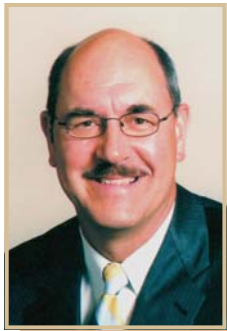




PRESIDENT'S MESSAGE

TEACHERS' RETIREMENT PLANS: A PROVEN MODEL OF RETIREMENT SUCCESS

By Gary L. Harbin, CPA; NCTR President; and Executive Secretary, Kentucky Teachers' Retirement System



As we begin a New Year, I would like to thank the volunteers and staff of NCTR for their service during the past year. The time and efforts of these people improved our already venerable organization and we are well positioned to meet opportunities in the coming year because of their efforts.

For more than 20 years I performed detailed financial examinations of public retirement plans as an independent external auditor. In addition, since 2000, I have been the chief administrative officer of the Kentucky Teachers' Retirement System. More than three decades of meticulous inspection of and service to public retirement plans qualify me as a witness to a simple truth—traditional public defined benefit plans offer a successful, cost effective retirement model for plan participants, employers, and taxpayers.

Stories in the news media and conversations in the political arena often fall short of accurately explaining the simple truth about traditional defined benefit plans. Our culture of 30-second sound bites just doesn't lend itself to objectively assessing complex issues and historical facts. Although this is the case, I am very optimistic about NCTR's opportunities to enhance the retirement security of the nation's teachers by directly addressing the issues confronting our member plans. Supporting and improving pension plans, through education and communication, is the core mission of NCTR.

Although most public pension plans have been severely affected by market declines during the worst financial crisis since the Great Depression, the vast majority of public plans have a sufficient cushion of assets to continue payment of promised benefits for many years. I have every confidence that public pension plans will remain financially sound in the future as they have for many years in the past. Decades of history establish that traditional defined benefit plans have successfully provided retirement security for teachers in spite of wars, terrorist

attacks, economic ups and downs, Wall Street frauds, and budget woes. Moreover, this retirement security has been delivered in a cost effective and efficient manner to the benefit of retirees and taxpayers. The current issues regarding the unfunded liability of public pension plans often obscure the long-term, proven success of public defined benefit plans. Proponents of defined contribution plans as a means of easing the strain on state budgets must be confronted with the fact that such plans offer no retirement security and at higher costs and fees.

The vast majority of trustees, administrators, and vendors serving public pension plans are honorable, upstanding individuals that exemplify the term "fiduciary." However, as we become aware of more of the sordid details of the

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SPREAD THE WORD

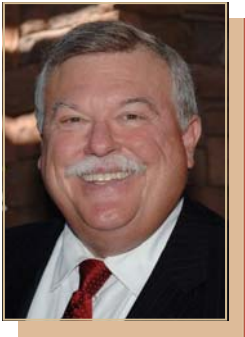


FEBRUARY 21-28, 2010

CAPITOL COMMENTARY

NEW YEAR, SAME OLD YOU-KNOW-WHAT

By Leigh Snell, NCTR Federal Relations Director



While it may be a new year, the same old media mischaracterizations of public pensions continue. For example, 2010 was barely one day old when *The Washington Post* published an editorial entitled: “State and local pensions plans are on a path to failure.”

The *Post* claims the recent history of governmental plans is “promise now, pay later,” with elected officials refusing to increase taxes to pay for higher benefits. Governments are able to get away with this, the editorial argues, by using “rosy” earnings projections of 8 percent to make these promised benefits appear more affordable than they really are.

While conceding that recent market gains “ameliorated the situation,” the newspaper says that many pension funds, nevertheless, will be tempted to “gamble for higher returns” to make up their losses. Even if successful, the *Post* warns that earning 8 percent over the next 15 years still will mean plans will have an average of only 45 percent of the money needed to pay benefits. With public employees enjoying “far more generous” pensions than the taxpayers who fund them, the

Post concludes that this situation is “a ticking financial time bomb” and that the time to disarm it is now.

