RESOLUTIONS

Adopted at the

83rd Annual NCTR Convention
Business Meeting
Monday, October 10, 2005

Resolutions Committee Members

Linda Ruberto, Chair	Massachusetts TRB
Alan Belstock, Vice Chair	ERFC – Fairfax County, VA
Cecelia M. Carter	PSRS of Kansas City
Graig Luscombe	TRS Louisiana
George McSherry	Massachusetts TRB
Marc Reynolds	RS Alabama
Kim Vincent	Delaware ERS
Iris Wolfson	New York STRS
Martha Lee Zins	Minnesota TRA
Melva Vogler, Liaison	Pennsylvania PSERS

Introduction to Resolutions

NCTR recognizes the contribution of individuals to the public pension industry and expresses its positions on issues through the approval of resolutions. The resolutions of recognition are “In Appreciation Resolutions” or “In Memoriam Resolutions” if the individual in question has passed away. As a rule, these resolutions are in effect for one year only.

Resolutions that express NCTR’s positions on issues fall into the category of “Policy Resolutions.” Such resolutions cover a wide range of issues such as federal regulation of public pension plans and state laws applicable to such plans. Policy Resolutions usually stay in effect for longer than one year and are annually reviewed and updated as necessary.

Each Policy Resolution falls into one of two sub-categories. “Resolutions recommended for continuation” (known as “Continuing Resolutions” once approved) have been previously adopted by delegates at the NCTR annual business meeting. Such resolutions (1) have no changes, or (2) contain non-substantive changes only. If a particular resolution has substantive changes, it is grouped with new resolutions. “New Resolutions” (1) have never been previously submitted, or (2) are resolutions recommended for continuation with substantive changes.

To provide historical context, each policy resolution has the date of its first approval after its title. Many resolutions have been in effect for a long period. For example, the resolution about pension protections in federal bankruptcy reform legislation first passed in 1992. It took Congress 13 years to pass the legislation and, as shown in this latest version, the President finally signed it into law in 2005.

Each year the NCTR office requests resolutions from retirement system members and committees of the organization. The Resolutions Committee reviews each New Resolution submitted as well as each Continuing Resolution. Committee members decide the following with respect to each resolution: (1) to recommend it for adoption; (2) to recommend against its adoption; or (3) to decline to make a recommendation. Delegates to NCTR’s annual business meeting vote on resolutions and those that are approved become statements of the organization.

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I. STATEMENTS OF APPRECIATION

IN APPRECIATION
DR. WILLIAM E. CHRISTOPHER

WHEREAS, for 44 years William E. Christopher assiduously served the citizens of Indiana as an educator and state administrator, including six years as Executive Director of the Indiana State Teachers' Retirement Fund (Fund), always demonstrating exemplary leadership skills, thoughtful guidance and genuine compassion; and

WHEREAS, Dr. Christopher was charged with the responsibility of administering one of the largest pension funds in the United States; and

WHEREAS, Dr. Christopher made it his top priority to prudently manage the Fund in accordance with fiduciary standards, while consistently upholding the integrity of the organization; and

WHEREAS, Dr. Christopher led the Fund pioneering progressive initiatives through modernization and innovation, always challenging the norm to ensure Fund members receive the highest level of service for years to come; and

WHEREAS, Dr. Christopher is highly regarded by public officials, state leaders and the community as a dedicated individual meticulous in his sincerity, trustworthiness, and professionalism; now therefore be it

RESOLVED, the National Council on Teacher Retirement hereby acknowledges William E. Christopher for his noteworthy accomplishments on behalf of the Indiana State Teachers' Retirement Fund and its members and we offer best wishes to him in all future endeavors; and be it further

RESOLVED, that a copy of this resolution be presented to William E. Christopher and be included in the proceedings of the 83rd Annual Convention of the National Council on Teacher Retirement, 2005.

Submitted by: Indiana State Teachers' Retirement Fund

IN APPRECIATION
TOMMY G. FULTON

WHEREAS, Tommy G. Fulton served as a member of the Board of Trustees of the Oklahoma Teachers' Retirement System from August 1988 through March 2005, distinguishing himself as an outstanding and dedicated leader and an authority on pension fund management; and

WHEREAS, Mr. Fulton served the people of Oklahoma and the members of the Teachers' Retirement System with honor and distinction during his tenure, for which his superb contributions are gratefully recognized; and

WHEREAS, Mr. Fulton represented the Oklahoma Teachers' Retirement System as a delegate to the Southern Conference on Teacher Retirement, the National Council on Teacher Retirement, and the National Education Association's Retirement and Benefits Forum, serving as a member of several working committees of those organizations; and his unique insights concerning the problems and needs of public pension funds have left an indelible imprint; and

WHEREAS, through Mr. Fulton's foresight, wisdom, leadership and judgment, the general welfare of all has been advanced; now therefore be it

RESOLVED, that the National Council on Teacher Retirement expresses its appreciation to Tommy G. Fulton for this distinguished service to the Board of Trustees of the Oklahoma Teachers' Retirement System; and be it further

RESOLVED, that a copy of this resolution be presented to Tommy G. Fulton and be included in the proceedings of the 83rd Annual Convention of the National Council on Teacher Retirement, 2005.

Submitted by: The Oklahoma Teachers' Retirement System

IN APPRECIATION
VERNELL R. JACKELS

WHEREAS, Vernell R. Jackels, retired, having served as President, Vice-President and Trustee of the Minnesota Teachers Retirement Association; and

WHEREAS, Mr. Jackels served on the Board of Trustees with distinction from July 1, 1985 through June 30, 2005; and

WHEREAS, Mr. Jackels diligently studied and learned investment and actuarial principles and has been instrumental in shaping policy and procedures strengthening the benefit and funding structure of the Minnesota Teachers Retirement Association; and

WHEREAS, Mr. Jackels provided invaluable guidance and insight to the Board of Trustees, was constantly aware of the concerns of his fellow teachers, and served the Minnesota Teachers Retirement Association with wisdom, loyalty, and dedication; and

WHEREAS, Mr. Jackels proudly served the Minnesota public education community for 34 years as a high school chemistry teacher with the last 30 years in the Winona School District; and

WHEREAS, Mr. Jackels earned the respect, confidence and admiration of countless students, associates, officials and trustees; and

WHEREAS, Mr. Jackels regularly attended NCTR conventions for the last 20 years and shared his expertise and vision by serving on several of its committees; now therefore be it

RESOLVED, that the National Council on Teacher Retirement expresses its best wishes and appreciation to Vernell R. Jackels for his dedicated service to and unwavering support of the Minnesota Teachers Retirement Association; and be it further

RESOLVED, that a copy of this resolution be presented to Vernell R. Jackels and be included in the proceedings of the 83rd Annual Convention of the National Council on Teacher Retirement, 2005.

