

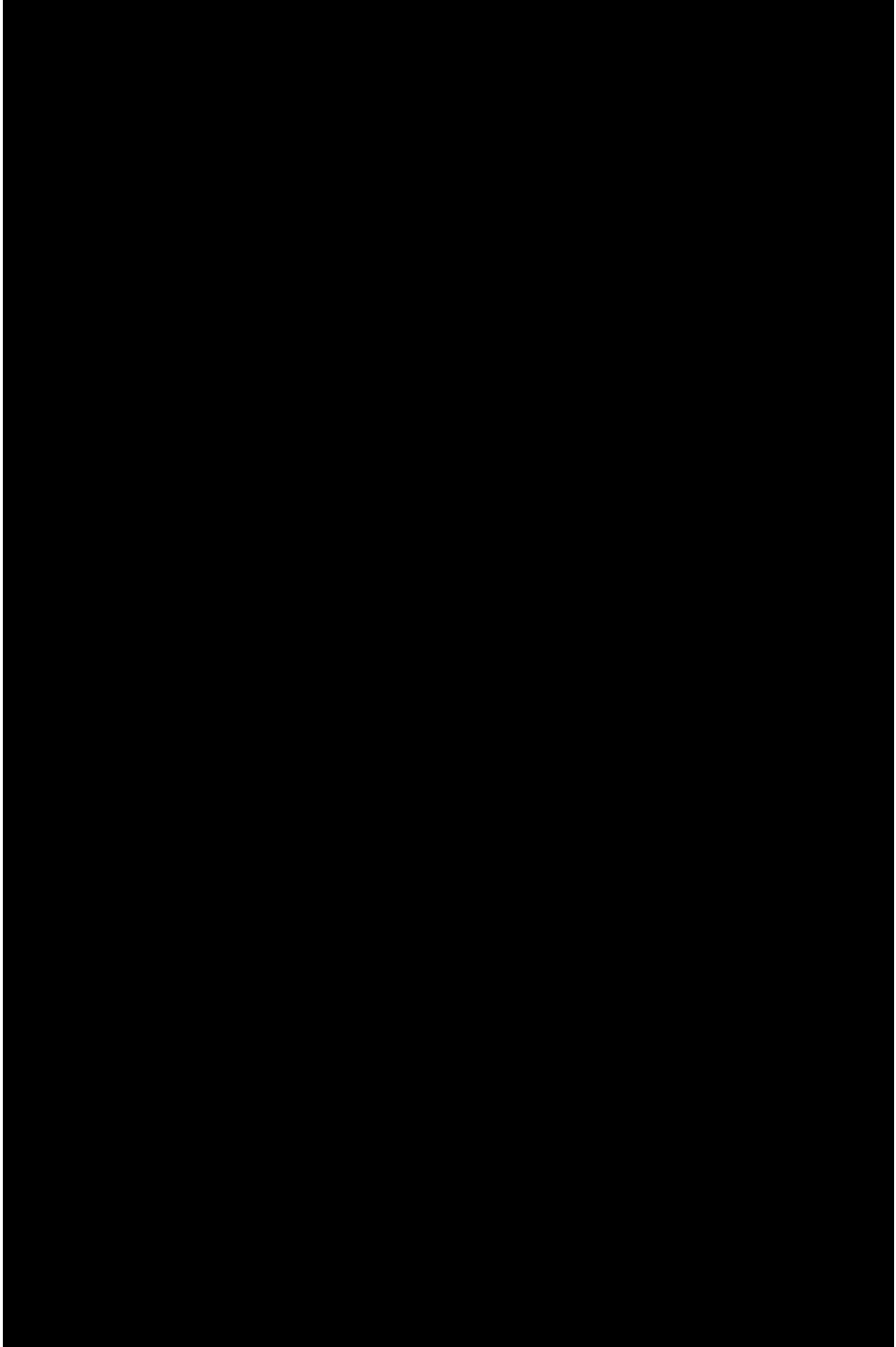
? Comment _____ for Their Retirement Benefits?