It is true that the reserves set aside for future pension benefits, along with State and local governments’ fiscal conditions, have been severely affected by the 2008 market decline. The *Post* fails to note, however, that—thanks to pre-funding—public pensions currently have more than \$2.6 trillion in financial assets, assuring that the vast majority of governmental plans will have sufficient funds to continue paying promised benefits for the foreseeable future.

As for those “rosy” 8 percent investment projections, overall stock returns have actually averaged 10.4% per year since 1926, helping account for the fact that investment earnings have made up 58 percent of all public pension revenue from 1982 through 2008. Furthermore, recent statistical research on public plans over many decades documents that after experiencing cyclical market losses, they do not “gamble” for higher returns, but instead consistently follow prudent investment practices, maintaining a focus on the long-term.

Governmental plans, their sponsors, and their participants recognize that in order to remain sustainable over

“...the vast majority of governmental plans will have sufficient funds to continue paying promised benefits for the foreseeable future.”

time, adjustments will be necessary; and they are already engaged in the process of examining benefit levels and financing structures in order to rebuild reserves. Public plans, however, differ in both design and governance arrangements, producing varying financial pictures across the country that will, in turn, require varying approaches to sustainability.

Many Americans’ retirement savings were severely diminished by the economic downturn, and many may not have sufficient time to rebuild their assets. This is the real retirement security “time bomb” facing our nation. In contrast, state and local retirement systems have weathered numerous market declines in the past, and are already working with all affected stakeholders to do so once again. This may not be new, but it would certainly be nice for Congress and the public to see such news about public pensions reported for a change.

NCTR, NASRA, and NCPERS have sent a letter to the *Post*’s editors that elaborates on these points. In a further effort to set the record straight, the current plan is to forward this joint letter to every member of Congress in a package from NCTR and other national organizations representing public employers, employees, retirees, and other interested public sector groups. To read *The Washington Post*’s editorial and the NCTR, NASRA, and NCPERS response letter, visit NCTR’s home page at www.nctr.org and click the links listed under “Highlights.”



2010 COMMITTEES

EXECUTIVE



From L to R: NCTR President **GARY L. HARBIN** (Kentucky), President-Elect **RONNIE JUNG** (Texas), Secretary/Treasurer **PEGGY BOYKIN** (South Carolina), Past-President **JEFFREY L. EZELL** (Georgia), **BILL FINELLI** (Rhode Island), **DAVE STELLA** (Wisconsin), **LEONARD BUMBACA** (ERFC-Fairfax County, Virginia), **JAY STOFFEL** (Duluth), **ROBIN NICHOLS** (Arkansas), **TOM LEE** (New York State)

LEGISLATIVE



Chair: **R. DEAN KENDERDINE**, Executive Director, Maryland Retirement and Pension System
Vice-Chair: **Roger Rea**, (Omaha, NE)
 Susan Brown (Alabama)
 Dana Dillon (California)
 Alexander Ellison (Kansas City, MO)
 Fay Kopp (North Dakota)

Michael Kraus (New York State)
 Donna Mueller (Iowa)
 Bill Murray (Connecticut)
 Pat Robertson (Mississippi)
 Jim Sando (Pennsylvania)

David Senn (Montana)
 James Wilbanks (Oklahoma)

Exec. Committee Liaison:
Dave Stella, Wisconsin

NCTR's Legislative Committee meets February 1, 2010, at 8:50 a.m., at the Marriott Washington at Metro Center in Washington, D.C., for a joint Legislative Conference with NASRA.

ADMINISTRATOR EDUCATION



Chair: **JILL BACHUS**, Director, Tennessee Consolidated Retirement System
 Tom Mann (Kansas City, MO)
 Michael Smith (Omaha, NE)
 Meredith Williams (Colorado)

Rob Wylie (South Dakota)
Executive Committee Liaison:
Jay Stoffel, Duluth

NCTR's Administrator Education Committee meets January 31, 2010, at 10:00 a.m., at Marriott Washington at Metro Center in Washington, D.C.

