



NATIONAL ASSOCIATION OF STATE RETIREMENT ADMINISTRATORS
NATIONAL COUNCIL ON TEACHER RETIREMENT

**NEWS RELEASE
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SURVEY FINDS STATE & LOCAL PUBLIC PENSIONS FINANCIALLY SOUND

*State and Local Retirement Plan Pre-Funding in Stark Contrast to Federal Plans,
Resulting in 63 Percent of Pension Revenue from Investment Income*

AUGUST 30, 2006, Washington, D.C. – According to the *2005 Public Fund Survey*, State and local public sector retirement systems are financially sound. Collectively, the public pension funds included in the survey have pre-funded more than 86 percent of their future liabilities.

“The pre-funding of pension obligations by State and local governments is in stark contrast to Federal government pension programs, which are not pre-funded and subject to appropriation or pay-as-you-go financing,” said Keith Brainard, research director for the National Association of State Retirement Administrators. “Because of this pre-funding approach, State and local pensions derive the bulk of their revenue from investment income,” he added.

For the last two decades, the vast majority of public pension revenue has come from investment earnings, with the ratio increasing over time. 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. Most public sector plans require employee contributions, which typically is not the case for private sector plans.

“The *Public Fund Survey* shows that, as a whole, State and local pension plans are fiscally fit and prepared to continue to meet their benefit commitments,” said Brainard. “Moreover, State and local pension systems can serve as models for increasing retirement security in the U.S.,” Brainard added.

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“What is most important and often overlooked is that public pension funds have successfully endured the 2000-2002 market decline, while continuing to provide security to retirees, stabilizing U.S. financial markets, and distributing consistent and inflation-protected revenue streams that ultimately flow back to communities throughout the nation,” Brainard commented.

Intended to promote sound public retirement system policies and administration by disclosing comprehensive information from the public retirement system community, the *Public Fund Survey* covers more than 85 percent of all state and local government pension assets and plan participants in the U.S. The 102 retirement systems currently included in survey hold \$2.3 trillion in assets, which are earmarked for the retirement security needs of nearly 19 million Americans.

Strengthening retirement security programs in the U.S. is increasingly important as the nation faces a negative savings rate for the first time since the Great Depression. The importance is reinforced by studies showing that most Baby Boomers are financially unprepared for retirement. Additionally, the solvency of Social Security is in question.

In addition to providing retirement security, pension funds are institutional investors that provide valuable capital to the nation’s financial markets. These retirement systems also promote economic activity with more than \$130 billion in benefits distributed annually from State and local pension plans to virtually every city and town across America.

For more than 100 years, public sector pensions have proven to be an efficient and reliable means for providing a modest retirement income for public workers, while also helping taxpayers receive vital services from qualified personnel. It is a cost-effective, time tested component of compensation that facilitates attracting, retaining, and retiring the talent needed to perform critical public sector services. The average annual benefit paid to retired participants in these plans – such as police, teachers, and firefighters – is \$19,500.

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.

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About The Public Fund Survey

The Public Fund Survey is a compendium of key characteristics of the 102 public retirement systems that administer pension and other benefits for retirees and other annuitants. More than 85 percent of all state and local government pension assets and plan participants in the U.S. are represented in the Public Fund Survey. The survey is intended to promote sound public retirement system policies and administration by disclosing comprehensive information from the public retirement system community. The survey is sponsored by the National Association of State Retirement Administrators and the National Council on Teacher Retirement. More information is available at www.publicfundsurvey.org.

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

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