

TRS Salary Bonus Reviews

Overall Summary

What is the TRS Salary Bonus Assumption and how is it Used?

The Teachers' Retirement System (TRS) Salary Bonus rates reflect the increasing membership of teachers obtaining a National Board (NB) certification. NB certified teachers receive an annual bonus that is included in pensionable compensation. We reflect the expected impact of those bonuses on average salary by adding an additional rate to our General Salary Growth (GSX) assumption for TRS. Please see the Service-Based Salary Assumption section for more information about salary growth.

Teachers who obtain or maintain an NB certification receive an annual bonus (regular bonus). Newly certified teachers receive 60 percent of the annual bonus in the first year.

NB certified teachers who work at any one of the specified "challenging schools" receive an additional annual bonus (CS bonus). Both bonuses are included in pensionable compensation.

High Level Take-Aways

According to the Office of Superintendent of Public Instruction (OSPI), the National Board for Professional Teaching Standards (NBPTS) is revising their assessment process over the next three years to make the NB certification more accessible. That means the application process will be put on hold until 2017 at the earliest. Because of this hold, OSPI observed an influx of candidates registering for the NB process before the hold took place, causing their new head count projections to look markedly different compared to prior forecasts.

OSPI expects an ultimate rate of 15 to 17 percent of TRS members to be certified. Given the desire of the NBPTS to make the certification more accessible, and OSPI's acknowledgment that the ultimate rate could be even higher, we project the ultimate rate to be 20 percent and expect it to be reached in year 2030.

OSPI has received a grant to specifically recruit teachers in challenging schools to pursue certification. Based on the OSPI provided data, we expect 40 percent of all NB certified teachers will be working in a Challenging School (CS).

Assumptions

We assume the ultimate percentage of all teachers obtaining an NB certification is 20 percent and we estimate that rate to be reached in year 2030. In 2013, approximately 9 percent of all teachers received the annual bonus. Based on feedback from OSPI, we believe 20 percent to be a reasonable expectation.

We also assume the ultimate percentage of certified teachers working in challenged schools will be 40 percent. In 2013, 31 percent of certified teachers received the CS bonus. OSPI projections estimated close to 37 percent of certified teachers would earn the CS bonus in 2018. We expect this percentage to increase given the work that is expected to be done on recruitment.

We will continue to monitor these assumptions in future studies and adjust as needed.

Except as noted, all assumptions match those disclosed in the [2012 Actuarial Valuation Report](#).

General Methodology

We projected TRS head counts and salary, but excluded the aforementioned bonus assumption. Baseline salaries were projected using the general salary growth assumption of 3.75 percent. From there, we calculated the average salary for each member.

To reflect the growing membership in this program, we determined the average expected annual bonus for an NB certified member and, therefore, the average pensionable salary for an NB certified teacher. The average bonus takes into account that new members only receive 60 percent of the NB bonus in the first year as well as any eligible CS bonuses. Based on the projected percent of teachers expected to be NB certified, we then calculated a weighted average of the two average salaries. This yielded the new expected average salary for the entire group. Taking the ratio of the new average with the old average estimates how salaries will outgrow the general salary growth assumption of 3.75 percent. The resulting ratio is the amount that is added to the baseline salary inflation assumption for that year.

Data

Bonus Amount

NB certification bonuses are set in statute¹ as follows.

¹RCW 28A.405.415.

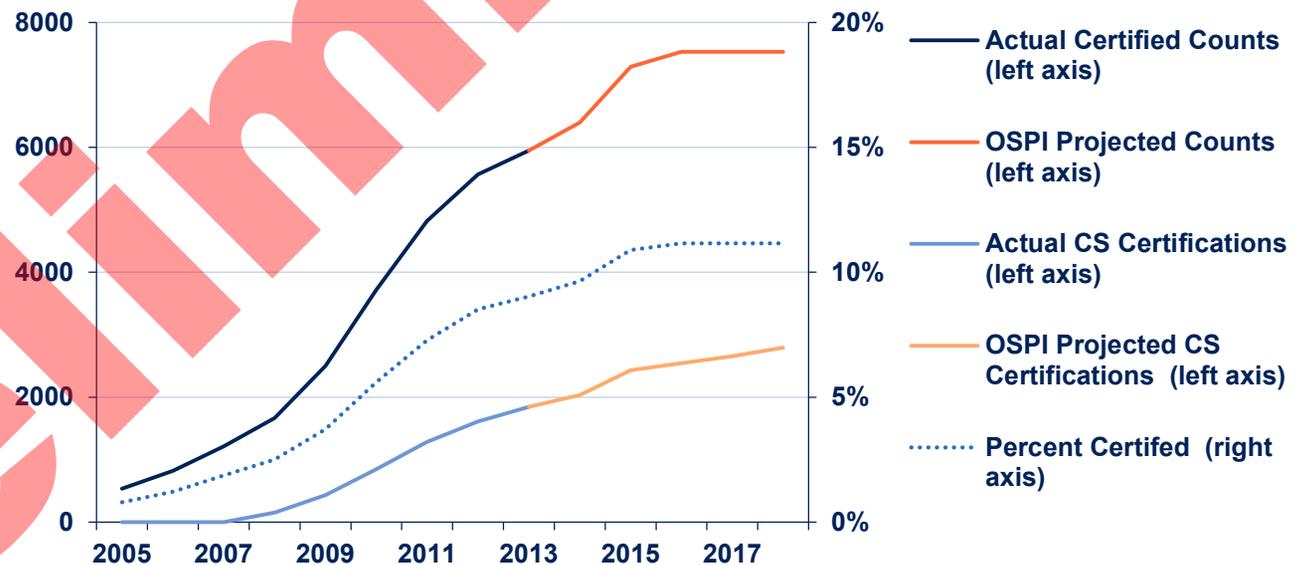
The regular bonus was \$5,000 in the 2007-2008 school year and has increased by inflation after that. However, there were no increases to the regular bonus during the 2013-2015 school years. For the 2013-2014 school year, the regular bonus is \$5,090. Please see the **Law Changes** section for more information.

