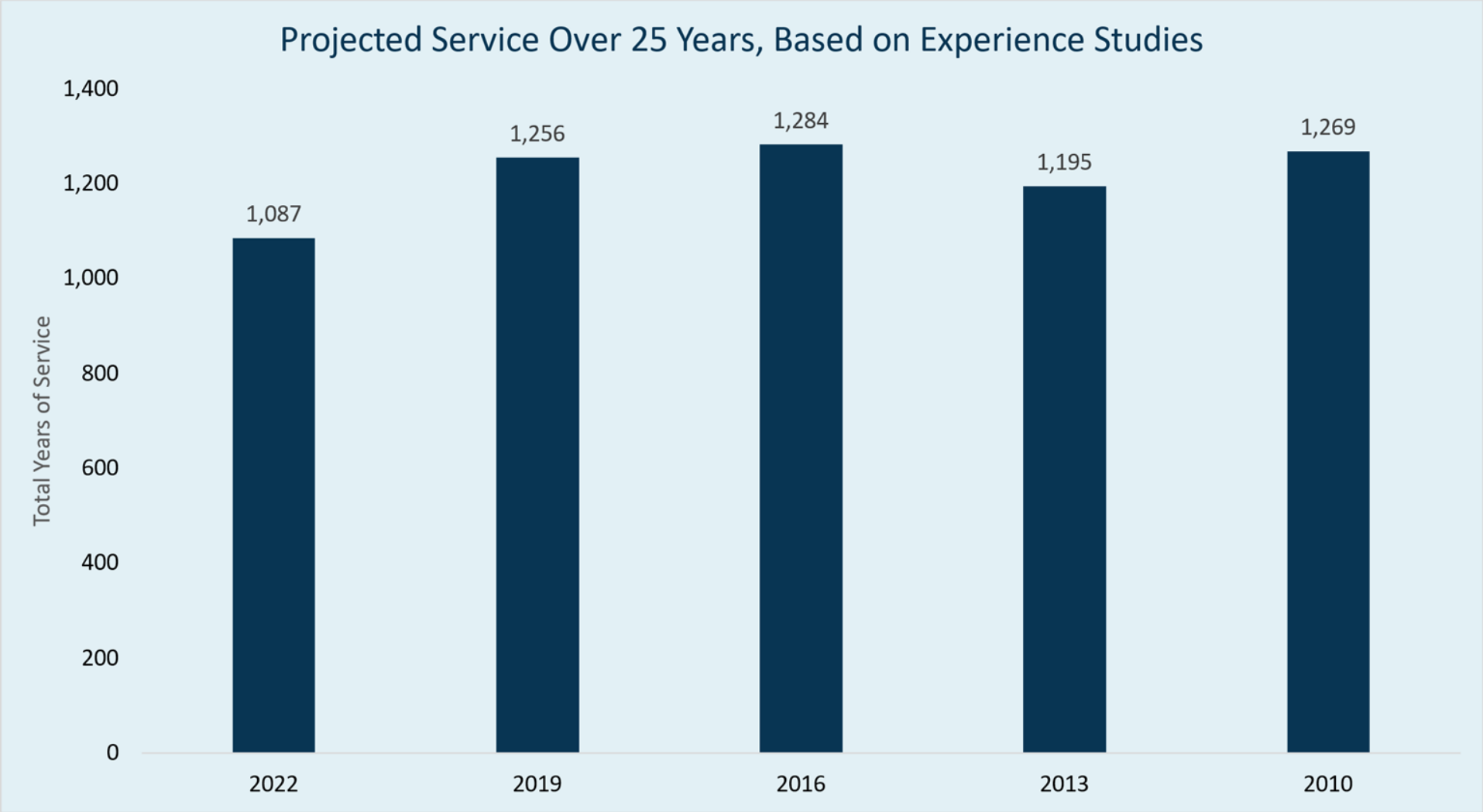
# General Employees: Again, Turnover Up



# General Employees: Fewer Remaining

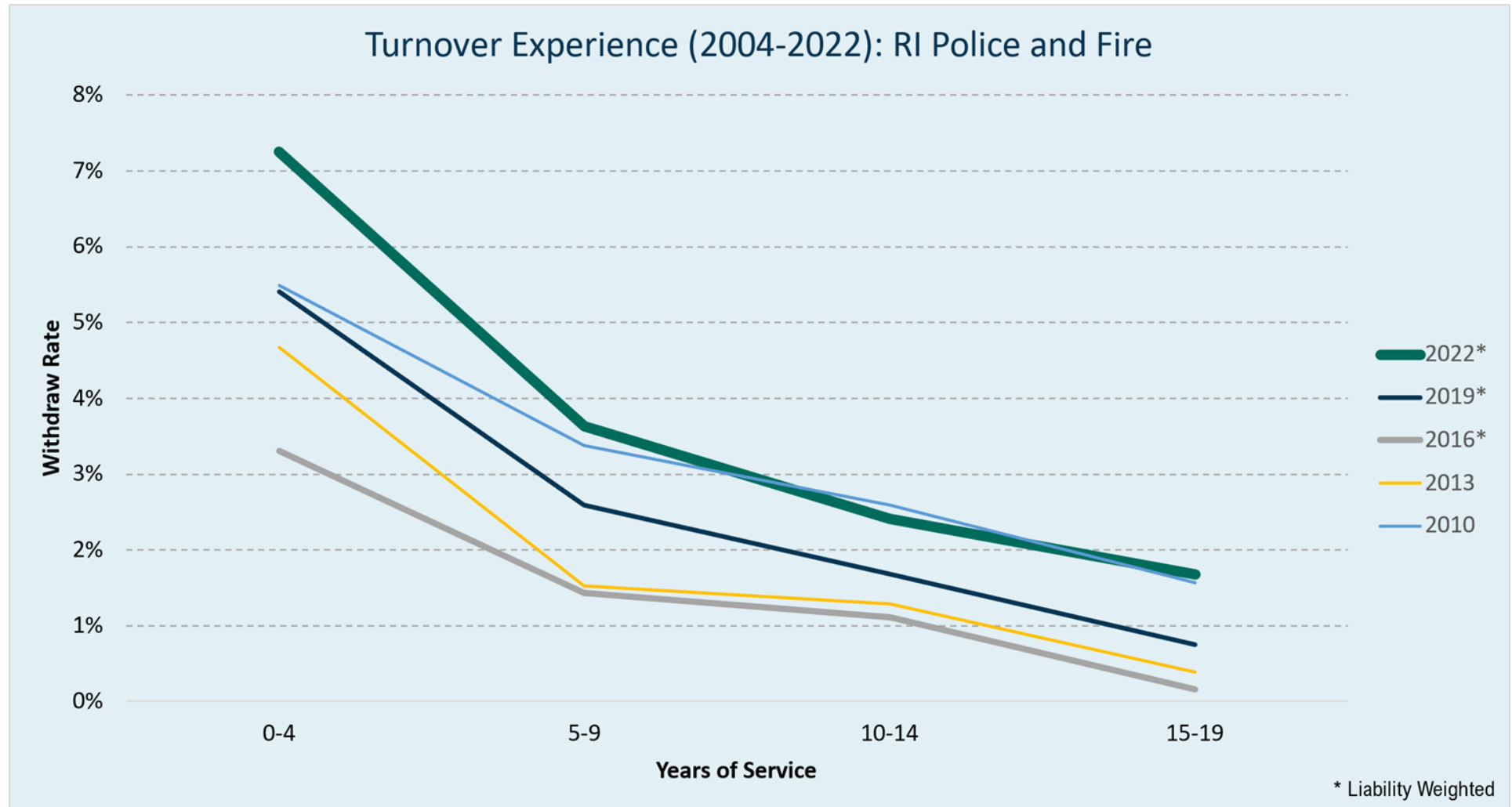