Submitted by: The Minnesota Teachers Retirement Association.

IN APPRECIATION
RICHARD F. LINDSTROM

WHEREAS, Richard F. Lindstrom was first appointed to the New York State Teachers' Retirement Board by the New York State Board of Regents in 1985; and

WHEREAS, Mr. Lindstrom has been a prominent figure in the banking community for four decades and has been actively involved in numerous civic, professional and educational organizations; and

WHEREAS, Mr. Lindstrom has been a trusted and respected member of the Retirement Board for 20 years, including his vital roles of Vice President of the Board and Chairperson of the Finance Committee, while also serving on the Executive, Personnel and Planning, and Proxy committees; and

WHEREAS, Mr. Lindstrom leaves a legacy of invaluable knowledge, guidance, financial expertise and leadership during the period when the Retirement System grew to become one of the leaders in the pension industry; now therefore be it

RESOLVED, that the Retirement Board and staff extend sincere appreciation to Richard F. Lindstrom for his many contributions to the System's active and retired members and to the citizens of this state; and be it further

RESOLVED, that the Board and staff wish Richard F. Lindstrom and his family good health and happiness in the years ahead; and be it further

RESOLVED, that a copy of this resolution be presented to Richard F. Lindstrom and be included in the proceedings of the 83rd Annual Convention of the National Council on Teacher Retirement, 2005.

Submitted by: New York State Teachers' Retirement Board

IN APPRECIATION
BETTY McGUIRE

WHEREAS, Betty McGuire served on the Board of Trustees of the Arkansas Teacher Retirement System as a Member Trustee from Congressional District #4 from November 1, 1993, until June 30, 2005; and

WHEREAS, Ms. McGuire's long involvement with the Arkansas Teacher Retirement System Board gave her the opportunity to offer strong support to the System. Her knowledge and appraisal of the issues provided valuable service to the System, the Board, and the education profession of the state; and

WHEREAS, Ms. McGuire held leadership roles during her Board tenure as Vice Chair of the Board, Chair of the Legislative Committee, Vice Chair of the Investment Committee, and as a member of the Policies Committee. Her experience in these roles allowed her to have an impact on the critical issues of education in Arkansas; now therefore be it

RESOLVED, that the National Council on Teacher Retirement extends its appreciation to Betty McGuire for her distinguished service to the Arkansas Teacher Retirement System; and be it further

RESOLVED, that a copy of this resolution be presented to Betty McGuire and be included in the proceedings of the 83rd Annual Convention of the National Council on Teacher Retirement, 2005.

Submitted by: The Arkansas Teacher Retirement System

IN APPRECIATION
CYNTHIA L. (CINDIE) MOORE

WHEREAS, Cynthia L. (Cindie) Moore has served as Washington Counsel for the National Council on teacher Retirement (NCTR) for the last eighteen years and is retiring at the end of this year; and

WHEREAS, Ms. Moore was the first person to hold the position of Washington Counsel on a full-time basis and, in this capacity, has capably represented NCTR's interests to the United States Congress and various Federal agencies for many years; and

WHEREAS, Ms. Moore has established herself as an authority in the field of public pension administration and the law pertaining to it as is evidenced in the book she co-authored, which is entitled the Governmental Plans Answer Book; and

WHEREAS, Ms. Moore has been an integral part of NCTR's effort to educate its membership and this is represented in numerous reports and publications she has prepared, including Protecting Retirees' Money and Public Pension Plans: The State Regulatory Framework; and

WHEREAS, Ms. Moore has been an invaluable resource to all of NCTR's active member systems in providing information and analysis relative to the impact of Federal law and regulations on individual pension plans; and

WHEREAS, the membership of NCTR will greatly miss Ms. Moore's legislative presentations at its various meetings and the great support she has provided to the Legislative Committee over the years; now therefore be it

RESOLVED, that the National Council on Teacher Retirement expresses its appreciation to Cindie Moore for her distinguished service to the organization for the past eighteen years; and be it further

RESOLVED, that the entire membership of the Council thanks Cindie Moore for her friendship and professional advice and wishes her the best in her pursuit of a degree in linguistics; and be it further

RESOLVED, that a copy of this resolution be presented to Cindie Moore and be included in the proceedings of the 83rd Annual Convention of the National Council on Teacher Retirement, 2005.

Submitted by: The NCTR Executive Committee

IN APPRECIATION
FRANK READY

WHEREAS, Frank Ready retired on June 30, 2005, as Executive Director of the Public Employees' Retirement System of Mississippi (PERS); and

WHEREAS, Mr. Ready has dedicated 43 years of his life to public service in the areas of public education and retirement administration; and

WHEREAS, Mr. Ready has served as Executive Director of PERS for over nine years having also served as the Executive Director of the New Mexico Education Retirement Association for 18 years prior to joining PERS; and

WHEREAS, Mr. Ready has tirelessly represented the agency, the Board, and the staff on the local, state and national levels having served as Executive Committee Member and President of the National Council on Teacher Retirement (NCTR) and the National Association of State Retirement Administrators (NASRA) and as a delegate to the National Summit on Retirement Savings; and

WHEREAS, Mr. Ready served PERS with vision, loyalty, dedication and integrity providing valuable counsel and leadership to the Board, the PERS staff, the Legislature, and its members and retirees; and

WHEREAS, Mr. Ready championed the need for an adequate level of retirement benefits throughout retirement as well as for access of all retirees to affordable health insurance; now therefore be it

RESOLVED, that the National Council on Teacher Retirement expresses its appreciation to Frank Ready for his many contributions and for his years of dedicated service to NCTR, NASRA, and to the Public Employees' Retirement System of Mississippi, and be it further

RESOLVED, that delegates wish him success, happiness and good health in his retirement; and be it further

RESOLVED, that a copy of this resolution be presented to Frank Ready and be included in the proceedings of the 83rd Annual Convention of the National Council on Teacher Retirement, 2005.

Submitted by: The Public Employees' Retirement System of Mississippi

IN APPRECIATION
DR. FREDERICK D. VOLP

WHEREAS, Frederick D. Volp has been a dedicated public servant and a highly respected member of the New York State Teachers' Retirement System Board since his June 1994 appointment by the Commissioner of Education; and

WHEREAS Dr. Volp served with distinction as chair of the Board's Communications Committee, while also serving on the Audit and Accounting, Ethics, Personnel and Planning, Proxy, and Rules and Regulations committees; and,

WHEREAS Dr. Volp has served as a teacher and administrator in various educational institutions for over 30 years, including Syracuse University, the New York State School for the Deaf, the Oneida City School District, and in his current position as Superintendent of the Cold Spring Harbor School District; and,

WHEREAS Dr. Volp's affiliations also include the New York State Association of Small City School Districts, American Association of School Administrators, American Educational Research Association and Boy Scouts' of America Executive Board; now therefore be it

RESOLVED that the Retirement Board extends sincere appreciation to Frederick D. Volp for his 11 years of exemplary service to the Board, and for his contributions and dedication to the 375,000 active and retired members and beneficiaries it serves; and be it further

RESOLVED that the NYSTRS Board and Staff wish Frederick D. Volp and his family good health and happiness, now and in the future; and be it further

RESOLVED, that a copy of this resolution be presented to Frederick D. Volp and be included in the proceedings of the 83rd Annual Convention of the National Council on Teacher Retirement, 2005.

