

Plan Design and Benefit Administration

Principles:

The National Council on Teacher Retirement (NCTR) believes that all Americans should have access to a pension plan that will provide retirement security. In the public sector, the traditional pension system - defined benefit (DB) plans - has worked well in meeting this goal for more than 100 years. The public pension system safeguards the delivery of vital taxpayer services by providing a cost-effective, proven and stable method to attract and retain qualified employees by guaranteeing stable retirement income for those who dedicate their career to serving the public.

NCTR also believes that employees should have access to voluntary defined contribution (DC) plans which play a meaningful role in providing supplemental, tax-deferred retirement savings.

Public pension plans should be governed by fiduciaries that ensure adhere to the highest standards of the integrity and fiscal accountability of the plan for its members, their employers and the taxpayers.

Goals:

NCTR is committed to preserving and protecting the traditional defined benefit pension model and will work with its members, public officials and any other interested parties to encourage and support public policy decisions that guarantee retirement security for public employees and other Americans.

NCTR supports public pension plans that are designed to:

- Assure self-sufficiency for retirees by providing a predictable benefit that is guaranteed for life, including cost-effective disability and survivor benefits.
- Create a high performance workforce by providing a benefit that will attract and retain quality and highly trained public employees.
- Lower overall benefit costs by pooling the risk of outliving retirement benefits and of investment losses over the total number of participants.
- Invest plan assets at a low cost in order to produce:
 - Predictable cash flow for payment of recipient benefits that contributes to state and local economies;
 - Earnings that reduce future employer and employee contributions; and
 - A large pool of capital that provides entrepreneurial funding that would not otherwise be available to strengthen the economy.
- Provide flexibility that helps state and local governments maintain an effective workforce.

NCTR Statement of Principles & Goals ■ Committee Report

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NCTR supports public policies that encourage increased retirement security by providing opportunities and incentives for employees to voluntarily participate in tax-deferred, supplemental savings plans.

NCTR urges all state and local governmental units to act in a manner that is consistent with preserving the fiscal stability of their retirement system(s); to fully fund their obligations to the pension plan; and to preserve and protect the guaranteed rights of plan participants to their promised benefits.

Although NCTR recognizes that many retirement plan vendors also do business in the defined contribution marketplace, we oppose any effort by asset management firms and/or other plan vendors that would be detrimental to the continuance of viable defined benefit programs in the public sector and urge all NCTR Associate Members to act accordingly.

Retirement system trustees, administrators and other professional service providers must always act in a manner that demonstrates the highest ethical standards and must consistently act for the exclusive benefit of the retirement plan beneficiaries in complete accordance with their fiduciary responsibilities or other professional standards.

Federal Tax Policy

Principles:

Given the economic and social value of providing retirement security for all Americans, the Federal government should enact tax laws and promulgate regulations that encourage the continuation of traditional, employer-sponsored defined benefit pension plans while creating incentives for all employees to increase their personal savings through the utilization of supplemental tax-deferred retirement savings plans. Further, Federal tax policies should facilitate the portability of retirement savings by allowing the transfer of funds from one plan to another without penalty.

Goals:

Investment income is a critical part of the funding plan of public pension plans that reduces the financial support required by state and local taxpayers as well as employees; therefore, NCTR supports the tax-exempt status of public pension plans and opposes any tax on plan assets and/or income that would erode the financial integrity of the plan and ultimately increase costs for plan members, sponsors and taxpayers.

NCTR believes that the Federal tax code should provide the maximum flexibility in plan design. Federal tax rules and regulations should be clear and simple, and measures should be enacted on a permanent basis, thereby promoting a stable planning environment for plan members, employers and administrators. Therefore, NCTR:

- Urges Congress to expand EGTRRA and similar tax provisions that create incentives for public employees to supplement their traditional pension with contributions to tax-deferred retirement savings plans.
- Urges Congress to maintain tax provisions that allow public employees to enjoy benefits of contributing to their primary retirement savings plans on a pre-tax basis comparable to those of private sector employees. For over 30 years, public employers have been allowed to “pick-up” an employee’s contribution to a retirement plan thereby sheltering the employee’s contribution from immediate Federal income tax. The repeal of the so-called “employer pick-up” would result in an immediate tax increase to those employees.
- Supports the ability of state and local governments to offer post-retirement increases and flexible benefit options that are designed and implemented in a manner that is consistent with the trustees’ fiduciary obligations. Therefore, NCTR believes that provisions of the Internal Revenue Code, such as Section 415, should not impose unwarranted restrictions on legitimate plan design decisions.

Social Security Administration and Solvency

Principles:

Since 1935, Social Security benefits have enabled millions of working men and women and their survivors to retire with dignity. The National Council on Teacher Retirement (NCTR) believes that the President and the Congress of the United States of America have a solemn obligation to guarantee the solvency of the Social Security system and to preserve its benefits for future generations of Americans.

NCTR supports the historic right of State and local governmental employees to voluntarily participate in the Social Security system and believes that every public servant that contributes to the system should receive a benefit commensurate with his or her contributions.

Goals:

The President and Congress must guarantee and fully fund the current level of promised Social Security benefits, thereby ensuring the long-term solvency of the Social Security Trust Fund and the guaranteed inflation-adjusted benefits currently promised to American workers, retirees and their survivors.