# General Employees: Less Total Service



# ERSRI: Police and Fire

# Police and Fire: Turnover Up Significantly

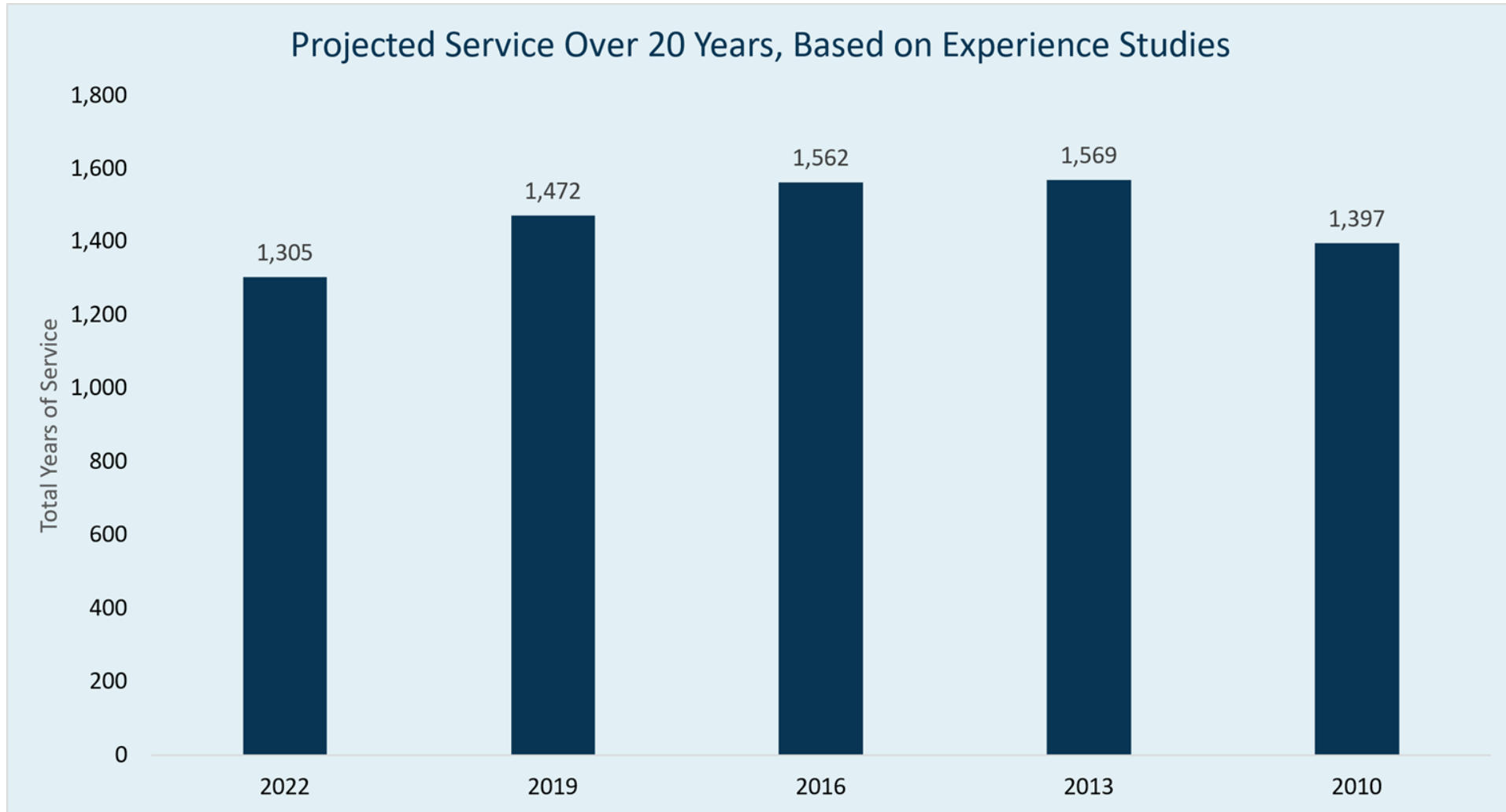


# Police and Fire: Fewer Staying a Career



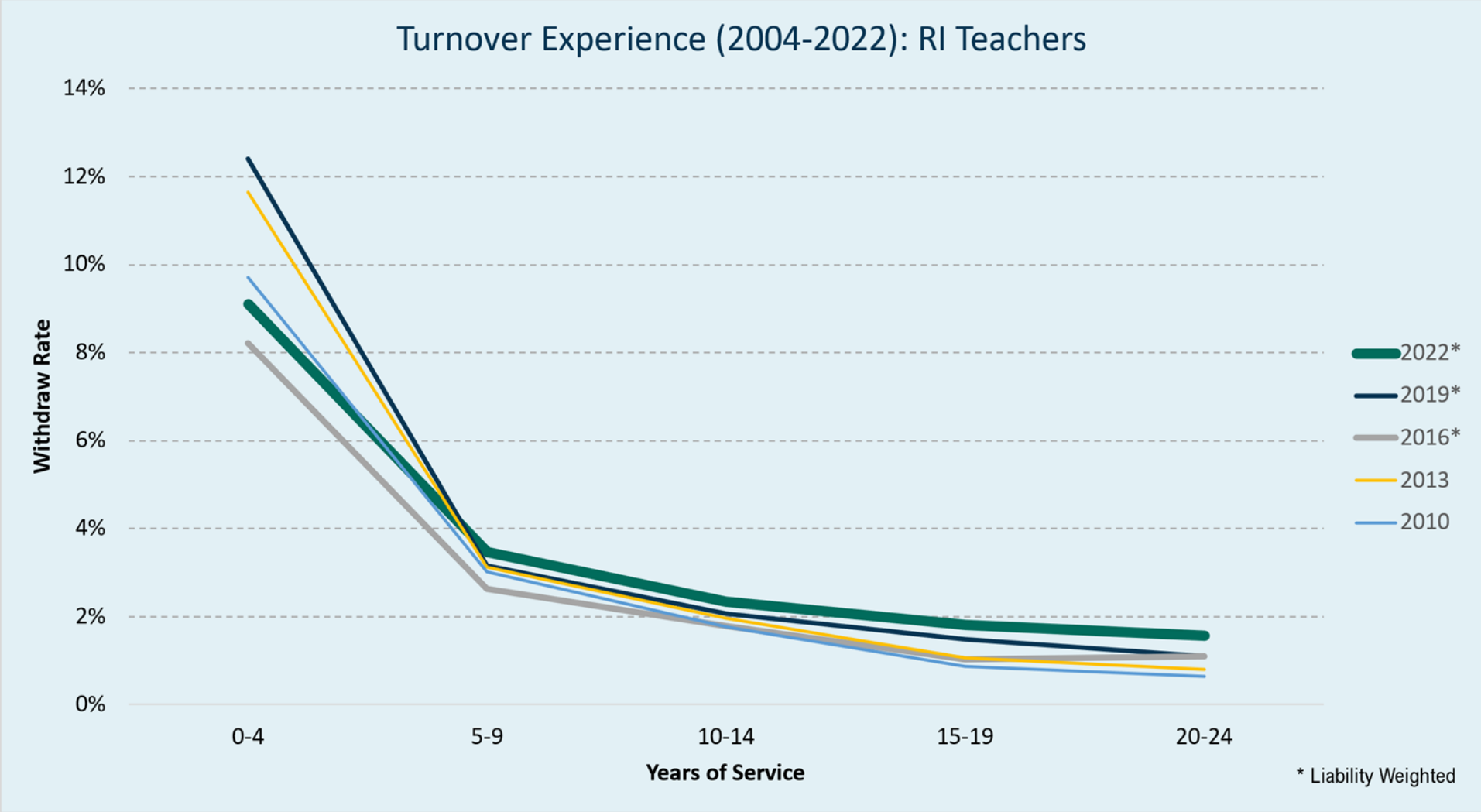


# Police and Fire: Total