

Early Career Teacher's Perceptions of Traditional Versus Innovative Benefits Packages

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Abstract

Limited information exists on how early career teachers, particularly those in “Generation Y”, feel about the pension system and potential reforms to the pension system. This paper presents an analysis of the appeal of different aspects of pension plans; their influence on charter versus traditional public school teachers; and how retirement benefits influence career decisions. Findings are drawn from a pilot study surveying teachers (n=52) in years two through ten on particular characteristics of defined benefit and defined contribution plans. Key findings include: (1) lack of portability is a frustration to early career teachers; (2) early career teachers have an interest in defined contribution plans; (3) charter school teachers are more open to pension reform; and (4) teachers who plan to stay in the profession are more open to pension reform than might have been expected.

Introduction

While the effect of pension policies on the behavior of late-career teachers has been documented in research and by the efforts of unions, little research has been done on the effects of retirement systems on early-career teachers. Early career teacher attitudes towards retirement systems are not well understood. There is a knowledge gap regarding early career teachers' preferences defined benefit or defined contribution plans; what aspects of different plans these teachers find most attractive; and whether early career teachers' decisions are affected by retirement systems at all.

The pensions question could be critical to early-career teachers in many ways. Early-career teachers are much more likely to change schools, districts or states than their more veteran counterparts (Johnson, 2004), making the portability of retirement plans a potentially important issue. Resources used to pay out generous benefits to late-career teachers could be used to improve teaching conditions or make salaries competitive with other careers trying to attract and retain talented newcomers. As policy makers begin to shift their focus from recruitment of new teachers to retention of top performers, retirement benefits may be a valuable tool to retain teachers as they gain experience and effectiveness.

Who Are the Teaching Policy Fellows?

The Teaching Policy Fellow initiative is a response to growing evidence that promising, early-career teachers are leaving the profession— and particularly urban schools— in ever-increasing numbers. Our ability to meet the ambitious goals we have established for student performance depends on a pipeline of teachers building experience and committing to stay on as classroom leaders through a second stage of their careers. The future of public education depends on those just starting their careers now, and we seek to represent the voice of early career teachers in the education policy dialogue.

The Fellows have formed several working groups to study and devise reform strategies on issues related to career growth and retention through a second career stage. The group convenes in monthly sessions that are one part seminar, one part network and one part research team. Teach Plus staff and expert education leaders in Massachusetts engage Fellows in research and cases of innovative practice. Our working groups are currently conducting research and developing position papers on hard-to-staff schools, licensure, and pension reform.

As early-career teachers, we felt that it was important to understand the perceptions and interests of teachers of our demographic. The purpose of this paper is to begin resolving the ambiguities around early-career teacher preferences and attitudes in order to accurately represent our voice in the pension reform dialogue. Understanding these preferences and the effects on behavior may present opportunities to craft policies that will retain the next generation of experienced and effective teachers.

Methodology

To gain a better understanding of early career teachers' current attitudes and preferences toward retirement benefits, we developed and conducted a survey. In the first phase of the survey development process, we administered a draft survey to the 16 Teaching Policy Fellows for their feedback. After incorporating their feedback, we uploaded the revised survey to an online survey administration site and solicited qualified teachers to participate in the survey.

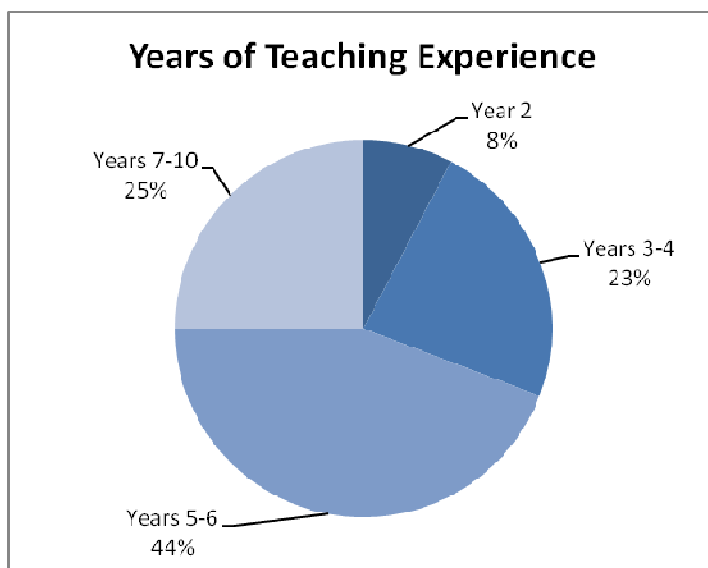
We used a strategic sampling process that focused on recruiting respondents from schools in which Teaching Policy Fellows are currently teachers. Because this was not a random sample of teachers in years 2-10, our results are not generalizable beyond the bounds of the respondent pool.

