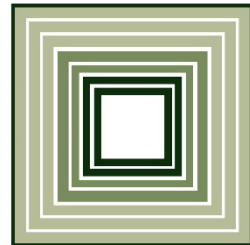


Teacher Compensation and Benefits

Considerations for the House Select Committee on Education Reform

Statewide Team

January 22, 2024



FISCAL RESEARCH DIVISION

A Staff Agency of the North Carolina General Assembly

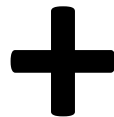
Agenda

- Comparing overall teacher compensation in NC to peers
- Recent changes to structure of teacher compensation
- Considerations for future changes to teacher compensation
 - Policy objectives
 - Legacy structure
 - Employee acceptance
 - Cost
- Teacher benefits
- Any additional questions at the direction of the Chair

How Are Teacher Salaries Determined?

Teacher Salary Schedule
(Monthly)

Years of Experience	FY 2023-24 Base Salary
0	\$3,900
1	\$3,984
2	\$4,085
3	\$4,187
4	\$4,289
5	\$4,391
6	\$4,481
7	\$4,572
8	\$4,662
9	\$4,753
10	\$4,843
11	\$4,933
12	\$5,024
13	\$5,114
14	\$5,205
15-24	\$5,306
25+	\$5,510



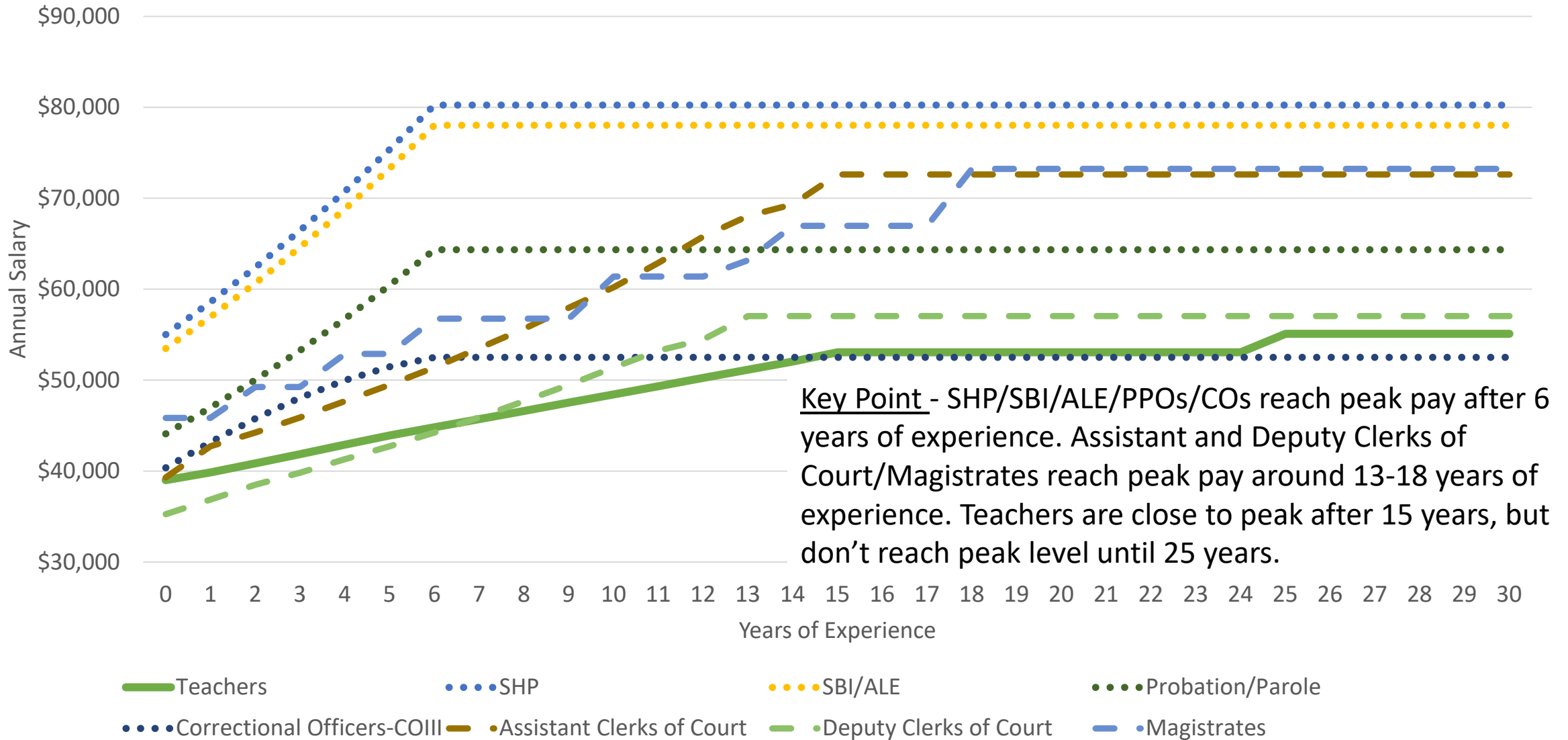
State-funded supplements to the base salary schedule:

- Graduate degrees required for licensure
- National Board certification (+12%)
- Working in smaller or lower wealth counties
- Higher schedule placement + \$350/month - school psychologists, speech pathologists, audiologists
- \$100/month – school counselors
- Bonuses for certain test scores or EVAAS growth scores

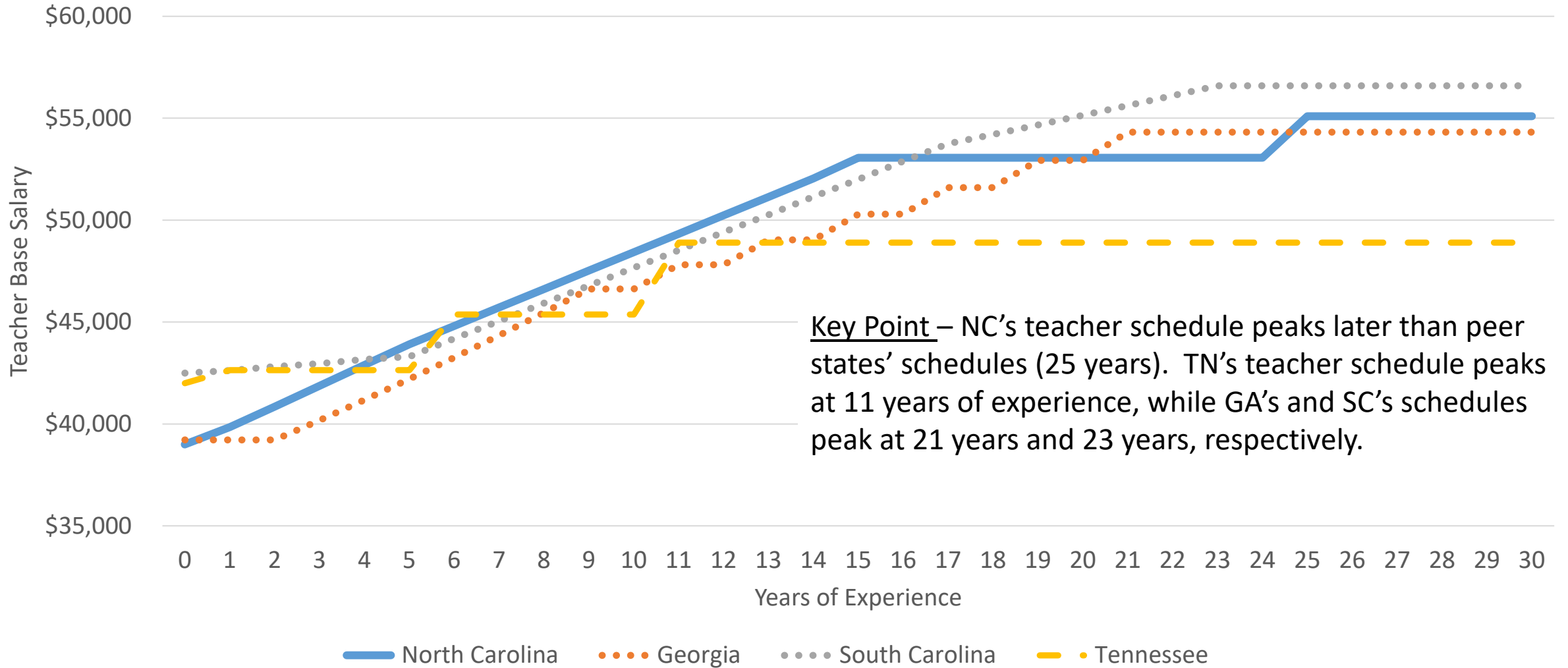
Locally-funded supplements:

- Percentage or dollar-based supplement applied to State-funded salary
- Some may provide small supplements for extra duties

Comparison of NC Salary Schedule Structures

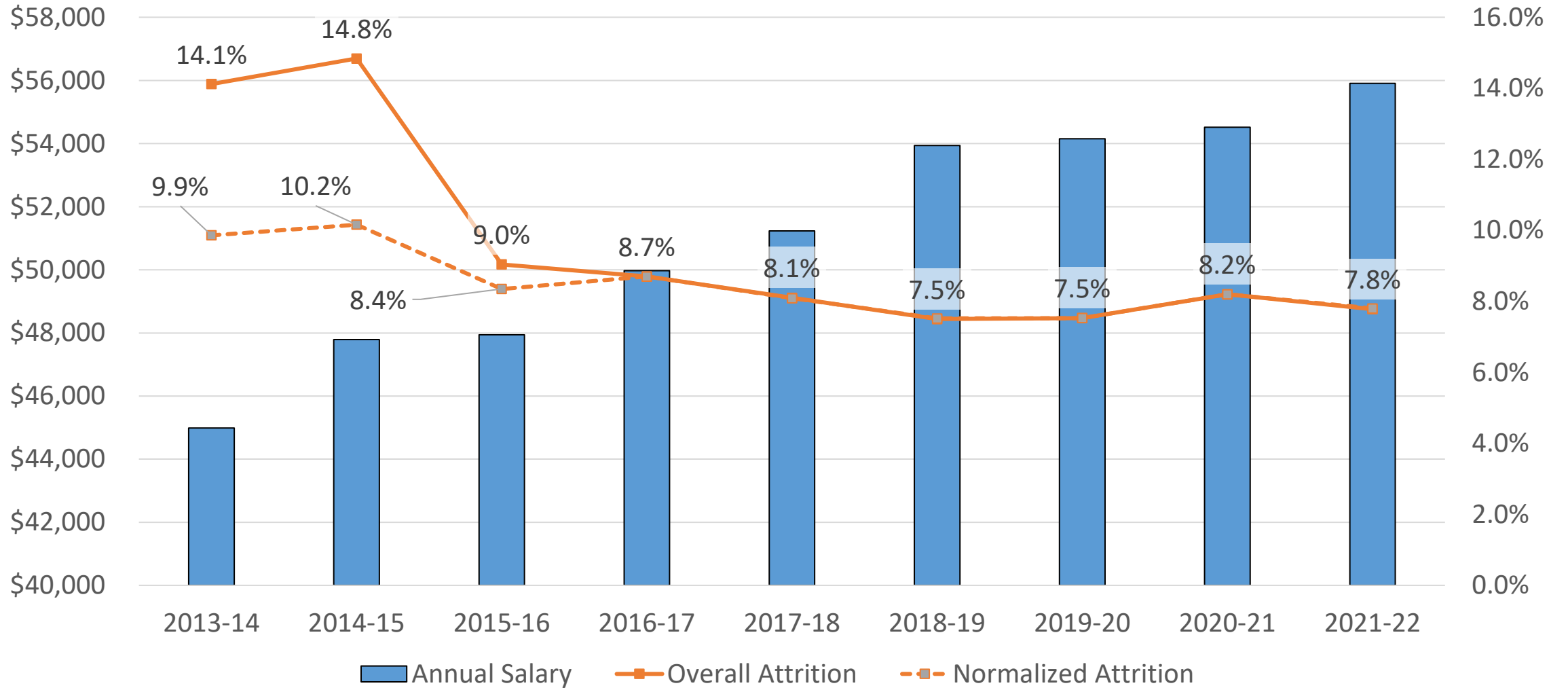


Teacher Salary Schedule Comparisons in Neighboring States, 2023-24



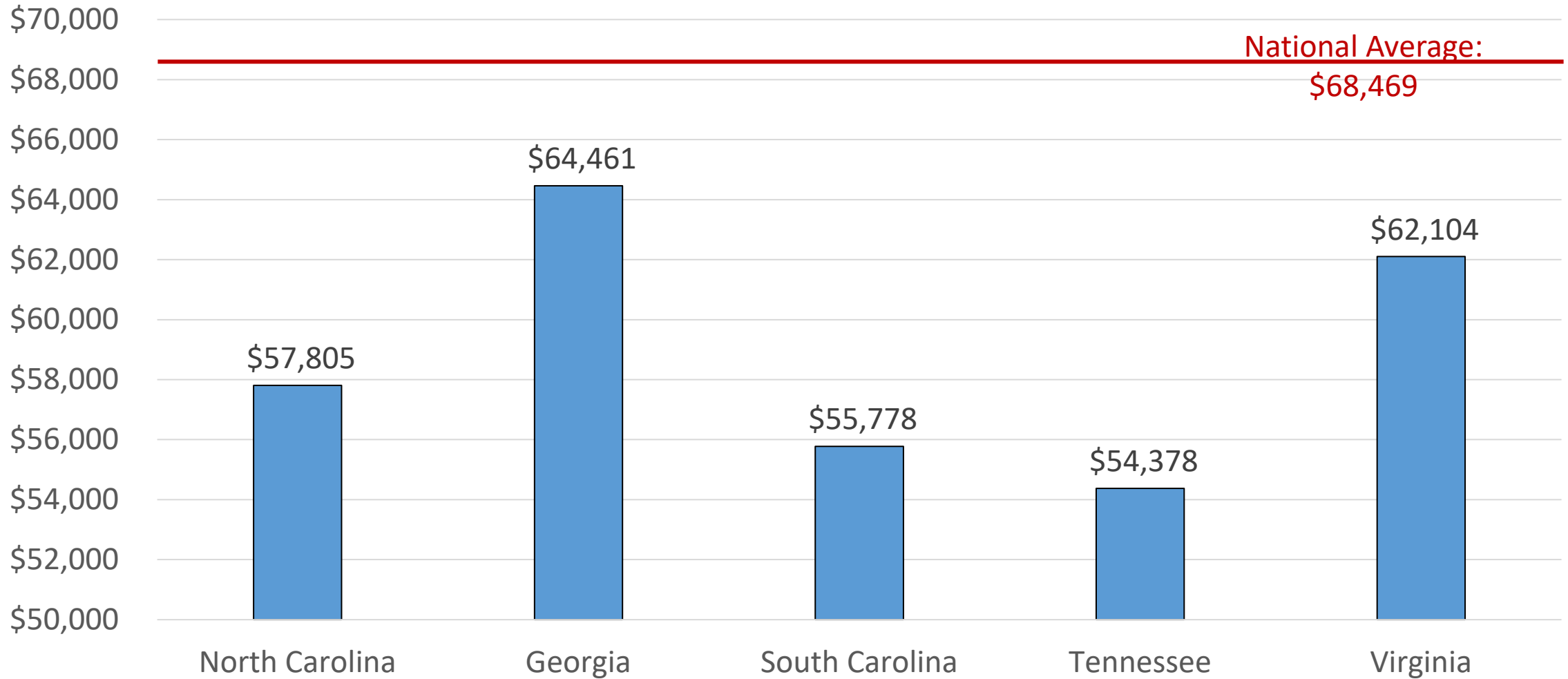
Sources: Georgia Dept. of Education, South Carolina Dept. of Education, Tennessee Dept. of Education

NC Average Teacher Salary Compared to Turnover



Note: Attrition rate methodology changed beginning in FY 2016-17 to only reflect teachers who no longer work in a North Carolina school (i.e., teacher transfers to other NC LEAs or within an LEA are not included).