Service Down



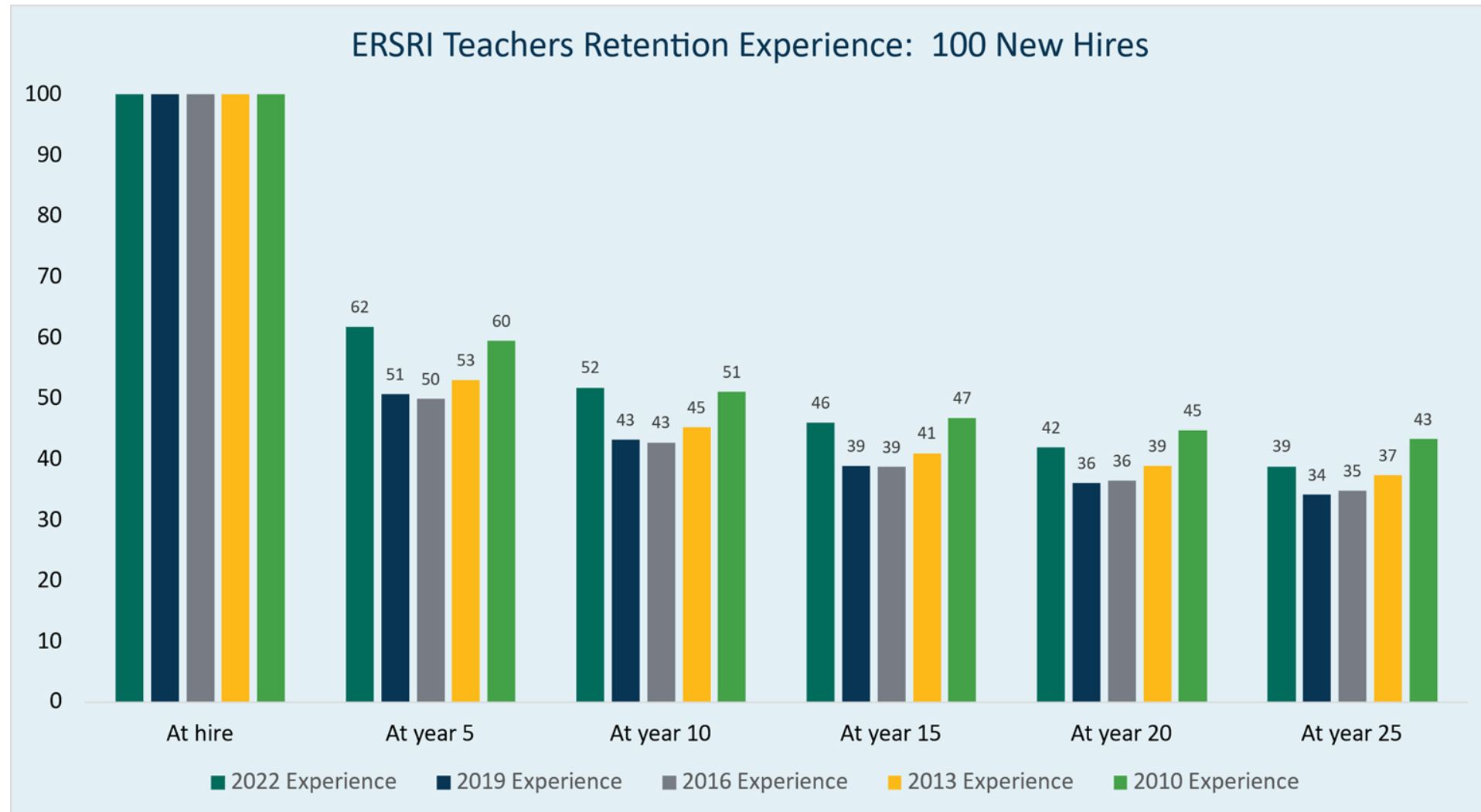
# ERSRI: Teachers

# Teachers: Early Years a Rare Bright Spot\*, More Experienced Teachers Leaving



\* Changing School Districts is not a termination

# Teachers: Early Retention Improved



# Teachers: Total Service Recovered