The CS bonus is a flat \$5,000, with no inflation adjustment.

Head Counts

We studied data provided by OSPI, which included historical head counts from 2005-2013 of NB certified teachers and how many of those teachers worked in a CS. OSPI also projected the head counts through 2018.

TRS Certified Counts by Year



Law changes

There were two law changes since the last study that impacted the salary bonus assumption:

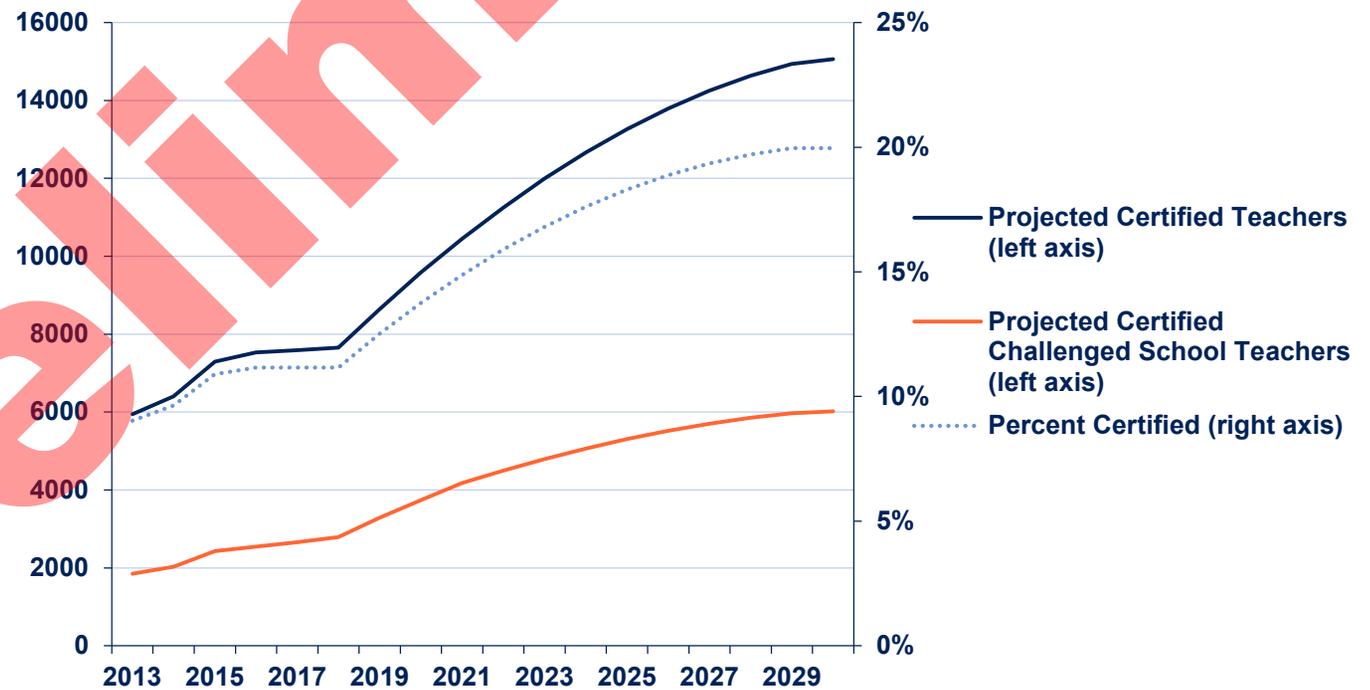
- ◆ **2SHB 1132 (2011, 1st Sp. Session).**
 - ▲ This bill suspended the increase in the NB bonus for the 2011-13 school years.
- ◆ **HB 2043 (2013, 2nd Sp. Session).**
 - ▲ This bill extended the suspension of increases to the 2013-15 school years.

