

As teachers we get used to the idea that there's a lot we have to keep track of. Especially for newer teachers, the job is time-consuming, and just knowing what we will be doing on Saturday may feel like long-term planning. So a lot of us teachers may put off financial education and decisions that in the end, as we near retirement, can be a big financial mistake.

If you've been hired to teacher after July of 2006, the money you will have to live on will be quite different than those hired prior to July 2006, and you may not even realize it. Long ago Alaska opted out of Social Security for teachers, in part because the State decided it would provide its own defined benefit retirement (DBR) that would do better. Under this system teachers received a specific amount they could count on for the rest of their lives. In 2005 the legislature stopped entry into that system and replaced it with a 401K-style system. It may look great on paper, but there are no guarantees as to how much money you will be able to accumulate as 401Ks are stock market dependent. Furthermore, if you live to be 90 or so, there is no guarantee you will have enough to last that long. That begins to get scary when you realize that if you wish to retire at 60 or 65, you may live another 25 or even 35 years. How much money do you need in the bank to live for 25 or 35 years? That's a very hard question to answer; in fact, you can't.

Your fellow teachers with a little more seniority are paying into a system that will pay a defined benefit for as long as they or perhaps their spouse lives. Contemplate the difference for a moment. A solid retirement should have several elements, and it should include a substantial savings in cash. But it also needs to include a certain baseline income that you know you can count on for as long as you live. Social Security does that for most Americans, but teachers in Alaska are not paying into Social Security. The DBR system from the state provides a defined benefit for all teachers hired prior to July 2006. New teachers may be left in a situation where your cash is used up, you've not worked in a long while, and you have no income. None.

This disturbing change to the teachers retirement system may force new teachers to leave because they will realize they have no secure pension or health benefits.

If you want to know more, go to http://akpensionreform.typepad.com/ak_pension_reform/ . If you'd like to learn more and help AEA spread the word on this, please contact andy.holleman@anchorageea.net . AEA will be trying to get details out as many members as possible about what we can do to change the system. We'd love to have your help. It would be good for you and good for teaching.