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- This paper reexamines the IL teacher pension upgrade experience using pension system (TRS) data tracking the 1998-99 (22-28 experience) cohort to 2019. Actual retirement annuity and timing.
- Findings
 - More teachers purchased upgrade (87% versus 74%)
 - Importantly, nearly all teachers who did not purchase upgrade were better off not making the purchase
 - IL pension upgrade experience not well suited to answer the question



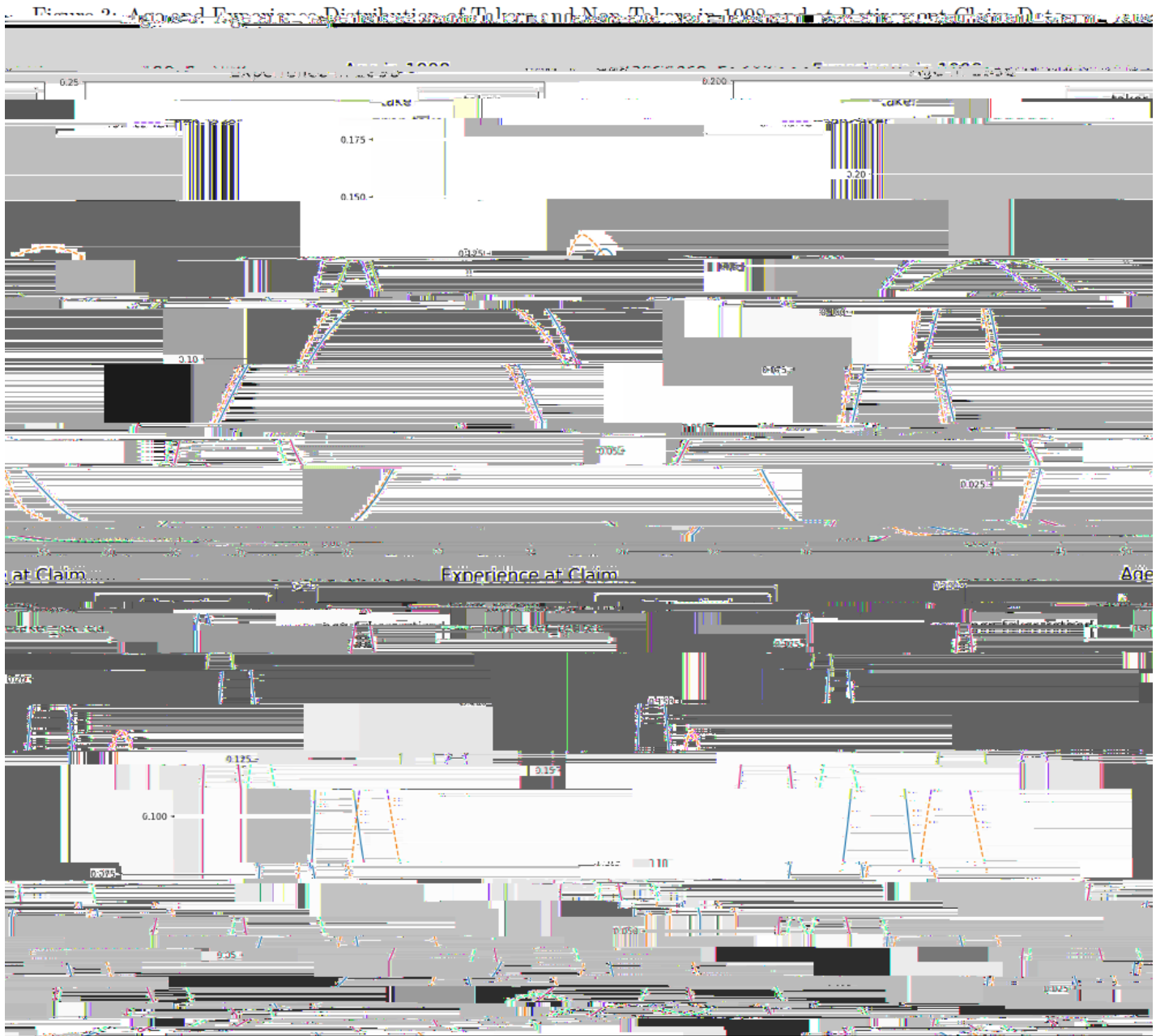
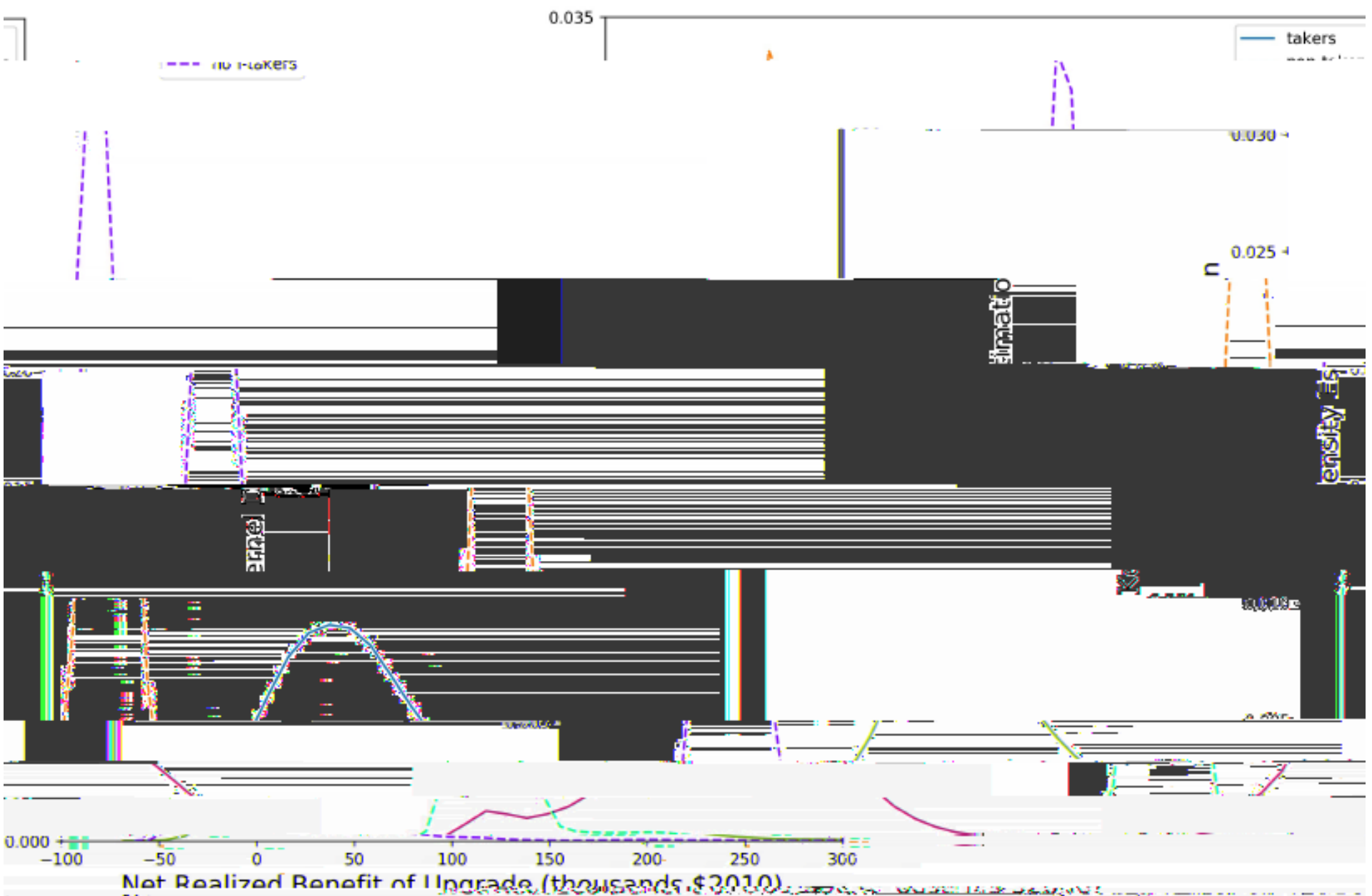


