



NATIONAL ASSOCIATION OF STATE RETIREMENT ADMINISTRATORS
NATIONAL COUNCIL ON TEACHER RETIREMENT

**NEWS RELEASE
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CONTACT: Kelly Kenneally
202.256.1445
kellykenneally@verizon.net

**RETIREMENT SECURITY FOR STATE & LOCAL PUBLIC SECTOR
WORKFORCE IS STRONG**

*State and Local Pre-Funding of Retirement Benefits Serves as Model for
Employers Across the Nation*

AUGUST 30, 2006, Washington, D.C. – Members of the U.S. House Subcommittee on Employer-Employee Relations today heard testimony at a field hearing in Springfield, Illinois, that the retirement security of the nation's State and local government employees and retirees is strong, particularly when compared with other groups.

Keith Brainard, research director for the National Association of State Retirement Administrators (NASRA), testified that the strength of public sector pension plans is the result of a system that features:

- **Pre-funding of pension plans**, which is in stark contrast to Federal government pension programs that are not pre-funded, instead subject to annual appropriation, known as pay-as-you-go plans;
- **Reasonable costs**, with the vast majority of public pension revenue derived from investment earnings. On a national basis for the 22 years ended in 2004, earnings from investment income comprised 63 percent of state and local pension system revenue. Employee contributions comprised 12 percent of revenue and only 25 percent of revenue from employer contributions.
- **Flexible plan designs** that helps ensure the delivery of vital public services, enables employers to recruit, retain and retire a qualified workforce, and meets the needs of employees;

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- **Voluntary defined contribution plans** that supplement defined benefit plans;
- **State protection of pension benefits**, many of which pre-date and exceed federal regulations for pension benefits among private employers; and
- **Exemption from most federal regulation**, allowing cities and states to design, administer, and finance retirement benefits in concert with the unique needs of each pension plan sponsor and within each state's constitution, statutes, case law, and political culture.

Brainard's testimony was delivered on behalf of NASRA and the National Council on Teacher Retirement (NCTR).

"As indicated in my testimony, pension plans for the vast majority of state and local government employees are fiscally fit," said Brainard. "The model used by State and local governments to provide employee retirement benefits contains elements worthy of imitation by other employer groups and segments of the economy."

Brainard added that, "Public pensions hold \$2.8 trillion in assets to fund more than 86 percent of pension benefits over the next 30 years. Whether one refers to the public pension funding glass as 86 percent full or 14 percent empty, the glass undeniably is mostly full."

He also testified that in addition to promoting retirement security, traditional pensions for state and local government employees offer other advantages that benefit all Americans.

"Traditional pensions strengthen the ability of public employers to attract and retain the personnel needed to perform essential public services such as policing our streets, fighting fires, and educating our children," Brainard said.

"Taxpayers benefit from pension plans because they foster worker retention and longevity. Those who rely on public services—which includes all of us—enjoy myriad benefits that emanate, directly or indirectly, from the provision of these services."

Americans also benefit from the economic impacts generated by traditional pension plans for public employees.

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“The \$2.8 trillion held by public pension funds is a key source of liquidity and stability for the nation’s financial markets, Brainard added. “Pension assets are real and professionally invested in stocks, bonds, real estate, venture capital, and other asset classes. Public pensions hold in trust about 10 percent of the nation’s corporate equities, and, as institutional investors, public pension funds are an important source of long-term, patient capital for the nation’s publicly-traded companies.”

Recent studies have found that public pension funds are significant sources of economic support and stimulus for virtually every city and town in the nation. Public pension funds also are a key source of financing for venture capital, which represents the seeds of the nation’s future economic growth and productivity.

Pension plans are subject to state and local laws and regulations, comprehensive oversight and governance, as well as regular report requirements, audits and actuarial valuations that provide safeguards. Many of these requirements pre-date and exceed federal laws for private sector pensions. The accrued benefits of public plan participants’ commonly are protected by state constitutions, statutes, and/or case law.

About NASRA

The National Association of State Retirement Administrators is a non-profit association whose members are the directors of the nation’s state, territorial, and largest statewide public retirement systems. NASRA members oversee retirement systems that hold in trust more than \$2.0 trillion in assets to fund pension and other benefits to more than two-thirds of all state and local government employees. More information is available at www.nasra.org.

About NCTR

The National Council on Teacher Retirement is dedicated to safeguarding the integrity of public retirement systems in the United States and its territories to which teachers belong and to promote the rights and benefits of the members, present or future, of the systems. NCTR had its beginnings in 1924; became affiliated with the National Education Association in 1937; and became an independent association in 1971. NCTR membership includes 77 state, territorial, local, and university pension systems. These systems serve more than 16 million active and retired teachers, non-teaching personnel, and other public employees, and have combined assets of more than \$1.4 trillion in their trust funds. More information is available at www.nctr.org