In total, our sample included 52 public school teachers, 16 (31%) of whom teach in public charter schools. All teachers were from urban schools in Massachusetts. Our analysis in this paper is based on a descriptive statistical analysis of the survey data. We completed a cross-tab analyses sorting teachers based on the following characteristics:

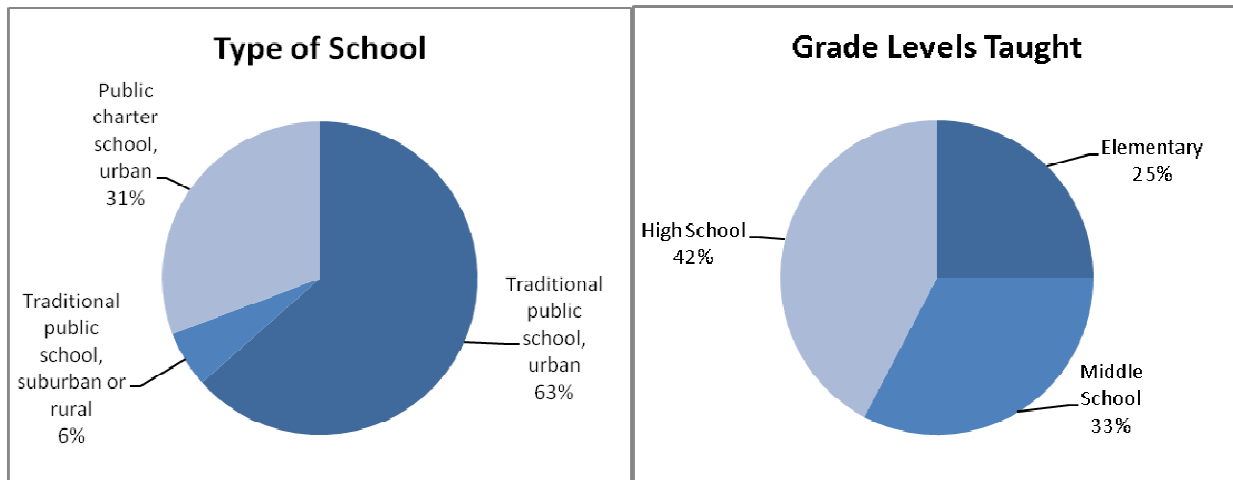
- Traditional public school vs. charter school teachers;
- Future career intentions;
- Grade range taught; and
- Reported level of understanding of pension system.

Given the research and our conversations with peers in our Teaching Policy Fellows group, we expected that early career teachers would have more progressive attitudes toward pension reform than the general population of teachers. Specifically, we wondered whether teachers who anticipated leaving teaching prior to retirement would be more interested in a system that front loads benefits and whether charter school teachers would be more open to innovation around pension reform.

Survey Respondents Demographic Overview

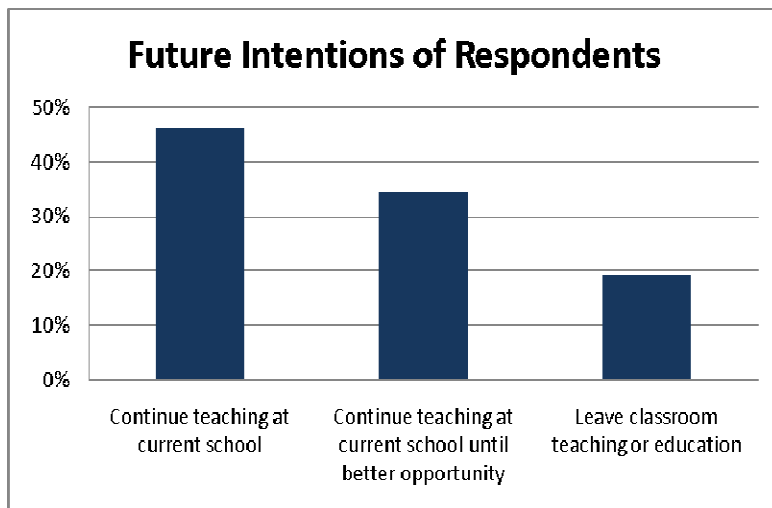


Within our survey sample, the majority of respondents have been teaching for five or more years. As shown in the graph to the left, 31% of the surveyed teachers have been teaching for four years or less and 69% of the group has been in the classroom for five or more years. Almost all (94%) of the teachers in the survey had been teaching at their current school for multiple years. We targeted this demographic wondering whether this particular subset of the teaching population may have different attitudes toward and beliefs about the pension system than their baby-boomer predecessors.



The figures above depict the types of schools and grade levels in which the survey respondents current teach. The majority of surveyed teachers teach in urban traditional public schools and the largest group of teachers are high school teachers.

In collecting survey responses, we aimed for and obtained a slight over-representation of urban charter school teachers. Nationally, charter school teachers are younger and are often characterized as more reform-minded than their traditional public school counterparts (The Boston Foundation, 2009). We intended this subset to be large enough to provide beginning information on whether charter school teachers would hold a more progressive view of pension reform. Over 30% of the respondents in the survey were urban charter school teachers.



It is important to note that a surprising portion of our sample shared was a high level of allegiance to teaching in their current school. Almost half of respondents (46%) replied that they planned to stay at their current school for as long as possible. Another 35% planned to stay in their schools until a better opportunity presented itself. Thus, only 19% of respondents were actively planning to either leave classroom teaching or education entirely.

This pattern was surprising in that it suggests our sample might not be representative of all urban teachers with an experience range of 2-10 years. Prior research on the incoming generation of teachers suggests that those entering the profession today are unlikely to be retained at the same school in the same role for an extended period of time (Johnson, 2004). High rates of mobility and attrition from teaching are especially pronounced among teachers with a strong academic background, like the backgrounds that teachers in our Policy Fellows program possess (NCTQ, 2004). Given the large percentage of teachers in our sample who plan to remain in teaching

indefinitely, we might expect there to be a conservative bias toward maintaining the status quo among respondents.