Results

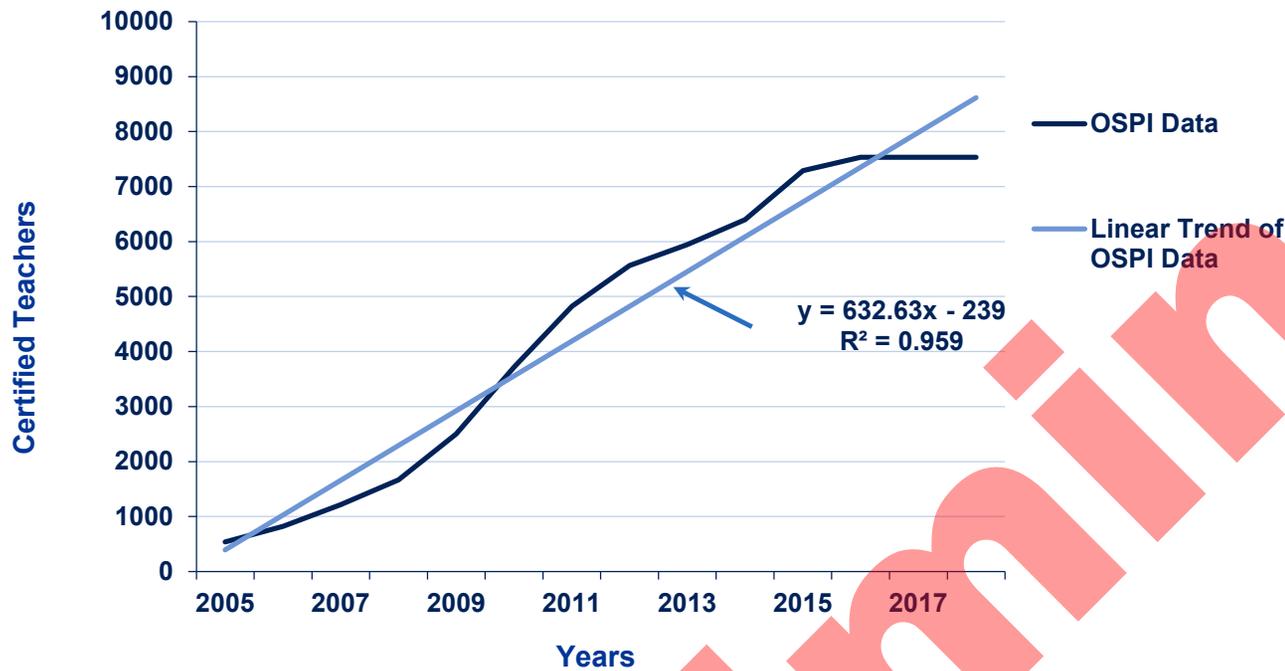
All-Plan Summary

The ultimate rate of certified teachers is assumed to be 20 percent and is estimated to be reached in year 2030. The ultimate rate of certified teachers in challenged schools is assumed to be 40 percent. Combining those percentages with our TRS active head counts, we projected the NB certified and CS teachers until the ultimate rates were reached.

TRS Projected Certified Counts by Year



We also compared the projected certified head counts from the model, for years 2019 and beyond, to a trend line that fits the OSPI provided head counts (2005-2018).



The projected head counts follow the trend line relatively closely until 2030 when the ultimate participation of 20 percent is expected to be achieved and new membership has leveled off.

Projected NB Certified TRS Members Beyond 2018		
	OSPI Trendline	OSA Projection
2019	9,250	8,646
2020	9,883	9,579
2021	10,516	10,449
2022	11,148	11,254
2023	11,781	11,993
2024	12,414	12,665
2025	13,046	13,266
2026	13,679	13,796
2027	14,311	14,253
2028	14,944	14,634
2029	15,577	14,938
2030	16,209	15,058

Best Estimate TRS Salary Bonus Assumption

The following new rates will be added to the general salary growth assumption of 3.75 percent.

TRS Salary Bonus Assumption				
Year	Prior TRS Plan 1	Prior TRS Plan 2/3	New TRS Plan 1	New TRS Plan 2/3
2013	0.11%	0.12%	0.04%	0.04%
2014	0.10%	0.10%	0.05%	0.05%
2015	0.09%	0.09%	0.10%	0.10%
2016	0.08%	0.08%	0.02%	0.02%
2017	0.07%	0.08%	0.00%	0.00%
2018	0.06%	0.07%	0.00%	0.00%
2019	0.05%	0.06%	0.10%	0.10%
2020	0.05%	0.05%	0.09%	0.09%
2021	0.04%	0.04%	0.08%	0.08%
2022	0.03%	0.03%	0.08%	0.07%
2023	0.02%	0.02%	0.07%	0.07%
2024	0.02%	0.02%	0.06%	0.06%
2025	0.01%	0.01%	0.05%	0.05%
2026	0.00%	0.00%	0.04%	0.04%
2027	0.00%	0.00%	0.03%	0.03%
2028	0.00%	0.00%	0.02%	0.02%
2029	0.00%	0.00%	0.02%	0.02%
2030	0.00%	0.00%	0.00%	0.00%

When comparing the new rates to the old rates, rates are lower in the early years (2013-2018) and larger in the later years (2019-2028). This is due to actual membership being less than the previous projections because of the upcoming freeze on new applicants. OSPI anticipates the program changes will make certification more attractive so the ultimate participation rate is expected to be the same as under the prior assumption. It just takes a few more years to reach those levels under the new projection.