Submitted by: New York State Teachers' Retirement System Board

II. MEMORIAL RESOLUTIONS

None

III: POLICY RESOLUTIONS RECOMMENDED FOR CONTINUATION

A. Plan Design

A-1. Support for Defined Benefit Plans (1995)

WHEREAS, most state and local governments (SLGs) provide a defined benefit plan as the principal retirement program for their employees; and

WHEREAS, defined benefit plans provide a pension benefit based on a formula that usually consists of an employee's length of service and final average salary multiplied by a percentage; and

WHEREAS, many SLGs offer, as a supplement to the defined benefit plan, a voluntary, tax-advantaged retirement savings vehicle such as a 403(b) tax sheltered annuity, a 457 deferred compensation plan, and a 401(k) plan; and

WHEREAS, efforts have been undertaken that would convert defined benefit plans into defined contribution plans; and

WHEREAS, defined benefit plans provide strength and stability for SLGs, their employees, the taxpaying public, and the economy as a whole in such ways as --

-Fueling the economy: The investment of defined benefit pension assets and the flow of benefit payments to retirees create a continuous, predictable, and growing source of economic stimulus;

-Boosting economic growth: Defined benefit plans are large pools of assets, the investment of which adds billions of dollars each year to the nation's economy through higher returns than what would be earned if the assets were in defined contribution plans;

-Creating needed capital: Defined benefit plans offer a major source of entrepreneurial capital that would not be otherwise widely available;

-Keeping administrative costs low: Defined benefit plans, because they amass large pools of assets, can negotiate lower fees and distribute expenses over a large number of participants. A defined contribution plan as an account held by a single person cannot benefit from such economies of scale and is, accordingly, more costly to administer;

-Using reserve funding to reduce costs: Defined benefit plans use the advantage of advance funding that accumulates sufficient funds to pay future promised benefits. The funding derives from three sources: 1) employees – unlike private sector employees who are rarely required to contribute; 2) employers – the taxpaying public; and 3) investment earnings – which generally provide more than half of the funds needed to pay benefits. Thus, employees and the public pay only a portion of the total funding;

-Creating a high performance workforce: Defined benefit plans help SLGs attract and retain employees, thereby assisting in creating a high performance workforce;

-Offering secure retirement benefits for workers: Defined benefit plans offer a predictable benefit over the life of the retiree that can never be reduced. Accordingly, such plans help assure retirees' financial self-sufficiency;

-Permitting flexible design: Defined benefit plans are sufficiently flexible to address the needs of employees with short careers through portability. They can also incorporate other features such as disability retirement, death benefits, and cost of living adjustments; now therefore be it

RESOLVED, that the National Council on Teacher Retirement unequivocally supports the continuation of defined benefit plans; and be it further

RESOLVED, that the National Council on Teacher Retirement vigorously opposes the conversion of defined benefit plans into defined contribution plans.

A-2. Support for Money Managers to Recognize the Fundamental Role of Defined Benefit Plans (2000)

WHEREAS, virtually all retirement systems that belong to National Council on Teacher Retirement are structured as defined benefit plans; and

WHEREAS, defined benefit plans provide the basic retirement income for state and local government employees; and

WHEREAS, many money managers offer services to defined benefit plans; and

WHEREAS, some money managers are actively lobbying state legislatures to set up a defined contribution plan that either would directly supplant the defined benefit plan, if it replaces the defined benefit plan, or compete with it, if it is an alternative to the defined benefit plan; and

WHEREAS, this lobbying activity directly conflicts with National Council on Teacher Retirement's support for defined benefit plans as an effective means of building retirement income, the best means of offering a predictable lifetime retirement benefit that can never be reduced, and a proven method of attracting and retaining productive employees; now therefore be it

RESOLVED, that the National Council on Teacher Retirement calls upon money managers involved in such lobbying efforts to recognize the fundamental role of defined benefit plans for state and local government employees; and be it further

RESOLVED, that the National Council on Teacher Retirement opposes any efforts by money managers that are detrimental to defined benefit plans.

A-3. Support for Maintaining Fiscal Integrity of State and Local Government Retirement Systems (1992)

WHEREAS, the assets in state and local government retirement systems are dedicated to provide retirement and other benefits to current and future plan participants; and

WHEREAS, benefits under most state and local government law are contractually guaranteed; and

WHEREAS, responsible funding practices are critical to carry out these guarantees and ensure the continued stability of the systems; and

WHEREAS, sufficient funding is especially critical now as “Baby Boomers” begin retirement; and

WHEREAS, insufficient funding will unduly burden future generations of taxpayers; and

WHEREAS, some state and local governments have diminished the stability of retirement systems by reducing or deferring employer contributions, taking control of actuarial matters, invading the corpus of a system’s trust fund, and intervening in a system’s daily operation; and

WHEREAS, defined benefit plans operate pursuant to best practices and standards; and

WHEREAS, state and local governments should, in principle and practice, recognize that retirement administrators and trustees are fiduciaries whose unwavering duty is to act for the exclusive benefit of plan participants; now therefore be it

RESOLVED, that the National Council on Teacher Retirement urges all state and local governments to guarantee pensions that participants earn or accrue; and be it further

RESOLVED, that the National Council on Teacher Retirement urges state and local governments to respect and maintain the fiscal integrity of their retirement systems; and be it further

RESOLVED, that the National Council on Teacher Retirement calls upon state and local governments to not take any action(s) that impair the systems’ stability and/or place in jeopardy the guaranteed rights of plan participants to their benefits.

A-4. Support for Proposals that Streamline Internal Revenue Code Regulation of Existing State and Local Government Plans (1995)

WHEREAS, the federal government is involved to a degree in the regulation of state and local government plans through the pension qualification rules of the federal Internal Revenue Code; and

WHEREAS, the federal Internal Revenue Code grants state and local government retirement plans and their participants tax-deferred treatment; and

WHEREAS, in exchange for this tax-deferred treatment, state and local government retirement plans must comply with a series of complicated qualification rules; and

WHEREAS, many of these rules have little application to the operation of state and local government retirement plans; and

WHEREAS, many of these rules interfere with an employee's ability to save for retirement; and

WHEREAS, many of these rules impose great administrative cost with little or no corresponding benefit; now therefore be it

RESOLVED, that the National Council on Teacher Retirement supports proposals to streamline the Internal Revenue Code pension qualification rules to facilitate the administration of state and local government retirement plans and benefit plan participants.