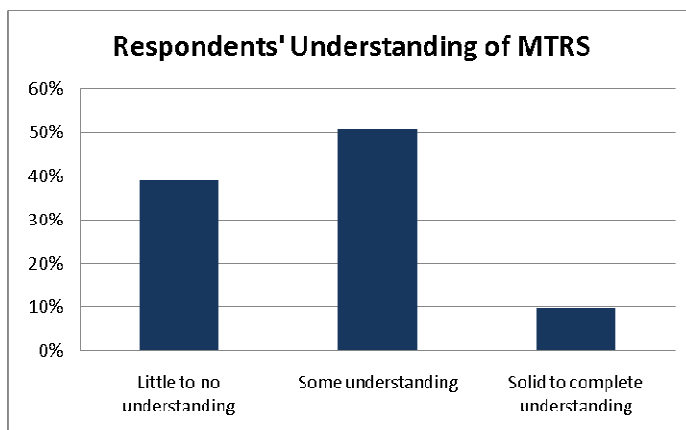
Key Themes across the Survey Sample

There are several overarching themes that emerge from our analysis of the survey data. Some of these reinforce prior research on early career teachers ambivalence to pensions, while others suggest a previously undocumented openness to pension reform among them. Given that our sample is not generalizable beyond our sample, we offer these findings as a basis for discussion and suggest that they underscore the need for additional research.

- 1. Teachers in years 2-10 have a limited understanding of and interest in their pensions.**
- 2. Teachers with more experience view retirement benefits as an incentive to stay in the profession.**
- 3. The lack of portability of pension benefits is a frustration to the vast majority of early career teachers.**
- 4. Early career teachers have an interest in defined contribution plans.**
- 5. Charter school teachers are more likely to be open to a defined contribution plan than their traditional school counterparts.**
- 6. Teachers who plan to stay in the profession indefinitely are more likely to prefer a defined benefit plan, but are more open to pension reform than might have been expected.**

1. Teachers in years 2-10 have a limited understanding of and interest in their pensions.

In the survey, several questions explored teachers' level of understanding of the Massachusetts Teachers Retirement System. The graph below shows that fewer than 1 in 10 respondents (9.8%) rated their understanding of the state pension system as complete or solid. The majority of the survey sample (51%) claimed to have some understanding of the system. In addition, another question asked survey respondents a simple yes/no question about vesting time. More than two-thirds of teachers (67%) did not know how long they had to teach in order to draw benefits from the pension system.

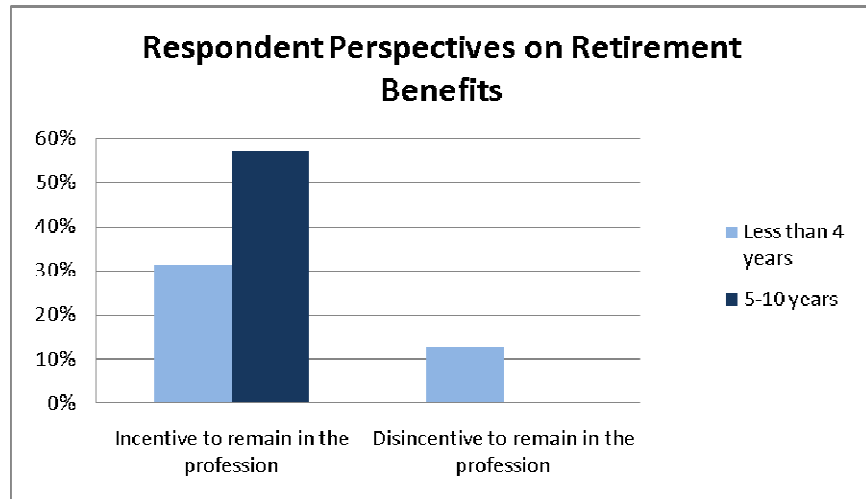


More than half of teachers (51%) responded that if they were looking for a teaching job today, the type of retirement plan would not influence their decision. In a series of six questions probing on teachers' preferences between defined benefit and defined contribution plans, it was typical for approximately 20% of respondents to answer the question

“neutral or not sure.” Therefore, we believe the level of interest teachers have in their retirement benefits is limited.