Figure 2: - Distribution of Net Realized Benefit from Upgrade for Takers



Impact of Upgrade of Taxers and Non-Taxers' - ADP - 17/10/2016

	positive	negative	Total
total	16,061	509	16,570
non-taxer	120	2,352	2,472
taxer	15,941	2,352	18,293
total	16,061	509	16,570

22.07% 12.10% 107.00%

decision

- Econometric paradox
- Even with updated (ex post) data on retirement timing and actual

~~the demand for pension upgrades is a function of the pension upgrade~~

de: linear probability model of individual demand for the pension upgrade

$$D_i = \beta_0 + \beta_1 P_i + \beta_2 B_i + \beta_3 R_i + \beta_4 A_i + \beta_5 e_i \quad (1)$$

Ratio $\beta_2 / \beta_1 = 1$

- Problem with instruments (benefit and price are both functions of salary) (Goldhaber and Holden, 2020)
- Problem with LPM (and non-linear)
 - 7
 - 0



Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
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- Vast majority of Illinois teachers made upgrade decisions consistent with PW maximization at conventional discount rates (2%)
- Illinois upgrade experience not well suited to estimate WTP of teachers for pension upgrades
- Illustrates (yet again) that pension plan incentives affect timing of retirement
 - Very important to understand behavioral effects of pension rules in estimating the costs or benefits of pension rule changes