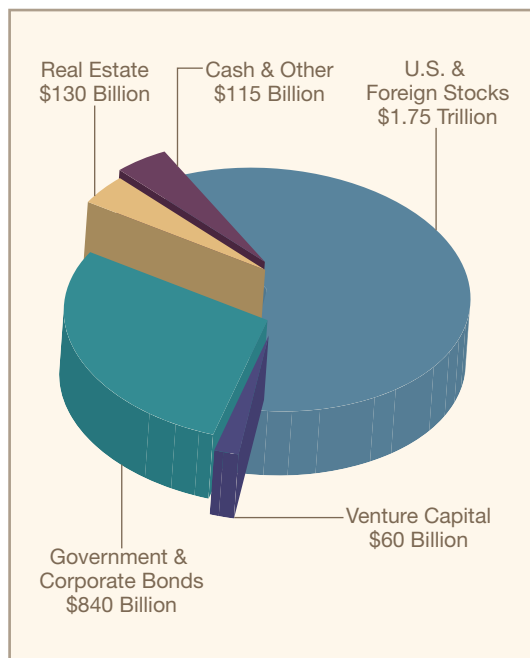


Getting it Right!

KEY FACTS REGARDING STATE AND LOCAL GOVERNMENT DEFINED BENEFIT RETIREMENT PLANS

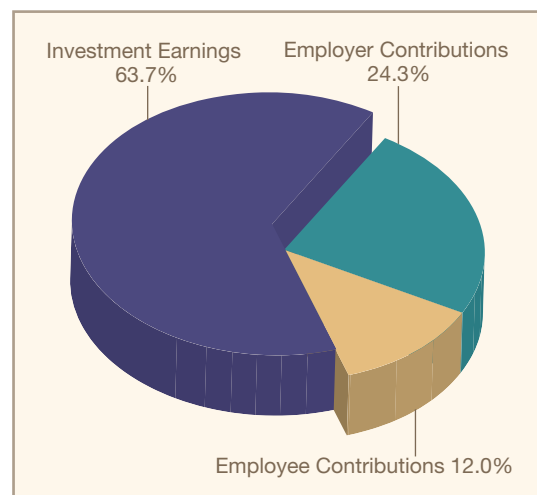
Public Pension Plans are in Good Financial Condition.

As a group, state and local pension systems have nearly 90 cents for each dollar they owe in liabilities. These assets are professionally managed and invested on a long-term basis using sound investment policies. As shown on the chart below, the \$2.89 trillion (in real assets, not IOU's) held by these plans are an important source of liquidity and stability for the nation's financial markets.



The Bulk of Public Pension Benefit Funding is Not Shouldered by Taxpayers.

On a national basis, employer (taxpayer) contributions to state and local pension systems make up only one-fourth of all public pension revenue. Earnings from investments and employee contributions comprise the remainder. In 2005, investment earnings accounted for 74 percent of all public pension revenue; employer contributions were 17 percent. Unlike corporate workers, most public employees are required to contribute to their pension plans. The chart below summarizes the sources of public pension revenue from 1982 through 2005.



Public Retirement Plans Attract and Retain the Workforce that Provides Essential Public Services.

There are more than 20 million working and retired state and local government employees in the U.S. Retired public employees live in virtually every city and town in the nation (90 percent stay in the same jurisdiction where they worked). Active public employees comprise more than 10 percent of the nation's workforce, and two-thirds are employed in education, public safety, corrections, or the judiciary. Retention of experienced and trained personnel in these and other positions is critical to the continuous and reliable delivery of public services.

State and Local Pension Plans are an Integral Component of National, State and Local Economies.

Public plans distribute more than \$140 billion annually (an amount greater than the total economic output of 22 states) in benefits to nearly seven million retirees, beneficiaries, and other recipients, with an average annual pension benefit of roughly \$20,400. Recent studies have found that public pension funds and the benefits

they distribute provide a steady, robust and reliable economic stimulus to local, state and national economies.

State and Local Plans are Subject to Comprehensive Oversight.

While private sector plans are subject solely to federal regulation, state and local government plans are creatures of state constitutional, statutory and case law and must comply with a vast landscape of state and local requirements, as well as industry accounting standards.

These plans are accountable to the legislative and executive branches of the state; independent boards of trustees that include employee representatives and/or ex-officio publicly elected officials; and ultimately, the taxpaying public.

State and Local Pension Funds Earn Competitive Investment Returns.

For the 10- and 20-year periods ended June 30, 2006, public pension funds generated strong investment returns of 8.5% and 9.5%, exceeding investment benchmarks and closely tracking returns generated by corporate pension plans.



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