Average Teacher Salary Comparisons, 2022-23



Sources: NC DPI, National Education Association

Recent Changes To Teacher Pay

- What's Up:
 - Bonuses for performance as measured by test scores or SAS' Education Value Added Assessment System (EVAAS) (e.g. 3rd-5th grade reading and 4th-8th grade math, AP/IB/CTE/AICE exam bonuses)
 - Additional funding for teacher pay in smaller or lower wealth counties:
 - Teacher Supplement Assistance Allotment
 - Small County/Low Wealth County recruitment bonuses
 - Starting teacher pay
- What's Down:
 - Targeting pay to higher experience levels (e.g. sunset of additional longevity payments, flattening of salary schedule)
 - Advanced degrees that are not required for licensure (e.g. master's degree supplement sunset)

Considerations – Teacher Pay Modifications

1. What are the policy objectives?

- Competitive compensation package to meet baseline staffing needs
- Differentiate salaries based on criteria other than experience?
 - Do current State-funded supplements (e.g. National Board, performance bonuses) reflect legislative priorities?
 - Are there other priorities of the General Assembly?
 - E.g. low-performing schools, high school math, special education, etc.
- Should teacher compensation decisions be further shifted to the local school units?

Considerations – Teacher Pay Modifications (p.2)

2. What to do with the legacy structure?

- Any substantive change to the current pay structure will likely create winners and losers without notable additional funding
- Typically addressed with hold harmless provisions
- Impact on assistant principal pay that is tied to teacher salary schedule?

3. Will employees accept the modifications?

- Is the pay structure something employees will understand?
- Will the changes lead to higher turnover and short/intermediate-term staffing issues?

4. Cost

Teacher Benefits

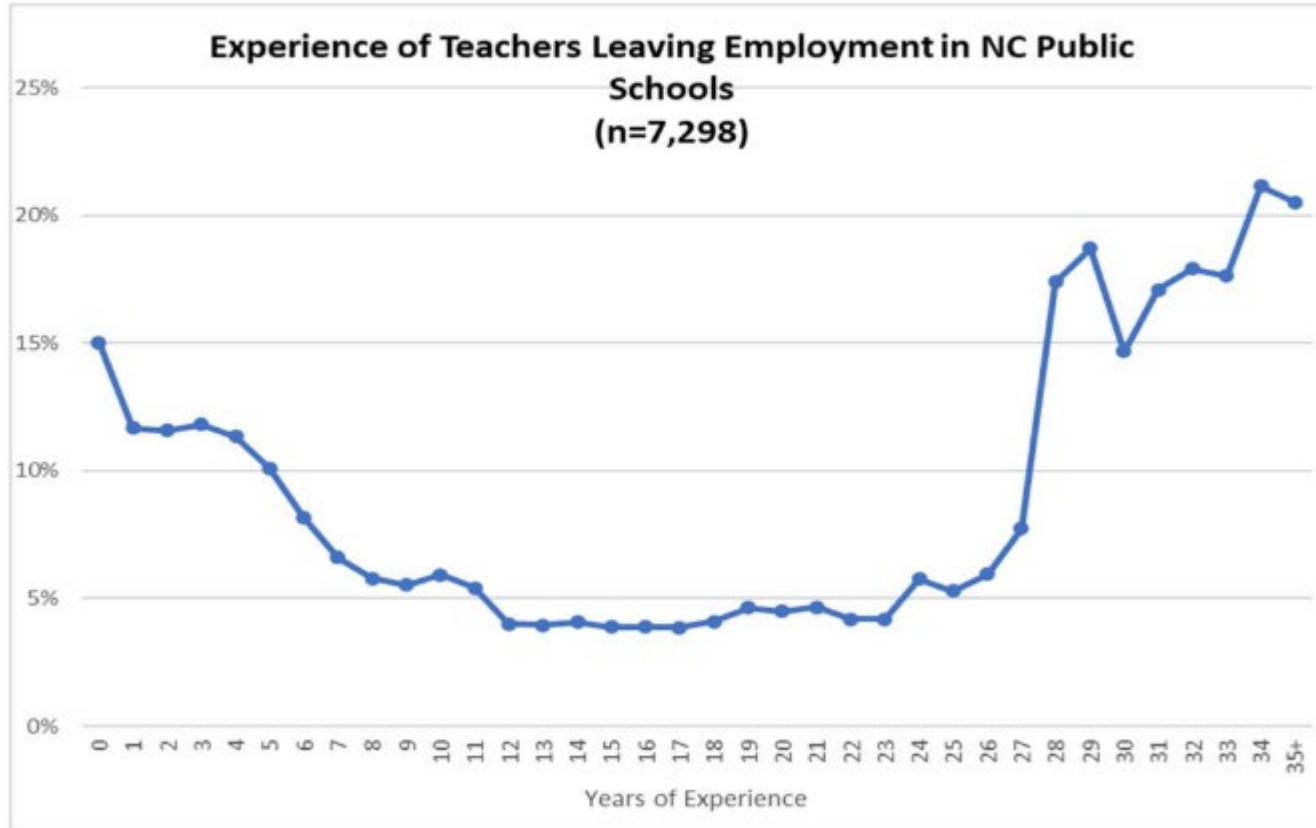
- Current benefit structure
 - Pension
 - Retiree medical for most current employees
 - Disability
 - Life insurance
 - Leave: vacation, sick, parental, other
 - Other optional benefits generally paid for entirely with employee premiums

