



NATIONAL ASSOCIATION OF STATE RETIREMENT ADMINISTRATORS

**NEWS RELEASE
FOR IMMEDIATE RELEASE**

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GAO FINDS STATE & LOCAL GOVERNMENT PENSIONS WELL FUNDED

Report Confirms Public Pensions Are Managing Obligations, Protecting Benefits and Getting Retirement Right

OCTOBER 31, 2007, Washington, D.C. – The General Accountability Office (GAO) has released a new study reporting that the largest state and local public pension plans are well funded and on track to manage future pension obligations. In a report to Congress, the GAO also says that state and local governments have mechanisms in place to protect pension benefits and comply with fiduciary responsibilities.

“GAO’s conclusions are on par with our own research – collectively, the public pension system is financially sound and getting retirement right for Americans,” said Keith Brainard, research director for the National Association of State Retirement Administrators.

Brainard added, “This report demonstrates that pre-funding a modest, yet stable, retirement income for the nation’s working and retired populations is a worthy and attainable goal. We hope this report will inject a dose of common sense into the retirement security discussion. This is a system that is advance funded and provides a safe, secure, and cost-effective retirement income for some 20 million workers and retirees. We should be exploring ways to bring this type of security to other sectors of the workforce,” Brainard said.

The U.S. Senate Finance Committee requested that the GAO prepare an overview of state and local retirement benefits because the Federal government has an interest in ensuring all Americans have a secure retirement. The report, “State and Local Government Retiree Benefits: Current Status of Benefit Structures, Protections, and Fiscal Outlook for Funding Future Costs,” includes the following findings:

- Most of the nation’s 126 largest public retirement plans analyzed are well funded.
- State and local governments generally set aside monies in advance to finance pension commitments.

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NASRA News Release

October 31, 2007

Page 2

- Strategies typically are in place to manage future pension obligations. GAO predicts that state and local governments as a group may need to increase contributions rates slightly – less than one-half of one percent of payroll – to meet future costs and fund obligations.
- Investment earnings provided 63.7 percent of pension funding from 1982 to 2005, according to U.S. Census data.
- Pension funding is kept on course by making actuarially required contributions.
- Most state and local government employees are required to contribute a percentage of salary to help finance their pension benefit, which typically is not the case in the private sector.
- Pension benefits protections typically are set forth in state constitutions and/or state and local laws, which also often have provisions to prevent the elimination or reduction of benefits.
- Typically, pension funds are established as trusts that are managed by boards in accordance with state constitutions and/or statutes. Boards establish operation and management policies to guide financial controls, reporting, investment strategy, and actuarial assumptions. Board trustees are fiduciaries with independence for managing the funds, and often receive counsel from investment professionals, actuaries, and advisors.
- If a state and local government is making actuarially required contributions, its pension plan can have a funded ratio below 100 percent yet still be on track toward full actuarial funding. The funding status is a measure that captures a government's ongoing effort at one point in time to fund its future pension liability, generally expressed as the ratio of assets to liabilities.

More information about the report is available at
<http://www.gao.gov/docsearch/abstract.php?rptno=GAO-07-1156>.

The National Association of State Retirement Administrators (www.nasra.org) is a non-profit association whose members are the directors of the nation's state, territorial, and largest statewide public retirement systems. Established in 1955, NASRA's 82 members oversee retirement systems that hold more than \$2 trillion in assets and that provide pension and other benefits to more than two-thirds of the nation's state and local government employees.

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