A-5. Support for Flexibility in Compliance with IRC Section 401(a)(9), the Minimum Distribution Rules (2003)

WHEREAS, IRC Section 401(a)(9) regulates how retirement benefits are distributed; and

WHEREAS, IRC Section 401(a)(9) sets out broad rules about such distributions; and

WHEREAS, state and local governments generally provide retirement benefits to broad groups of individuals; and

WHEREAS, such benefit designs usually include post-retirement increases to offset the decline over time in the value of retirement benefits due to inflation; and

WHEREAS, many of these post-retirement increases and the benefit distribution options have been in law for many years; and

WHEREAS, these post-retirement increases and the benefit distribution options are critically important to retirees and have enhanced their financial security; and

WHEREAS, the U.S. Department of Treasury and Internal Revenue Service have issued a final regulation that will limit the authority of state and local governments to offer new types of post-retirement increases and benefit distribution options; now therefore be it

RESOLVED, that the National Council on Teacher Retirement commends the House and Senate sponsors of legislation to give more flexibility for governmental plans to comply with Section 401(a)(9); and be it further

RESOLVED, that the National Council on Teacher Retirement urges Congress to consider other action, such as exempting governmental plans altogether from Section 401 (a)(9) to assure that state and local governments can offer new types of post-retirement increases and flexible benefit distribution options without the current regulatory restrictions.

A-6. Support for All Governmental Employers to Have Authority to Offer 401(k) Plans, in Addition to Defined Benefit Plans and Existing Supplementary Pension Plans, to Their Employees (1999)

WHEREAS, defined benefit plans provide the basic retirement income for most state and local government employees; and

WHEREAS, some employees also contribute to a supplementary pension plan in which they voluntarily defer a portion of their income (subject to limits) on a tax-favored basis; and

WHEREAS, supplemental savings plans for education employees are known as 403(b) tax sheltered annuities and/or 457 deferred compensation plans; and

WHEREAS, private sector employees have 401(k) plans available to them, but only a few state and local employees have the same opportunity to participate because Congress, in the Tax Reform Act of 1986, terminated the right of states and localities to offer any new 401(k) plans after that time; and

WHEREAS, allowing states and localities to offer 401(k) plans to their employees in addition to other types of voluntary supplemental retirement savings vehicles would give the governmental employers desirable additional flexibility in assisting their employees in preparing for retirement; and

WHEREAS, granting such authority to the states and localities will restore the status quo that was in effect before the Tax Reform Act of 1986; and

WHEREAS, states and localities should be allowed to offer 401(k) plans if desirable for their employees; and

WHEREAS, the extension of 401(k) plans to the public sector should not be based on conditions that restrict or eliminate the use of other existing tax favored vehicles, such as 403(b) tax sheltered annuities and 457 deferred compensation plans; and

WHEREAS, 401(k) and other supplemental pension programs complement defined benefit plans, but are not a substitute for them; now therefore be it

RESOLVED, that the National Council on Teacher Retirement supports the enactment of legislation authorizing the use of 401(k) plans by public sector employers as a complement, not a substitute, for defined benefit plans; and be it further

RESOLVED, that the extension of the availability of 401(k) plans to public sector employees pursuant to the foregoing should be in addition to existing tax favored arrangements, such as 403(b) tax sheltered annuities and 457 deferred compensation plans, and not conditioned on the restriction or closing of these savings vehicles.

A-7. Support for Liberalizing the IRC §415(b) Defined Benefit "Dollar" Limitations (1999)

WHEREAS, state and local retirement systems are primarily defined benefit plans subject to the so-called "dollar" limitations of section 415(b) of the Internal Revenue Code; and

WHEREAS, the enforcement of the dollar limitations pose cumbersome administrative burdens for public sector pension plans because it is often difficult to predict in advance whether the 415(b) limitations will impact a given participant's benefit and the overwhelming majority of public employees are ultimately not affected by the dollar limitations in any event; and

WHEREAS, the uncertainties created by the 415(b) dollar limitations also present potential traps for plan participants considering retirement who cannot be expected to be familiar with the complexities of the federal tax laws but, because of their particular age and circumstances, may have their promised benefits capped by an unforeseen application of the IRC §415(b) dollar limitations; and

WHEREAS, the 415(b) dollar limitations were liberalized by the Economic Growth and Tax Relief Reconciliation Act of 2001(EGTRRA); and

WHEREAS, as a result of the enactment of EGTRRA, even fewer participants in public sector defined benefit plans will be actually affected by the 415(b) dollar limitations; and

WHEREAS, the changes in the 415(b) dollar limitations made by EGTRRA will sunset on December 31, 2010 and return plan participants to the 415(b) dollar limitations as they existed prior to the enactment of EGTRRA; and

WHEREAS, implementation of the "sunset" provision in EGTRRA, if it were to occur, would be substantially detrimental to the interests of participants in governmental plans and create enormous administrative problems for public sector plans; and

WHEREAS, instead of a roll-back of the beneficial changes made by EGTRRA, further liberalization of the 415(b) dollar limitations, or a complete exemption from them for governmental plans, would be greatly welcomed by public sector pension plans as a way of easing or eliminating the administrative burdens of complying with the limitations and by participants as a means of assuring they will be able to predict with confidence the benefit they will receive in retirement; now therefore be it

RESOLVED, that the National Council on Teacher Retirement supports the enactment of legislation eliminating the "sunset" of the positive changes in the IRC §415(b) dollar limitations made by the Economic Growth and Tax Relief Reconciliation Act of 2001; and be it further

RESOLVED, that the National Council on Teacher Retirement supports the enactment of further legislation liberalizing the IRC §415(b) dollar limitations or exempting governmental plans from the IRC §415(b) dollar limitations altogether.

A-8. Support for Work-After-Retirement Policies that Protect Retirement Systems' Funding (Return to Work) (2001)

WHEREAS, a teacher shortage in certain geographic areas and in certain disciplines has prompted discussion about ways to retain veteran educators; and

WHEREAS, school districts may wish to encourage veteran teachers to remain in the workforce to expand the available labor supply; and

WHEREAS, veteran educators may wish to work after retirement; and

WHEREAS, under current law, some employment provisions act as incentives while others create barriers to veteran teachers remaining in the workforce; and

WHEREAS, some state laws provide an incentive by allowing retired teachers to return to work without losing retirement benefits, although such laws usually impose a limit on the amount of earnings or hours worked; and

WHEREAS, other state laws allow individuals who have retired to remain on the job through deferred retirement option plans (DROPs); and

WHEREAS, the issue has been discussed in relation to its potential effect on school districts and veteran educators, but not on the funding of the retirement systems that serve teachers; and

WHEREAS, consideration of any policy that encourages retired teachers to return in the workforce must address the effect on retirement system funding; and

WHEREAS, without such consideration, policies could be adopted that increase retirement system costs without adequate funding being made available; now therefore be it

RESOLVED, that the National Council on Teacher Retirement recommends that an actuarial study be conducted as a precondition to considering any proposal that encourages veteran educators to remain in the work force; and be it further

RESOLVED, that any proposal be adopted only if it is determined that it will either have no adverse actuarial impact on the retirement system's funding or adequate funding is provided to mitigate such impact.