Pension Benefits

- Teachers' and State Employees' Retirement System (TSERS)
- Traditional pension, i.e., a monthly payment for life regardless of how long retiree lives
- Formula: $1.82\% \times \text{Service} \times \text{Highest 4 Years of Compensation}$
- Replaces 55% (30 times 1.82%) of compensation after 30 years
- Unreduced retirement at earliest of:
 - Age 65 with 5 years of service
 - Age 60 with 25 years of service
 - Any age with 30 years of service

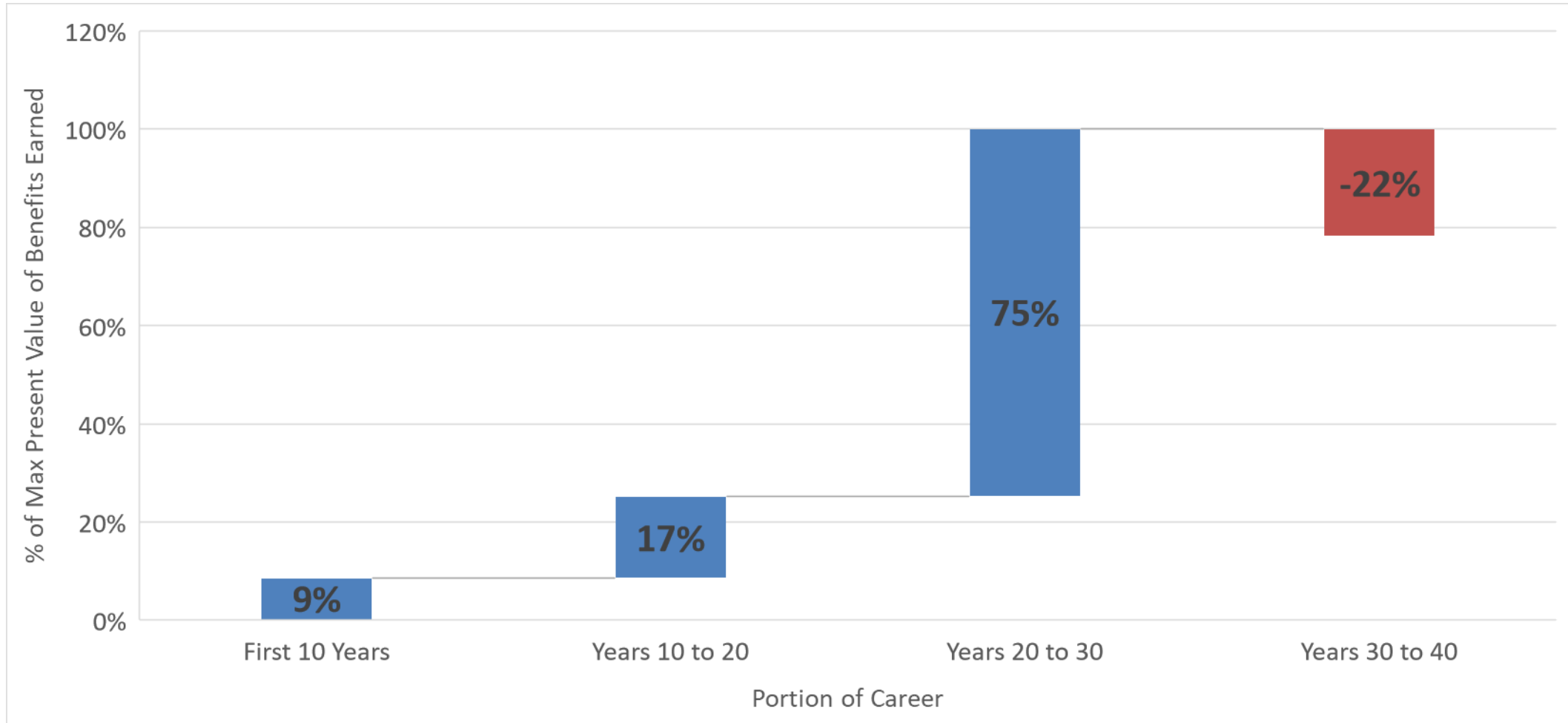
Teacher Turnover by Experience

Chart 1:
Teachers Leaving Employment by Years of Experience (March 2021-March 2022)



Source: DPI, 2021-2022 State of the Teaching Profession in North Carolina

Attraction/Retention Effect of Pension



Assumptions: 3% interest, hired at age 22, only reflects employer-funded portion of present value of benefits

Pension Benefits Compared to Other States

- NC's benefits are fairly typical in design and average in value compared to other states
- All but two other states made substantive pension changes in the last 15 years, generally cutting benefits.
- Both Tennessee and Virginia created hybrid plans for new employees
 - Multiplier in pension component is 1.00% (vs. 1.82% for TSERS)
 - Employer contributes to 401(k) or similar account (unlike in NC)

Retiree Medical Benefits

- Monthly premiums for eligible retirees with 20 years of service not covering dependents are \$0 for a base plan and up to \$73 for an enhanced plan.
- Coverage options for pre-Medicare retirees are the same as for active employees
- Medicare-eligible retirees have a choice between a plan that is secondary to Medicare and Medicare Advantage plans with a passive network (patient can see any provider that accepts Medicare)