TRUSTEE EDUCATION



Chair: **TINA ZUBECK**, Trustee, Missouri Public School Retirement System
Vice-Chair: **Lance Purdy**, (Omaha, NE)
 Michael Hairston (ERFC-Fairfax County, VA)
 Gayle Harbo (Alaska)
 Theresa Lochte (Maryland)

Katha McKinney (St. Louis, MO)
 Amy Nichols (Colorado)
 Judy Rigdon (Alabama)
 Mavis Whiteman (Duluth, MN)

Caroline Helmkamp (Kansas City, MO)
Exec. Committee Liaison:
Bill Finelli, Rhode Island

NCTR's Trustee Education Committee meets March 20, 2010, at the Westin Indianapolis, Indianapolis, Indiana.

RESOLUTIONS



Chair: **MARTI ZINS**, Trustee, Minnesota Teachers Retirement Association
Vice Chair: **Steve Boyers** (Georgia)
 Horace Coleman (Kansas City, MO)
 David Keefe (New York State)
 Thaha Menkara (St. Louis, MO)
 Michael Smith (Omaha, NE)

Executive Committee Liaison: Robin Nichols, Arkansas

NOMINATING



Chair: **JEFFREY L. EZELL**, Executive Director, Georgia Teachers Retirement System
Appointments pending

President & President-Elect are ex-officio members of all NCTR Standing and Special Committees.



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PRESIDENT’S MESSAGE

“pay to play” scandal, we must acknowledge that some have failed to satisfy their legal obligations. Those persons who violated their fiduciary duties should pay a heavy penalty. As an organization, we should renew our focus on our roles as fiduciaries and our continual vigilance in providing appropriate education on implementing best practices in governance. The participants in the retirement plans that we serve deserve nothing less than true fiduciaries administering their retirement monies.

The particular matters addressed here are but a few of the numerous issues facing public pension plans. However, none of the issues undermines the simple truth that defined benefit plans for teachers are a proven model of retirement success. NCTR stands ready to continue to provide assistance to build upon this successful model. I am honored to serve as the President of this great organization.

On the move SHIFTS IN SYSTEM DIRECTORS



In December 2009, **JEANNE M. CARR**, CFA, was appointed Executive Director and Chief Investment Officer of the Educational Employees’ Supplementary Retirement System of Fairfax County (ERFC), Virginia. Ms. Carr served the previous five years as ERFC’s Deputy Executive Director and, prior to that, worked as an investment strategist and financial planner in the private sector.

“AMERICA SAVES WEEK” BUILD WEALTH, NOT DEBT

Employers, financial institutions, non-profits, and government groups are encouraged to promote **2010 AMERICA SAVES WEEK, February 21–28**, to inspire all Americans to plan for their financial security. Tools for both promoting the week and for the individual saver are available at www.americasavesweek.org, organized by the American Savings Education Council (ASEC). A link is also available from www.nctr.org.

To help organizations spread the word, the site offers informational flyers, posters, and payroll stuffers that can be downloaded and customized with a group’s logo. For the savings-inspired individual, the site offers a wealth calculator, a retirement worksheet, debt-tackling plans, plus other tips and tools for establishing a personal “fiscal fitness” plan.

2010 Events

Deputy Directors’ and
Communications Specialists’
Workshop

May 10–12

Embassy Suites
Sacramento, California

Administrative Assistants’
Workshop

May 12–14

Embassy Suites
Sacramento, California

23rd Annual
System Directors’ Meeting
June 13–16

Charleston Place Hotel
Charleston, South Carolina

10th Annual Trustee Workshop

Optional INSTITUTE: July 26
WORKSHOP: July 27 & 28

Hilton Portland & Executive Tower
Portland, Oregon

88th Annual Convention

October 9-14

The Westin La Cantera
San Antonio, Texas

For more current information,
visit www.nctr.org

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