

RESOLUTIONS

Adopted at the
80th Annual NCTR Convention
Business Meeting
October 9, 2002

Resolution Committee Members

Melva Vogler, Chair, Pennsylvania
William Finelli (Rhode Island)
Gloria Hardiman (Georgia)
Tom Mann (Wyoming)
Sandra March (City of New York)
Denise Owens-Mounger (Mississippi)
Dave Stella (Denver)
Jay Stoffel (Duluth)
Michael Williamson (North Carolina)
Iris Wolfson (New York State)

**IN APPRECIATION
JIM GILLACH**

WHEREAS, Jim Gillach served on the St. Paul Teachers' Retirement Fund Association Board with distinction from January 1984 to January 2002; and

WHEREAS, Jim served as President of the Board of Trustees for fifteen years; and

WHEREAS, Jim championed the improvement of benefits for both active and retired members while insisting that the Association remain actuarially funded; and

WHEREAS, Jim served the Association with vision, loyalty, dedication and integrity by providing valuable counsel and leadership to the Association and support to Association staff; and

WHEREAS, during Jim's tenure, the Association grew substantially both in assets, benefits and membership; and now therefore be it

RESOLVED that the National Council on Teacher Retirement expresses its appreciation to Mr. Gillach for his contributions and dedicated years of outstanding service and leadership to the St. Paul Teachers' Retirement Fund Association; and be it further

RESOLVED, that a copy of the resolution be presented to Jim Gillach and be included in the proceedings of the 80th Annual Convention of the National Council on Teacher Retirement, 2002.

Submitted by: The Board of the St. Paul Teachers' Retirement Fund Association

**IN APPRECIATION
JAMES P. HADLEY, JR**

WHEREAS, James P. Hadley, Jr., faithfully served the Board of Trustees of Teachers' Retirement System of Louisiana as the System Director for twelve years; and

WHEREAS, during Mr. Hadley's tenure as director the assets of the System increased by more than 200 percent from \$3.9 billion to \$11.8 billion and the funded percentage of the System increased from 48.2 percent to 78.4 percent; and

WHEREAS, these achievements were made possible through Mr. Hadley's recommendation and the Board's decision to reallocate assets from 65 percent fixed income to 65 percent equity and from zero exposure to international markets and alternative investments to nearly \$4 billion now dedicated to these asset classes; and

WHEREAS, under Mr Hadley's direction many benefit enhancements were provided, including implementation of the Deferred Retirement Option Plan, the Initial Lump-Sum Benefit, the Employee Experience Account, the mechanism for granting Cost-of-Living Adjustments, and the Alternative Contribution Plan; and

WHEREAS, Mr. Hadley was instrumental in reforming the twenty-year retirement provisions, making that retirement option cost neutral to the System; in reforming benefits paid to disability retirees, making benefit payments equitable for all members retiring with disabling conditions; and in reforming the return-to-work provisions for retirees and employers, enabling schools to recruit qualified teachers back to classrooms; and

WHEREAS, under Mr. Hadley's direction an audit department was established to protect System assets; a communications department was established to better inform members, retirees, employers, and the general public about retirement issues; a business continuity plan was established to ensure continued operation of the retiree payroll process in the event of a disaster; TRSL's position on the cutting edge of technology was affirmed by migration to a client-server environment, imaging of member records, reengineering of all system work processes, and development of TRSL's presence on the World Wide Web; and numerous professional and civic accolades were received by the System, including the *Public Pension Principles Achievement Award* given by the Public Pension Coordinating Council and the *Certificate of Achievement for Excellence in Financial Reporting* given by the Government Finance Officers' Association of the United States and Canada for ten consecutive years; and

WHEREAS, Mr. Hadley's service to Teachers' Retirement System of Louisiana was performed with dignity, loyalty, and dedication; now therefore be it

RESOLVED, that the National Council on Teacher Retirement hereby expresses its appreciation to Mr. Hadley for his dedicated service to the Teachers' Retirement System of Louisiana; and be it further

RESOLVED, that this resolution be presented to James P. Hadley, Jr., and be included in the proceedings of the 80th Annual Convention of the National Council on Teacher Retirement, 2002.