A-9. Support for Working-Toward-Retirement Policies that Protect Retirement Systems' Funding (Phased Retirement) (2002)

WHEREAS, the National Council on Teacher Retirement recognizes that the retirement of the Baby Boomers represents a fundamental shift in the demographics of America that will inevitably impact an individual's traditional transition from his/her working life to retirement; and

WHEREAS, these demographic realities, when combined with the longer life expectancy due to ongoing medical advances that continue to extend the quality of life for retirees, will result in a greater need for financial security amongst retirees for a much longer time than historically projected; and

WHEREAS, many workers expect, either for economic, social, or other reasons, to work for compensation after retirement; and

WHEREAS, it must be recognized that these changes in retirement trends are occurring at a time when the teaching profession, as well as countless other occupations, is anticipating a major worker shortage that may threaten the quality of public education and other public and private services; and

WHEREAS, retired teachers, school administrators and other public sector professionals represent an available, highly skilled potential workforce that may be utilized for mentoring, job sharing opportunities, professional development, and part-time or short-term employment, thereby addressing the individual's need for transitional employment while providing the employer with an invaluable human resource; and

WHEREAS, public pension plans may wish to design benefit programs that are responsive to these changing retirement and workforce issues, but are inhibited from doing so due to tax code provisions that prevent partial retirement distributions while a plan member remains employed at any level; now therefore be it

RESOLVED, that the National Council on Teacher Retirement calls upon the Internal Revenue Service to enable qualified retirement plans to offer benefit programs that may allow for the payment of partial retirement benefits in order to design a transitional or "phased retirement" program that addresses the changing needs of our members and their employers without endangering the plans' tax qualification; and be it further

RESOLVED, that the National Council on Teacher Retirement recommends that an actuarial study be conducted as a precondition to considering any proposal that encourages veteran educators to remain in the work force; and be it further

RESOLVED, that any proposal be adopted only if it is determined that it will either have no adverse actuarial impact on the retirement system's funding or adequate funding is provided to mitigate such impact.

A-10. Support for a Social Security Reform Initiative that Ensures the Long-Term Solvency of the System, that Guarantees at least the Benefits of the Current Program, that Preserves Voluntary Participation for State and Local Governmental Employees, and that Provides All Americans, including All Public Employees and Their Survivors, with a Benefit Commensurate with Their Contributions (2002)

WHEREAS, the National Council on Teacher Retirement recognizes that Social Security has successfully provided basic retirement and other benefits since 1935, lifting countless older Americans out of poverty while serving as the primary source of retirement income for many senior citizens thereby allowing them to live out their retirement years with dignity; and

WHEREAS, Social Security is more than a retirement program, it is a family protection plan that provides benefits to survivors, including spouses and dependent children, as well as disabled adults and children and other Americans with special needs; and

WHEREAS, many state and local governments established independent retirement systems to provide comprehensive and actuarially-sound retirement and related benefit programs for their employees prior to the enactment of the Social Security Act, an act that initially prohibited the inclusion of state and local governmental employees and the mandating of which would seriously threaten, if not destroy, these and other public retirement programs that have been initiated since its enactment; and

WHEREAS, the anticipated retirement of the estimated 77 million so-called "Baby Boomers" will seriously deplete the Social Security Trust Fund leaving funding for only 75% of the promised benefit beginning in 2041, according to the Social Security Trustees, and 2052, according to the Congressional Budget Office; and

WHEREAS, the National Council on Teacher Retirement believes that some of the reform initiatives that have been advanced would actually reduce the retirement security of millions of Americans and jeopardize the guaranteed benefits promised to those covered by the Social Security system, such as proposals to divert funds from the Social Security Trust Fund to establish private accounts and to impose mandatory Social Security coverage on over five million public employees; and

WHEREAS, the Congress has previously enacted ill-conceived provisions, such as the Windfall Elimination Provision and the Government Pension Offset 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 millions of Americans; and

WHEREAS, the National Council on Teacher Retirement includes state and local retirement systems that provide excellent retirement and other related benefits that are actuarially funded, that address the unique needs of their members and their survivors, and that provide models for reform of the Social Security system; now therefore be it

RESOLVED, that the National Council on Teacher Retirement calls upon the President and the Congress of the United States of America to enact comprehensive Social Security reform legislation that will:

- 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;

- Establish an investment program for the Social Security Trust Fund 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 can be used solely for retirement, survivor, and disability benefits;

- Protect the rights 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-considered design changes to financially secure and well-designed public retirement systems; and

- Address those provisions of prior amendments to Social Security, such as the Government Pension Offset and 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 millions of Americans; and be it further

RESOLVED, that the National Council on Teacher Retirement actively opposes any Social Security reform that undermines the long-term solvency of the Social Security Trust Fund, reduces the current level of Social Security benefits, establishes individual private accounts, or jeopardizes the guaranteed inflation-adjusted retirement income currently promised to American workers, retirees, and their survivors.

B. Investment of Assets

B-1. Support for Continuation of Strong Fiduciary Duties to Protect Assets of Retirement Plan Participants (1991)

WHEREAS, the exclusive purpose of state and local government pension plans is to provide benefits to their participants; and

WHEREAS, state and local government pension plan administrators and trustees are fiduciaries of such plans; and

WHEREAS, fiduciaries must invest plan assets according to standards that include the duty to invest the assets in a prudent manner; and

WHEREAS, in investing prudently, fiduciaries must seek investments that provide an appropriate risk-adjusted market rate of return; and

WHEREAS, fiduciaries' responsibilities include the monitoring on a regular basis the performance of investments, including providing guidance on the voting of proxies for corporate holdings; and

WHEREAS, if fiduciaries do not invest according to these standards, they violate their duties and responsibilities to the plan participants and are subject to personal liability; and

WHEREAS, some policymakers are interested in using pension funds for purposes unrelated to the retirement plan, including the making of investments that advance social concerns; and

WHEREAS, if fiduciaries act according to the wishes of the policymakers, they will violate these duties and responsibilities; now therefore be it

RESOLVED, that the National Council on Teacher Retirement strongly supports the retention of authority by retirement fiduciaries to make investment decisions that serve the exclusive benefit of plan participants; and be it further

RESOLVED, that the National Council on Teacher Retirement 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.