2. Teachers with more experience view retirement benefits as an incentive to stay in the profession.

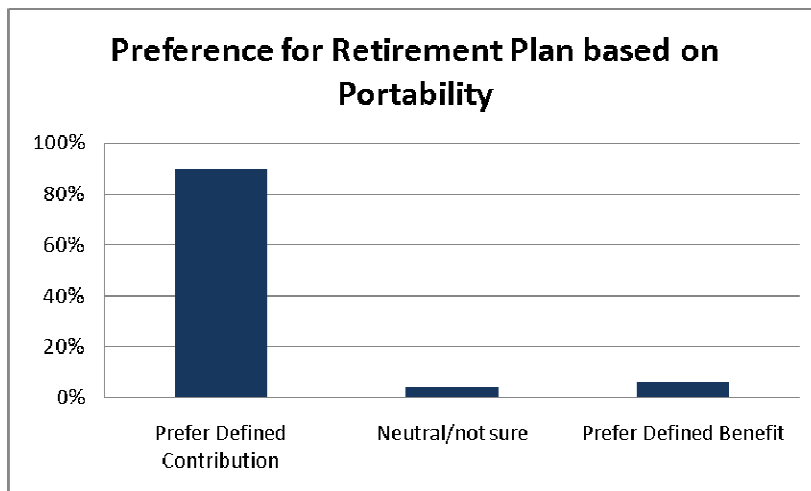
While pensions influence the decisions of teachers nearing retirement (Costrell and Podgursky, 2007), it is not clear that pensions influence the decisions of those at the beginning of their careers. The responses to our survey suggest that the more years a teacher has been teaching, the more pensions are an incentive to stay in the profession.



Whereas fewer than a third (31%) of teachers with under five years experience characterize their pension as an incentive to remain in the profession, more than half (57%) of teachers with five or more year experience characterize it as an incentive.

3. The lack of portability of pension benefits is a frustration to the vast majority of early career teachers.

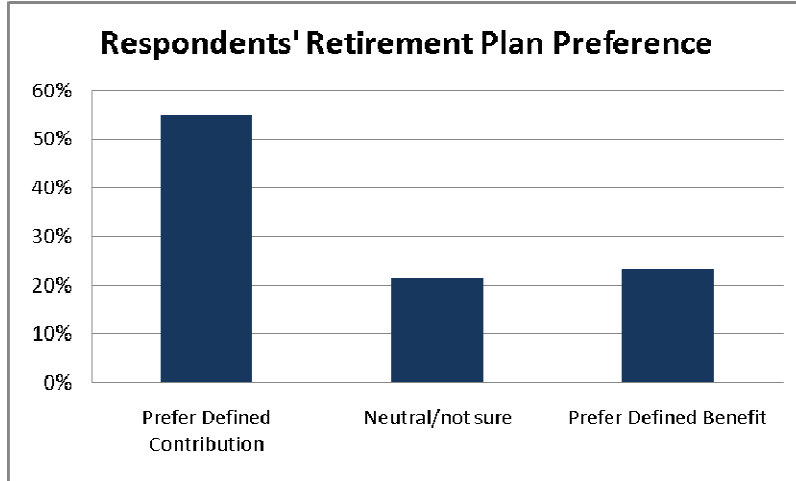
While the first two key findings reinforce the existing literature on early career teachers’ lack of interest in and understanding of pensions (Petrilli, 2008), the remaining themes suggest a greater interest in reform than has previously been found.



A consistent finding that emerged in our survey was that portability is important to the vast majority of our survey respondents, regardless of type of school or future intentions. When asked how important it was for years of teaching in one state to count if a teacher moved and taught in another state, 89% of teachers rated portability as very or somewhat important. The graph above shows that when comparing the

defined contribution plan to the defined benefit plan solely on the basis of the plans’ portability, 90% of teachers we surveyed preferred the defined contribution plan.

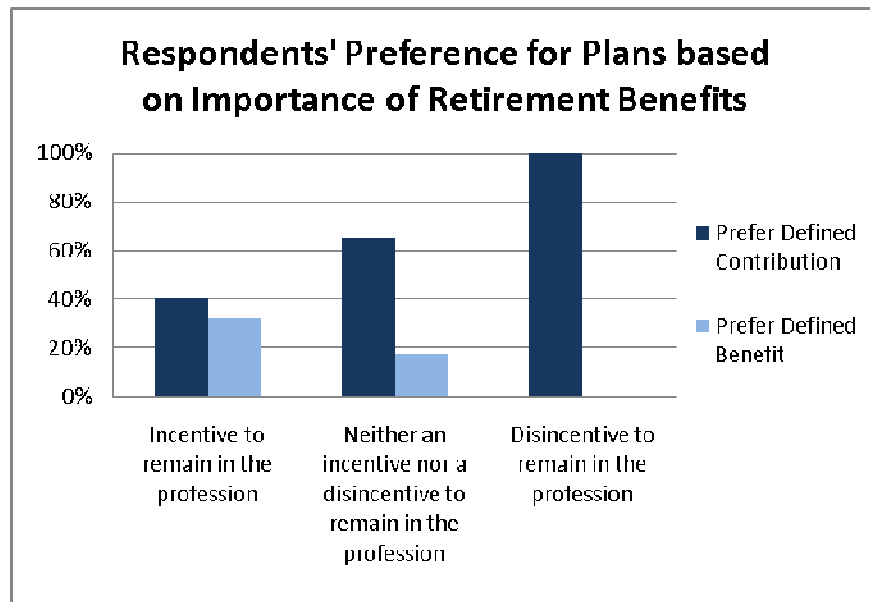
4. Early career teachers have an interest in defined contribution plans.



Following a detailed point-by-point comparison of the elements of a defined benefit plan alongside the elements of a defined contribution plan, 55% of respondents indicated a preference for a defined contribution plan, while only 23% preferred a defined benefit plan (22% indicated no preference). Irrespective of whether or not pensions are an incentive to stay in the profession, the teachers we surveyed were more likely to

prefer a defined contribution plan than a defined benefit plan. This finding supported our initial expectations that early career teachers would have a greater interest in pension reform than the general population of teachers, which includes large numbers of baby boomers nearing retirement.