The Social Security Trust Fund should be invested in a manner that insulates investment decisions from political interference; that empowers an independent investment committee that includes Social Security beneficiaries as trustees; that requires a transition to a diversified portfolio of assets that are invested in public and private markets for the exclusive benefit of Social Security beneficiaries; and that provides that the Fund be used solely for retirement, survivor and disability benefits.

Social Security should preserve the right of state and local governments and their employees to decide whether to affiliate with the Social Security system, thereby protecting the retirement security of millions of American public employees, saving state and local taxpayers unnecessary federally-mandated expenses, and preventing costly and ill-conceived changes to financially secure and well-designed public retirement systems.

Reforms must address those provisions of the Social Security law, such as the Government Pension Offset and the Windfall Elimination Provision, that actually deprive certain public employees of Social Security benefits that they have rightfully earned and/or those that have been earned by their spouses, thereby breaking the promise of Social Security and further weakening the retirement security of a steadily increasing population of Americans.

NCTR would oppose any Social Security reforms that undermine the long-term solvency of the Social Security Trust Fund, reduce the current level of benefits, establish individual private accounts, or jeopardize the guaranteed inflation-adjusted retirement income currently promised to American workers, retirees and their survivors.

Plan Governance and Independence

Principles:

The National Council on Teacher Retirement (NCTR) is comprised of public retirement systems that successfully operate under a well-established body of state and local laws, rules and regulations, including statutory and common law trust principles, conflict of interest laws, codes of ethics and sunshine laws. They are governed by highly accountable boards of trustees and/or public officials that are broadly representative of the employees, retirees, elected officials and the general public. The trustees have an undisputed fiduciary obligation to act for the exclusive benefit of their plan and its participants.

While NCTR acknowledges a role for state and local governments in the governance and oversight of public pension plans, we oppose any political or legislative intrusion that could cause the trustees to act in a manner that would be inconsistent with their fiduciary duty. Further, NCTR opposes any Federal action that would compromise the independence of state and local retirement systems and/or that would result in any violation of trustees' fiduciary responsibility.

Goals:

Public employee retirement systems should be governed by independent trustees that have a clear mandate to serve as fiduciaries for the funds of their system. Fiduciaries should be drawn from members who are broadly representative of the system's stakeholders, including members, retirees, plan sponsors and taxpayers.

Public fund trustees, administrators and professional service providers should be held accountable for acting in a manner that clearly demonstrates their commitment to the fund and to their individual fiduciary duties or other professional standards.

Each plan should maintain a high level of transparency to plan participants and beneficiaries, providing disclosure of the system's financial condition, funded status, investment objectives and benefit structure in order to preserve a participant's ability to fully exercise his/her rights and responsibilities.

Public plans must maintain the highest level of security for individual member data, including preventing the unauthorized release of Social Security numbers and other personal information.

Investment Authority and Corporate Governance

Principles:

All pension plan assets must be invested for the exclusive benefit of the plan participants. This standard - clear and non-negotiable - must serve as the guiding principle for the prudent and equitable administration of all public employee retirement systems. State and local retirement system trustees and administrators must be allowed to perform their fiduciary duties without political influence and should vigorously oppose any mandate that would require them to violate their duties and responsibilities.

As institutional investors and as shareowners, NCTR members should take an active role in protecting plan assets and should adopt corporate governance policies appropriate to each plan.

Goals:

Public plan fiduciaries must maintain the authority to make investment decisions that serve the exclusive benefit of plan participants.

NCTR vigorously opposes any mandate that requires state and local pension plan administrators and trustees to make investment decisions that violate their fiduciary duties and responsibilities.

NCTR urges its members to act as responsible corporate investors by exercising their ownership rights and responsibilities in accordance with their established investment and corporate governance policies.

NCTR supports public policies that encourage corporate accountability, transparency and fiscal responsibility. We understand and support the significance of independent oversight through non-affiliated parties and the critical role played by independent auditors in the full and impartial disclosure of corporate conditions.

Health Care Benefits

Principles:

Access to adequate health care benefits is an essential component of retirement security.

Since unsustainable cost increases threaten the ability of public employers to maintain comprehensive health care benefits for active and retired employees and create a competition for funding that threatens both health and pension benefits, the Federal government must take bold steps to reform the American health care system to control costs, reduce the rate of growth in health care expenditures, increase availability of coverage, improve system administration and increase overall quality of care.

Goals:

NCTR must encourage state and local officials to distinguish the challenges associated with health care funding from their long-term obligation to fund pension benefits.

NCTR believes that employer-provided health care - just like traditional pension plans - should be supported and that current funding challenges should not be used as an excuse to dismantle plans that provide comprehensive benefits while controlling costs by pooling the risk and negotiating best pricing.

Medicare provides critical health care coverage for millions of American. NCTR supports efforts to preserve the financial solvency of the Medicare system without reductions in benefits.

NCTR urges Congress to enact legislation - either as individual initiatives or as a comprehensive reform package - that will reduce unsustainable health care cost trends, will improve health care quality, reduce costs for individual health care plan participants and recognize the unique characteristics of public health care providers.

Since retirees may be disproportionately affected by the steady increase in the cost of health care and since active employees are frequently allowed to pay for health benefits with pre-tax dollars, NCTR supports legislation that would treat both active and retired employees equitably by allowing retirees to fund health insurance premiums and other medical expenses on a pre-tax basis.