B-2. Support for Increased Investor Protection (2002)

WHEREAS, the members of the National Council on Teacher Retirement invest in and are shareholders of all or most of the publicly-held companies in the United States; and

WHEREAS, as investors in and shareholders of publicly-held domestic companies, National Council on Teacher Retirement members must rely on the vigilance and integrity of the boards of directors, officers, and independent auditors of portfolio companies to assure: 1) the companies are operated on a sound financial basis; 2) their reports on the financial condition and operating results of those companies are truthful and accurate; and 3) the companies are managed solely in the interest of shareholders; and

WHEREAS, the magnitude of corporate disasters has demanded vigorous and appropriate response in order to restore investor confidence in publicly-held domestic companies, assure the truthfulness and reliability of corporate financial statements, and assure the proper accountability of corporate boards, management, and independent auditors to their shareholders; and

WHEREAS, Congress approved and the President signed into law the Sarbanes-Oxley Act of 2002 that includes such important reforms as:

-Assuring meaningful auditor independence by limiting non-audit services that auditors may perform for their audit clients; and

-Making meaningful reform in the oversight of auditors by establishing a new body consisting of a majority of non-accountants with independent funding and meaningful disciplinary powers; now therefore be it

RESOLVED, that the National Council on Teacher Retirement urges the appropriate regulatory bodies, exchanges, and Congress to continue to develop policy, procedures, and controls that promote the interest of shareholders; and be it further

RESOLVED, that the National Council on Teacher Retirement strongly urges corporate boards of directors and officers to make decisions in all matters in the interest of shareholders.

C. Plan Governance

C-1. Support for Current Governance of State and Local Government Retirement Plans (1995)

WHEREAS, most state and local government retirement plans have been in operation for decades, some having been in existence since the beginning of the 20th century; and

WHEREAS, over 90% of full-time state and local government employees are covered by a defined benefit pension plan; and

WHEREAS, state and local government retirement plans are funded by revenues provided by the employees themselves, state and local taxpayers, and/or earnings from investments managed by the pension board of trustees; and

WHEREAS, most state and local governments have a strong contractual, and in some cases, constitutional commitment to guarantee their pension liabilities; and

WHEREAS, the political process ensures that state and local government employees and retirees have meaningful input regarding legislative decisions affecting retirement plans; and

WHEREAS, state and local government retirement plans operate pursuant to an array of state laws, including statutory and common law trust principles, conflict of interest laws, codes of ethics, and sunshine laws; and

WHEREAS, the boards of trustees of state and local government retirement plans have diverse memberships that frequently are made up of representatives of employees, retirees, investment professionals, elected officials, and members of the public; and

WHEREAS, state and local government retirement plans have a long history of success in providing retirement security to their participants under the current regulatory structure; now therefore be it

RESOLVED, that the National Council on Teacher Retirement advocates appropriate regulation that provides protection of state and local government retirement plans by the respective state or local government.

C-2. Opposition to Unnecessary Notice Provision in Federal Pension Security Legislation (2002)

WHEREAS, the National Council on Teacher Retirement supports the rights of employees to receive from their employer timely notifications about their pension benefits and the status of their defined contribution pension plan investments; and

WHEREAS, employees should receive timely notifications when their ability to make withdrawals or secure loans from their pension account is temporarily suspended; and

WHEREAS, employee pension benefits should be protected when these funds are invested in employer stock and employees are prohibited from selling these securities in self-directed accounts when the corporation is experiencing financial difficulties and executives of the corporation are allowed to sell the securities and employees are not; and

WHEREAS, employees should be provided with appropriate investment information so they can make informed decisions about self-directed investment accounts and maximize their pensions; and

WHEREAS, participants in state and local government plans do not have the option to invest in employer’s stock; and

WHEREAS, public employees are currently being provided with notifications, reports, and investment education as required by state and local statute and regulations; and

WHEREAS, making state and local public plans duplicate reporting, notification, and investment education to comply with federal regulations is not only unnecessary but would be costly, with the cost being shifted to the plan participants; and

WHEREAS, the application of a monetary penalty or excise tax by the federal government on state and local government pension plans for failure to comply with additional federal requirements violates a long-standing precedent of exempting such plans from federal taxation as well as forcing the cost of such penalty or tax to be shifted the plan participants; now therefore be it

RESOLVED, that the National Council on Teacher Retirement calls on Congress to exclude public plans from pension security legislation because they comply with the reporting, notification, and investment education requirements governed by state and local statute and regulations; and be it further

RESOLVED, that the National Council on Teacher Retirement calls on Congress to oppose the application of any penalty or tax to state and local government plans as a violation of long-standing precedent of exempting such plans from federal taxation.

D. Taxation

D-1. Opposition to Tax on the Assets and Income of Public Pension Plans and Opposition to Elimination of Tax-Exempt Status of Public Pension Plan Assets (1991)

WHEREAS, the administrators and trustees of a public pension plan invest the plan's assets to earn income as part of the overall funding process; and

WHEREAS, any tax on these assets and income whether in the form of a securities transfer excise tax or any other form, or the elimination of the tax-exempt status of these assets, will erode the financial integrity of the plans as well as raise the cost of these programs to the employees, employers, and taxpayers; and

WHEREAS, this result would be contrary to the retirement objectives embodied in the Internal Revenue Code; now therefore be it

RESOLVED, that the National Council on Teacher Retirement vigorously opposes any effort to enact any tax on the assets and income of public pension plans or any effort to eliminate the tax-exempt status of such plans.

D-2. Support for Deleting Sunset Provision for Pension Provisions Enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) (2001)

WHEREAS, the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) greatly simplified the regulation of state and local government retirement systems; and

WHEREAS, EGTRRA significantly improved the portability of various types of tax sheltered retirement savings plans for public employees; and

WHEREAS, over each of the next few years, EGTRRA increases the dollar limits that public employees may contribute annually to their tax deferred retirement savings accounts, thereby encouraging them to provide for their own financial well-being after retirement; and

WHEREAS, EGTRRA will sunset on December 31, 2010, at which time prior law will return, including the complex and burdensome regulations, barriers to portability, and lower annual contribution limitations; and

WHEREAS, the potential return of prior law makes financial planning for retirement very confusing and difficult, and, if prior law returns, it will be substantially detrimental to the interests of participants in state and local government retirement systems and create enormous problems for plan administrators; now therefore be it

RESOLVED, that the National Council on Teacher Retirement urges Congress to delete the sunset provisions as they relate to the pension provisions in the Economic Growth and Tax Relief Reconciliation Act of 2001.