The graph below shows that 40% of respondents who said that pensions were an incentive to staying in the profession prefer a defined contribution plan. 65% of teachers who reported that pensions were neither an incentive nor a disincentive to remaining in the profession also preferred a defined contribution plan.

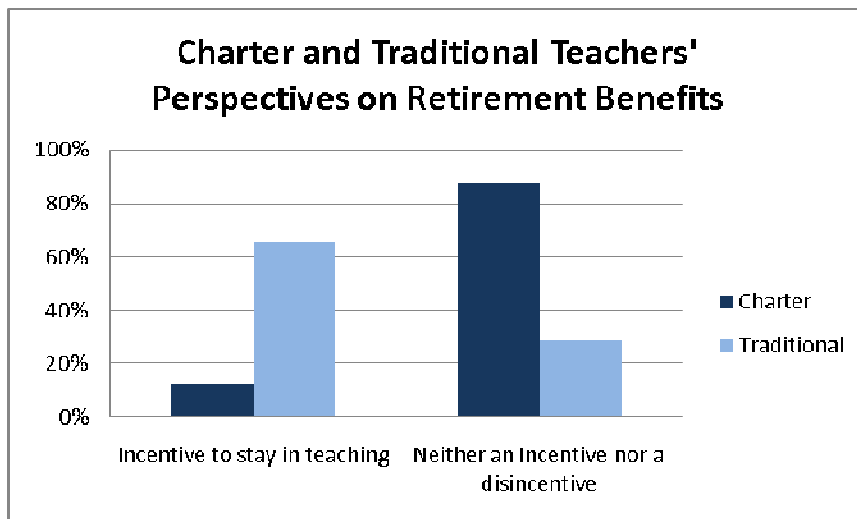


In addition, 63% of surveyed teachers reported that they would be very likely or somewhat likely to sign up for a defined contribution plan if their district offered one. This finding was even more surprising considering this survey was administered in late December of 2008, in the midst of an economic crisis that resulted in large devaluations of individual retirement accounts.

5. Charter school teachers are more likely to be open to a defined contribution plan than their traditional school counterparts.

The cross-tab analysis of that sorted teachers based on whether they taught in charter schools or traditional public schools revealed significant differences among respondents in these respective categories. With 31% of the survey sample representing urban charter school teachers ($n=16$), this subset was substantial enough to complete a cross-tab analysis. All of our charter school respondents teach in middle or high school compared to 64% of the traditional public school teachers. Two-thirds of the charter school respondents have five or more years of teaching experience, which is similar to their public school counterparts. 69% of the charter school respondents are in their first or second year at their current school compared to only 22% of the traditional public school respondents.

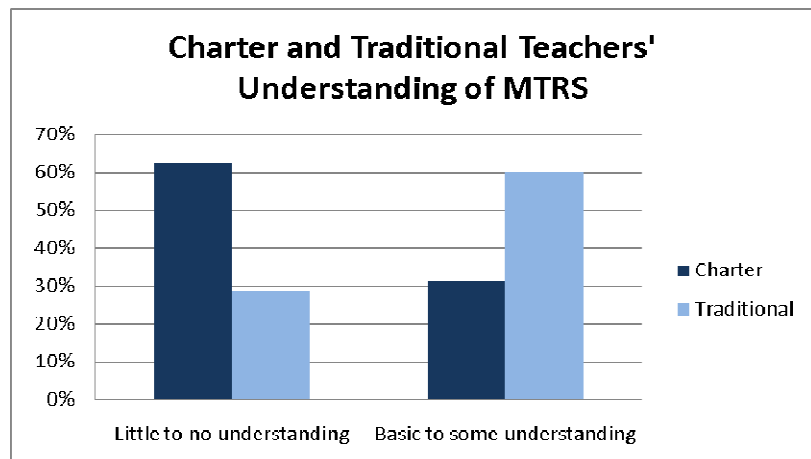
Respondents from charter schools are more likely to leave classroom teaching. 31% of charter school teachers responded that they planned to leave classroom teaching compared to only 14% of traditional public school teachers.



The graph to the left shows that the vast majority of charter school teachers surveyed are indifferent to retirement benefits. They characterize retirement benefits as neither an incentive nor a disincentive to remain in the profession. 66% of traditional public school teachers characterize retirement benefits as an incentive to stay in the profession whereas only 13% of charter school

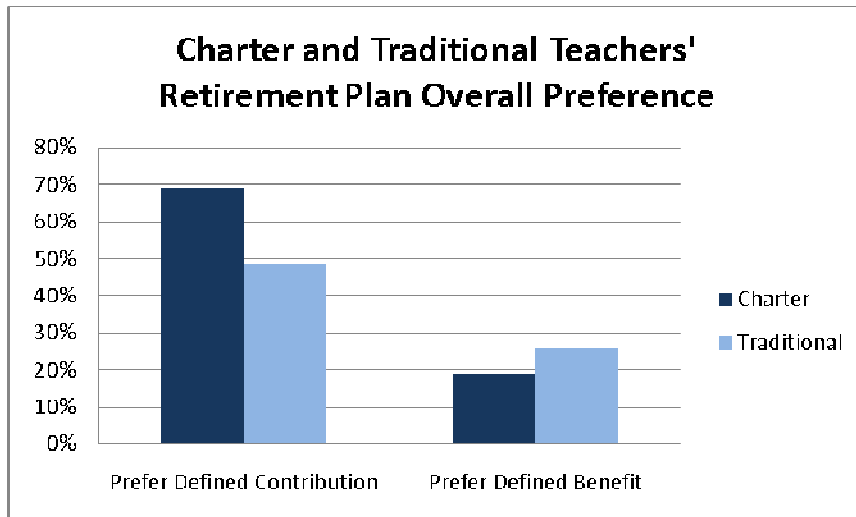
teachers do. The overwhelming majority of charter school teachers in our sample were not drawn to their current jobs because of retirement benefits.