- Benefits described here are under current law and plan offerings and are subject to change

Retiree Medical Benefit Change

- New employees are no longer eligible for retiree medical benefits through the State Health Plan
- Enacted in 2017 budget (SL 2017-57)
- Does not apply to anyone who has retirement service credit earned prior to 2021 (about 75% of current employees)
- Does not affect health insurance while still working
- Most will still have health insurance options in retirement via a new job, a spouse's job, ACA exchange, or Medicare, but will pay higher premiums for that insurance

Financial Concerns of Millennials and Gen Z

- Paying off debt: student loans, credit cards, car loans
 - Affording rent and other necessary expenses
 - Making a budget and sticking to it
 - Building an emergency fund
 - Saving for a downpayment on a house
 - Affording health insurance for their family in the current year
 - Paying for childcare
 - Saving for retirement in a 401(k)
-
- Not mentioned in any survey I could find: affording premiums for health insurance in retirement 20 to 30 years in the future

Comparison of Salary/Benefit Options

Option:	A. Provide retiree medical	B. Provide \$3,000 per year for debt payoff, savings, insurance, or childcare	C. Provide \$3,000 salary increase
Addresses financial concerns of young employees	No	Yes	Yes
Included in salary schedule and published starting teacher salary	No	No	Yes
Included in average compensation for comparison to other states	No	No	Yes
Can be used for rent, food, or other general expenses	No	No	Yes
Encourages employees to address their financial concerns	No	Yes	No

Questions

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