D-3. Support for Participants to Fund Retiree Health Insurance and Other Medical Expenses on a Pre-Tax Basis (2002)

WHEREAS, health care costs are dramatically rising each year; and

WHEREAS, many state and local governments provide health insurance programs for both their employees and retirees; and

WHEREAS, these programs allow employees and retirees access to health care at a reasonable cost; and

WHEREAS, some of the programs allow employees to pay for their health insurance premiums and other medical expenses on a pre-tax basis through cafeteria plans or flexible spending accounts, as authorized by the federal Internal Revenue Code and comparable state tax laws; and

WHEREAS, current federal law fails to provide the same mechanism for retirees to pay for their health insurance premiums and other medical expenses on a pre-tax basis; and

WHEREAS, retirees are disproportionately affected by rising health care costs; and

WHEREAS, this disparity of tax treatment between employees and retirees violates simple notions of fairness; now therefore be it

RESOLVED, that the National Council on Teacher Retirement calls upon the President and Congress to support provisions that modify the federal Internal Revenue Code and comparable state tax laws so that participants may fund retiree health insurance premiums and other medical expenses on a pre-tax basis.

E. Other

E-1. Appreciation to Congress and President for Supporting Expanded Pension Protections in Bankruptcy Reform Bill (1992)

WHEREAS, preserving the security of the interests of state and local government employees, including teachers, in their retirement systems, IRC §403(b) tax deferred annuities, IRC §457 deferred compensation plans, and other tax favored retirement savings vehicles is a matter of overriding interest and concern to the National Council on Teacher Retirement; and

WHEREAS, in line with that interest and concern, the National Council on Teacher Retirement has welcomed the trend in court decisions affording increasing protection from creditor claims for the retirement interests of state and local government employees, including teachers, who are compelled by circumstances to file for bankruptcy; and

WHEREAS, legislation was enacted April 20, 2005 that, among other things, provides expanded pension protections by establishing a new exemption in bankruptcy for tax favored retirement savings vehicles not protected from creditor claims under current law, assuring continued ability of state and local government employees, including teachers, to repay their plan loans after filing for bankruptcy under Chapter 13 of the Bankruptcy Code, and assuring that retirement contributions can continue to be made to tax favored plans by and for the benefit of state and local government employees, including teachers, notwithstanding their filing for bankruptcy under Chapter 13; and

WHEREAS, the enactment of the additional protections is of substantial benefit to state and local government employees, including teachers; now therefore be it

RESOLVED, that the National Council on Teacher Retirement commends Congress and the President for including these additional protections for retirement savings in the Federal Bankruptcy Code.

E-2. Support for Governmental 403(b) Programs (2003)

WHEREAS, a number of governmental retirement plans that serve public school teachers administer supplementary Section 403(b) programs; and

WHEREAS, these programs serve thousands of public school employees around the country; and

WHEREAS, these programs have various structures that range from allowing products from selected 403(b) providers to being entirely self-insured; and

WHEREAS, the U.S. Department of the Treasury is undertaking a revision of the rules that apply to all types of 403(b) programs; and

WHEREAS, these programs provided by governmental retirement plans offer their members lower costs, management by retirement professionals, and unique investment options not available in the public market; and

WHEREAS, a number of these programs were granted a grandfather rule upon which the programs and their members have relied; now therefore be it

RESOLVED, that the National Council on Teacher Retirement urges the U.S. Department of the Treasury, as part of the revision of the 403(b) rules, to preserve these supplementary programs offered to public school teachers by governmental plans; and be it further

RESOLVED, that the National Council on Teacher Retirement urges the U.S. Department of the Treasury, as part of the revision of the 403(b) rules, to take other steps that maintain the value and utility of these programs.

E-3. Support for Clarification of State and Local Government Retirement Systems' Use of Social Security Numbers (2003)

WHEREAS, for decades many state and local government retirement systems have used the social security number of the member as the main numeric identification number in the administration of the member accounts; and

WHEREAS, the member's social security number has been used by state and local government retirement systems and health insurance providers in administering retiree health insurance plans; and

WHEREAS, social security numbers are required extensively by the federal government in tax, Social Security, and Medicare reporting; and

WHEREAS, proposals have been made by the Congress that would prohibit the display, sale, or purchase of social security numbers; and

WHEREAS, such proposals do not make clear that state and local government retirement systems' use of social security numbers do not constitute display, sale, or purchase of such numbers; and

WHEREAS, many state and local government retirement systems are already required by state law to have extensive safeguards in place to prevent public release of member social security numbers and other personal member information; and

WHEREAS, converting to different member identification systems will result in significant cost and disruptions in the administration of state and local government retirement systems; now therefore be it

RESOLVED, that the National Council on Teacher Retirement urges Congress to make clear in any relevant legislation that state and local government retirement systems' use of social security numbers does not constitute display, sale, or purchase of such numbers; and be it further

RESOLVED, that the National Council on Teacher Retirement commends Rep. Clay Shaw (R-FL) and a bipartisan group of cosponsors for introducing H.R. 1745 that, among other things, makes clear that the submission of social security numbers as part of the administration of, or provision of benefits under, employee benefit plans, including those of state and local governments, is outside the scope of the bill.

E-4. Support for Health Care Reform (2004)

WHEREAS, national health care spending, according the National Coalition on Health Care, increased by 7.7% in 2003, reaching nearly $1.7 trillion; and

WHEREAS, the increase in health care spending was four times the rate of inflation in 2003; and

WHEREAS, between 2001 and 2003, increases for national spending for prescription medications averaged 14%; and

WHEREAS, the United States, where 45 million Americans are uninsured, spends more on health care than other industrialized nations, even though in those nations all citizens have health care insurance; and

WHEREAS, access to medical care becomes more vital and more expensive as people age; and

WHEREAS, retirees are particularly vulnerable to these increases because they cannot easily access affordable health care unless offered to them by a former employer; and

WHEREAS, Medicare is the primary source of health care coverage for most Americans age 65 and over; and

WHEREAS, the National Coalition on Health Care, of which National Council on Teacher Retirement is a part, advocates:

- Health Care for all
- Cost Containment
- Quality Improvement
- Equitable Financing
- Simplified Administration; and

WHEREAS, not all NCTR members administer a health care program, but all NCTR members are indirectly affected because rising costs erode the purchasing power of the retirees to whom they provide pension benefits; now therefore be it

RESOLVED, that the National Council on Teacher Retirement supports health care reform that will provide health care for all, contain costs, improve quality, ensure equitable financing, and simplify administration; and be it further

RESOLVED, that the National Council on Teacher Retirement supports special efforts to concentrate health care dollars so that retirees can access affordable health care; and be it further

RESOLVED, that the National Council on Teacher Retirement working with other organizations, continue to fight for laws that make prescription drug coverage available and affordable to all citizens on a voluntary basis; and be it further

RESOLVED, that the National Council on Teacher Retirement urges Congress to work to strengthen Medicare, including stabilizing its financial position.