The chart to the right shows that the majority of charter school respondents have very little understanding of their current retirement pension plan under the Massachusetts Teachers Retirement System. 63% of charter school teachers said that they have no understanding or little understanding compared to only 29% of traditional public school teachers. In addition, analysis of a follow-up question



found that 88% of charter school respondents did not know how long they would have to teach to draw pension benefits compared to 58% of traditional public school respondents. The knowledge gap between charter teachers and traditional public school teachers is considerable

In response to a hypothetical situation, 88% of charter school respondents indicated interest in a system that paid a higher salary in the early years of teaching, but had a smaller guaranteed benefit after retirement. Only 71% of traditional public school teachers expressed some or more interest in this option. These figures support our expectation that charter school teachers are more likely to express interest and support pension reform.

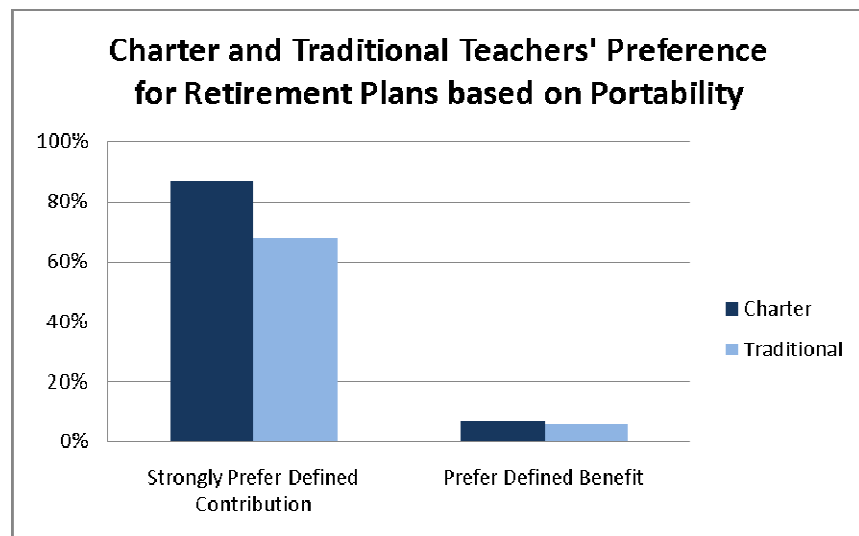


When asked to compare defined benefit and defined contribution plans across four different plan elements in four separate questions, on average, 20% more charter school teachers favored the defined contribution compared to traditional public school teachers.

After reading short overviews of the two types of plans, 69% of charter school respondents preferred a defined contribution plan compared to 49% of traditional public school respondents.

After reading short overviews of the two types

When comparing the portability of the two types of plans, 87% of charter school respondents would strongly prefer a defined contribution plan. 68% of traditional public school respondents chose the same. Again, the difference in preferences is about 20 percentage points, with charter school teachers more likely to choose the defined contribution plan.



The final question on the survey asked whether or not teachers would be likely to sign up for a defined contribution plan if one was offered by their district or charter school. 75% of charter school respondents would be likely to sign up compared to 57% of traditional public school

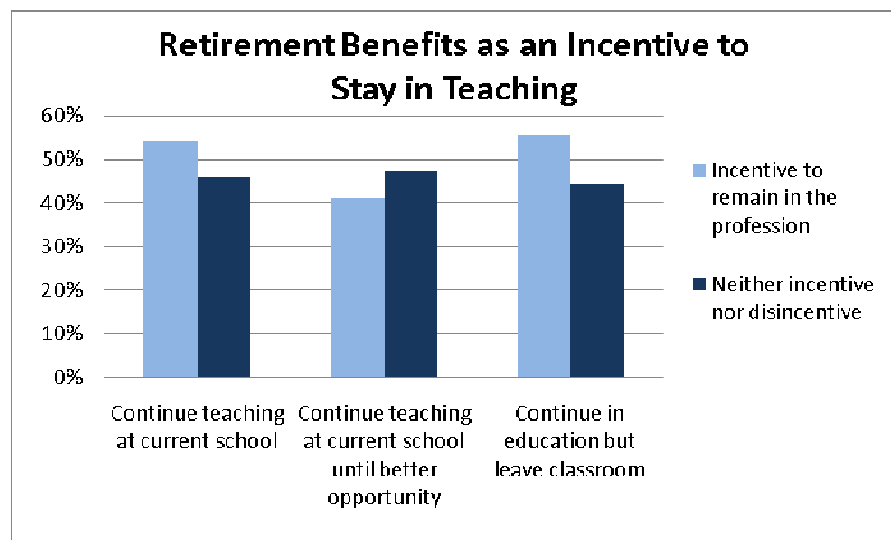
teachers. These high percentages may be due to the fact that some traditional school districts and charter school districts already offer defined contribution supplemental retirement accounts to their employees. To further analyze these results, we need more information about whether or not teachers already have the option to contribute to a supplemental defined contribution plan.

