

EXECUTIVE SUMMARY

In the wake of the economic downturn that began in 2008, public schools face serious and seemingly long-term fiscal challenges. Rising pension costs are a particular concern for school districts, whose dollars help prop up state retirement plans that often have substantial unfunded liabilities. Yet public school districts have no alternatives; almost all of them are joined by statute to state pension systems (or, sometimes, to their own local pension systems).

It's different in some states for public charter schools, which are often allowed to develop their own policies and offer pension or retirement plans for their staffs.

In this EdShort, we examine two questions:

- When given the option, how many charter schools choose to participate in their regular state (or local) teacher pension plans, and how many do not?
- In the case of charter schools that do not participate in state plans, what—if anything—do they offer instead?

To answer these questions, we analyzed data for six charter-heavy states that permit their charter schools to choose whether or not to participate in the state pension plan. We found that charter participation rates are low in jurisdictions where teachers in the state plan also participate in Social Security (New York, Florida, Michigan, Arizona). However, in states where teachers in the state retirement plan are not also included in Social Security (California, Louisiana), charter participation rates are high. In the latter states, opting *out* of the state system means opting *in* to Social Security, which evidently creates an incentive for charters to favor their state retirement systems.

When charter schools do not participate in state retirement plans, they most often provide their teachers with defined-contribution plans—401(k) or 403(b)—with employer matches that resemble those for private-sector professionals. A continuing study of the alternatives employed by such schools could instruct the reform of traditional pension systems, while also informing issues of teacher recruitment, retention, and quality.