IV. NEW OR SUBSTANTIALLY REVISED RESOLUTIONS FOR 2005-2006

NEW RESOLUTION #1

Commendation to West Virginia for Opening Its Defined Benefit Plan to New Teachers

WHEREAS, West Virginia established a defined benefit (DB) plan for its teachers in 1941; and

WHEREAS, the DB plan provides a guaranteed lifetime retirement benefit; and

WHEREAS, West Virginia closed the DB plan for new teachers who began covered service on or after July 1, 1991; and

WHEREAS, as a result of the closure, such teachers are required to participate in a defined contribution (DC) plan; and

WHEREAS, under a DC plan, a retiree receives a benefit that is not guaranteed for life; and

WHEREAS, as a result of a law enacted on May 4, 2005, West Virginia opened the DB plan to teachers who began covered service on or after July 1, 2005; and

WHEREAS, West Virginia will allow teachers in the DC plan to vote collectively in 2006 on whether to maintain the plan or merge it with the DB plan; and

WHEREAS, opening the DB plan to new teachers is estimated to save the state $1.4 billion over the next 29 years, while providing retired teachers with a guaranteed benefit; now therefore be it

RESOLVED, that the National Council on Teacher Retirement commends West Virginia for (1) opening the DB plan for new teachers and (2) allowing teachers in the DC plan the choice of whether or not to continue with it.

Submitted by: The NCTR Legislative Committee

NEW RESOLUTION #2

Opposition to Repeal of Employer Pick Up

WHEREAS, Internal Revenue Code Section 414(h)(2) allows governmental employers to pick up (assume and pay) some or all of what would otherwise be employee contributions; and

WHEREAS, Congress enacted Section 414(h)(2) as part of the Employee Retirement Income Security Act of 1974; and

WHEREAS, under the pick up, employee contributions to a retirement plan are no longer includible in the employee's income; and

WHEREAS, the pick up of employee contributions has no effect on state law, state taxes, or salary increases; and

WHEREAS, 75% of contributory state and local government plans pick up their employee contributions; and

WHEREAS, the Joint Committee on Taxation (JCT), a body that advises Congress on tax policy, has proposed the repeal of the pick up; and

WHEREAS, no abuses or problems have been cited to justify the repeal; and

WHEREAS, courts have consistently upheld Congress' enactment of the pick up; and

WHEREAS, the repeal of the pick up will subject affected employees to an immediate tax increase during a time when the federal government is attempting to reduce, not increase, tax burdens; and

WHEREAS, the repeal would require costly administrative changes including re-programming computers, re-designing pension plans in some cases, and notifying and educating plan participants; now therefore be it

RESOLVED, that the National Council on Teacher Retirement calls on Congress to oppose the repeal of the pick up and continue to maintain this successful 30-plus year policy.

Submitted by: The NCTR Legislative Committee

NEW RESOLUTION #3

Support for Modification of Proposed Regulations on IRC §415 to Address Public Plans' Concerns

WHEREAS, the Secretary of the Treasury and the Internal Revenue Service have recently proposed new comprehensive regulations interpreting section 415 of the Internal Revenue Code, the provision of federal tax law that limits the amount of benefits which may be paid out by qualified defined benefit plans and the amount of contributions which may be made to qualified defined contribution plans; and

WHEREAS, the retirement system members of the National Council on Teacher Retirement, as qualified plans under section 401(a) of the Internal Revenue Code, are subject to the provisions of section 415 of the Internal Revenue Code and, therefore, have an obvious interest in the proposed regulations; and

WHEREAS, the proposed regulations have raised certain concerns for public sector defined benefit and defined contribution plans, including with respect to proposals applicable to situations in which the benefits of retired public employees are increased following retirement, to cost of living increases, to public employees who commence receiving their benefits after age 65, and to payments made to public employees by their employers after they separate from service; and

WHEREAS, a comment letter has been submitted to the Internal Revenue Service on behalf of the National Council on Teacher Retirement as well as the National Association of State Retirement Administrators, and the National Conference on Public Employee Retirement Systems raising those concerns which had then been identified and testimony was provided on behalf of those organizations at the public hearing on the proposed regulations held by the Secretary of Treasury and the Internal Revenue Service on August 17, 2005; and

WHEREAS, the Internal Revenue Service has indicated it will continue to accept comments on the proposed regulations for several months, notwithstanding that the formal deadline for submitting comments may have passed; and

WHEREAS, it is in the best interests of the retirement system members of the National Council on Teacher Retirement that the proposed regulations be carefully reviewed by as many public sector retirement systems as reasonably practicable and that all reasonable concerns of public sector plans be raised and addressed in whatever final regulations are issued by the Secretary of the Treasury and the Internal Revenue Service; now therefore be it

RESOLVED, the National Council on Teacher Retirement strongly encourages all retirement system members to review the proposed regulations and to provide comments on any areas of concern that they may find with the proposed regulations, if they have not already done so; and be it further

RESOLVED, that the National Council on Teacher Retirement respectfully urges the Secretary of the Treasury and the Internal Revenue Service to seriously consider the comments submitted on behalf of the National Council on Teacher Retirement, to take appropriate action to account for the special needs and concerns of governmental plans in complying with section 415 of the Internal Revenue Code, and to refrain from imposing burdens upon governmental plans beyond those plainly set forth in section 415; and be it further

RESOLVED, that the National Council on Teacher Retirement specifically urge the Secretary of the Treasury and the Internal Revenue Service to modify the proposed regulations so that

• Retirement benefits as increased following retirement by reason of permanent or ad hoc cost of living increases, other legislated benefit improvements, qualified domestic relations orders, or other events are in compliance with section 415(b) if the benefits as increased do not exceed the applicable 415(b) defined benefit limitation at the time the benefits are increased;

• Future cost of living increases pursuant to permanent cost of living provisions are not required to be converted into a straight life annuity and included in the benefit tested against the applicable 415(b) defined benefit limitation at the time of retirement;

• The dollar limitation pursuant to section 415(b) on benefits which may be paid to public employees who commence receiving benefits after age 65 is permitted to increase even though public sector plans generally do not and are not required to actuarially increase benefits where payment is delayed until after age 65;

• Payments made by employers to departing public employees within a reasonable time following separation from service will still be considered compensation for section 415(c) purposes;

• The limitations on benefits in section 415(b) not be made applicable to benefits as they accrue but be made applicable only to benefits when they are paid; and be it further

RESOLVED, that the National Council on Teacher Retirement continue to work with other public employee plan organizations in urging the development of final regulations which respond to the concerns raised by public sector plans with the proposed regulations.

Submitted by: The NCTR Legislative Committee