6. Teachers who plan to stay in the profession indefinitely are more likely to prefer a defined benefit plan, but are more open to pension reform than might have been expected.

Almost half of all teachers surveyed, including those who plan to stay in the profession and those who do not, do not believe that pensions are an incentive to stay in the profession. Of the 52 survey respondents, 46% plan to stay at their schools for as long as they are able, 35% indicate that they will stay at their current school until a better opportunity came along and 19% actively plan to leave teaching. Research in districts nationwide indicates that urban teachers have high turnover (Boyd, et al.). However, nearly half of survey respondents report that they plan to stay at their current schools as long as possible. These numbers may result from respondents not being fully convinced of the anonymity of the survey or these teachers may have wanted to provide a socially desirable response to questions about long-term career choices. Alternatively, these teachers may be attracted to the relative stability of teaching in a depressed economy. Taking this divergence from the national trend into account, we might expect a bias among these “stayers” towards maintaining the current retirement system, a system that currently rewards longevity and loyalty to single districts and schools.

Our data indicate that even among teachers who plan to stay at their schools indefinitely, there is a lack of understanding and interest in retirement benefits. Two-thirds of stayers do not know how long they would have to teach in order to vest into the pension system. Only 4% of these teachers have a solid understanding of the retirement system of which they plan to be a part for the foreseeable future. These numbers suggest that even those teachers who are most likely to benefit from the current system are not well acquainted with details about pensions and retirement.

The graphic to the right shows that even self-described stayers show a lack of interest in retirement benefits when making career choices. 46% of stayers describe retirement benefits as neither an incentive nor a disincentive to remain in the profession. This percentage is consistent with the 44% of teachers who plan on leaving the profession and the 47% who plan on staying at



their current schools until a better opportunity comes along. This statistic indicates that stayers are not much more interested in retirement benefits than groups that plan on leaving teaching the near future.

There is a positive correlation between a teacher's likelihood of leaving the profession and her preference for a defined contribution plan, though the preference of self-described "stayers" for defined benefit plans may not be as pronounced as expected. 43.5% of stayers also indicated that they would be likely to sign up for a defined contribution alternative plan if one was offered by their district, compared to 78% of those open to a better opportunity and 77% of those leaving classroom teaching. Remaining a classroom teacher is associated with a decreased preference for a defined contribution plan, however, this still seems to suggest that a significant percentage of teachers who should be interested in keeping a defined benefit system are in fact open to a defined contribution plan. This demonstrates a surprising ambivalence to retirement systems in the career decision making of early career teachers.

Despite this relative indifference to retirement systems overall, stayers and leavers asked to make a direct comparison between a defined benefit and defined contribution did show a stark contrast. Only 34% of stayers preferred defined contribution plans compared to 72% of those waiting for a better opportunity, 66% of those planning to leave the classroom and 100% of those leaving education entirely. These numbers are consistent with our hypothesis that those staying in teaching indefinitely would be most likely to prefer a defined contribution system. The disagreement between the 43.5% of professed stayers who might sign up for a defined contribution plan and the 34% who stated a preference for the defined contribution plan may stem from a misunderstanding of the sign-up question. The question asked if teachers would be likely to sign up for a defined contribution *alternative*, which some respondents may have interpreted to mean *supplemental*.

Conclusions and Considerations for Policy Makers

Our study revealed that there is more of a window for pension reform among early-career teachers than might have been previously thought. In particular, our findings point to the following possible changes to current retirement systems:

Policy makers should work to enhance the portability of retirement benefits. Early career teachers we surveyed highly preferred systems that honored years of service when transferring from one system to another. Since our research indicates that retirement benefits are not associated with decisions to stay in teaching, maintaining the current system may not help retain teachers but may deny career or location movers access to money contributed during their employment in a single district.

Policy makers should also focus resources on educating early career teachers about retirement benefits. Retirement systems are currently built upon the premise that pensions help recruit new teachers and retain them into long careers. This rationale is meant to justify the generosity of benefits conferred at the end of the career. Statistics on teacher attrition and our research on early-career preferences indicate that pensions are failing to serve as a retention instrument. A small minority of early-career teachers finds retirement systems an incentive. Increased education may be able to elevate the importance and attractiveness of retirement benefits, making them into valuable recruitment and retention tools.

Charter school leaders and networks should explore ways to reform pension systems from defined benefit to defined contribution plans. The data suggest that charter school teachers are more receptive to changing the current system to one that is more portable and less focused on longevity. Because charter schools have more latitude to experiment with compensation including benefits, they may prove to be an important laboratory for pension reform.

In addition to these recommendations for policy makers, we believe that this pilot study raises interesting questions about the attitudes of early-career teachers that may be explored in future research. We hope that future studies will tackle how teachers' depth of understanding about pensions influences the way they report their preferences.

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Appendix – Survey

Part I: Background Information

1. How many total years have you been employed as an educator?
 - First year
 - Year 2
 - Years 3-4
 - Years 5-6
 - Years 7-10

2. How many total years have you been employed in the school in which you are currently working?
 - First Year
 - Year 2
 - Years 3-4
 - Years 5-6
 - Years 7-10

3. Which best describes the setting in which you teach?
 - Traditional public school, urban
 - Traditional public school, suburban or rural
 - Public charter school, urban
 - Public charter school, suburban

4. Which best describes the grade level you teach?
 - Grades PreK-3
 - Grades 4-6
 - Grades 6-8
 - Grades 9-12

5. Which best describes your future intentions for your professional career?
 - Continue teaching at my current school as long as I am able
 - Continue teaching at my current school until a better opportunity comes along
 - Continue teaching but leave this school as soon as I can
 - Continue teaching but leave this district as soon as I can
 - Continue in education but leave classroom teaching
 - Leave education entirely

6. How would you characterize retirement benefits?
 - A strong incentive to remain in the profession
 - Somewhat of an incentive to remain in the profession
 - Neither an incentive nor a disincentive to remain in the profession
 - Somewhat of a disincentive to remain in the profession
 - A strong disincentive to remain in the profession

7. Rate your understanding of the Massachusetts Teachers Retirement system.

No understanding	Little understanding	Some understanding	Solid understanding	Complete understanding
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8. How important to you is it that your years of teaching in one state would count toward your pension if you moved and taught in another state at some point in the future?

Very unimportant Not important Neutral Somewhat important Very important

9. How much interest would you have in a system that paid you a higher salary in the early years of your career, but had a smaller guaranteed benefit after retirement?

No interest Little interest Some interest Moderate interest A lot of interest

10. Do you know how many years you must teach before you can remove money from the retirement system?

- Yes
- No

Part II: Defined Benefit and Defined Contribution Plans

Please read the following descriptions of two retirement systems.

In Massachusetts, public school teachers belong to a **Defined Benefit** retirement plan. An example is the pension provided by the Massachusetts Teacher Retirement System.

An alternative to the Defined Benefit retirement plan is the **Defined Contribution** retirement plan. An example is a 401(k) or 403(b).

- **Overview:** In this system, employees contribute 11% of their salary annually and expect a generous pension benefit if they serve at least 25 years in the same system. Benefits paid to an employee in retirement are calculated from final salary and are unrelated to the amount contributed.
- **Retirement Eligibility:** A teacher who stays in the system for more than 10 years is eligible for retirement benefits once he/she has reached the age of 55.
- **Earned Interest:** Teachers who leave before 10 years of employment may remove money they have contributed, with up to 0.3% interest. Teachers who have worked more than 10 years earn 0.6% on the money they have contributed.
- **Portability:** In general, the retirement funds stay with employees only as long as they are employed in the same retirement system. Most retirement systems span whole states, but some include only a single district or city.

- **Overview:** In this system, employees contribute a portion of their salary to a tax-sheltered retirement investment account. Employees can choose how that money is invested into a combination of mutual funds, stocks, money market accounts, etc. Retirement benefits depend on how much money is contributed to the account and the investment choices made by the employee.
- **Retirement Eligibility:** Employees must wait until retirement age to receive penalty-free retirement benefits. Employees who withdraw money before age 55 pay a 10% penalty.
- **Earned Interest:** Retirement accounts earn a variable amount of interest based on the investments it contains. Earned interest or losses are based on individual investment decisions and the state of the economy.
- **Portability:** The retirement funds are portable and stay with the employee regardless of employer, profession or place of employment.

1. Based on the comparison above, how would you describe your preference for one of these two plans?

Strongly prefer Defined Benefit	Somewhat prefer Defined Benefit	Neutral/not sure	Somewhat prefer Defined Contribution	Strongly prefer Defined Contribution
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2. Comparing only the **retirement eligibility** of the two plans, how would you describe your preference for one of these two plans?

Strongly prefer Defined Benefit	Somewhat prefer Defined Benefit	Neutral/not sure	Somewhat prefer Defined Contribution	Strongly prefer Defined Contribution
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3. Comparing only the **earned interest** of the two plans, how would you describe your preference for one of these two plans?

Strongly prefer Defined Benefit	Somewhat prefer Defined Benefit	Neutral/not sure	Somewhat prefer Defined Contribution	Strongly prefer Defined Contribution
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4. Comparing only the **portability** of the two plans, how would you describe your preference for one of these two plans?

Strongly prefer Defined Benefit	Somewhat prefer Defined Benefit	Neutral/not sure	Somewhat prefer Defined Contribution	Strongly prefer Defined Contribution
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5. Given the **state of the economy** at this time, how would you describe your preference for one of these two plans?

Strongly prefer Defined Benefit	Somewhat prefer Defined Benefit	Neutral/not sure	Somewhat prefer Defined Contribution	Strongly prefer Defined Contribution
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6. If you were looking for another teaching job today, would the type of retirement plan influence your decision?

- Yes
- No

7. If your district offered you a Defined Contribution alternative to the standard Defined Benefit pension plan, how likely would you be to sign up for it?

Very Unlikely	Somewhat Unlikely	Neutral/not sure	Somewhat Likely	Very Likely
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