Submitted by: The Teachers' Retirement System of Louisiana

**IN APPRECIATION
SILVIA HANSON**

WHEREAS, Silvia Hanson has served on the Board of Trustees of the Minneapolis Teachers' Retirement Fund Association (MTRFA) from April 1996 through March 2002; and

WHEREAS, Silvia Hanson has demonstrated the highest level of excellence and dedication to teaching in more than 21 years of public teaching service; and

WHEREAS, Silvia Hanson has championed increased funding and the improvement of benefits for active members of the Minneapolis Teachers' Retirement Fund Association; now therefore be it

RESOLVED, that the delegates to the 80th Annual NCTR Convention express their appreciation to Silvia Hanson for her public service; and be it further

RESOLVED, that this resolution be presented to Silvia Hanson and be included in the official proceeding of the 80th Annual Convention of the National Council on Teacher Retirement, 2002.

Submitted by: Minneapolis Teachers' Retirement Fund Association

**IN APPRECIATION
WILL KEATING**

WHEREAS, Will Keating is retiring as the Administrative Officer of the National Association of State Retirement Administrators (NASRA) this month; and

WHEREAS, Will Keating has dedicated nearly 30 years of his life to public pension service including serving as the Executive Officer of Nevada PERS from 1982-1995; and

WHEREAS, in recent years as the Administrative Officer of NASRA, he has been instrumental in elevating the profile of this organization and making it an important player in national pension administration issues; and

WHEREAS, Will was the driving force in the establishment of the Public Pension Coordinating Council (PPCC) in 1990 which has helped to foster a better relationship between NASRA, NCTR and NCPERS and has resulted in the development of standards and principles for the public pension community; and

WHEREAS, Will's even temperament, leadership, tenacity, and desire for the general improvement in pension fund professionalism will be sadly missed by the public fund community; now therefore be it

RESOLVED, that the delegates to the 80th annual NCTR convention congratulate Will on his significant contributions to the advancement of public pension funds in the United States; and be it further resolved

RESOLVED, that delegates wish him continued, success, happiness, and health and that a copy of this Resolution be presented to Will Keating and be included in the proceedings of the 80th Annual Convention of the National Council on Teacher Retirement, 2002.

Submitted by: The NCTR Executive Committee

**IN APPRECIATION
H. L. "CURLY" MCLAIN**

WHEREAS, Curly McLain has served as a trustee of the North Dakota Teachers' Fund for Retirement representing retired members with distinction from July 1997 through June 2002; and

WHEREAS, Curly McLain has championed the improvement of benefits for retired and active members of the Teachers' Fund for Retirement; and

WHEREAS, Curly McLain has demonstrated the highest level of excellence, enthusiasm, and accomplishments in his many years of public service and has been an inspiration to all who have had the pleasure to serve with him; and

WHEREAS, Curly McLain has provided valuable insight to the Board of Trustees and staff, and has served North Dakota Teachers' Fund with dignity, loyalty, and dedication; now therefore be it

RESOLVED, that the trustees of the members of the National Council on Teacher Retirement express their sincere appreciation to Curly McLain for his contributions to North Dakota Teachers' Fund; and be it further

RESOLVED, that NCTR extend its best wishes to Curly and his wife, Barbara for a long and happy life of continued activity; and be it further

RESOLVED, that a copy of this Resolution be presented to H.L. "Curly" McLain and printed in the official proceedings of the 80th Annual Convention of the National Council on Teacher Retirement, 2002.

Submitted by: The North Dakota Teachers' Fund for Retirement

**IN APPRECIATION
CHARLES A. PETERS**

WHEREAS, Charles A. Peters has served with distinction as a Trustee of the Omaha School Employees' Retirement System initially as a representative of the Board of Education for 12 years and then as a representative of the business community for 24 years; and

WHEREAS, Charles has served as both Vice President and President of the Board of Trustees; and

WHEREAS, Charles has brought his high standards of leadership, honesty, loyalty, dedication, and integrity to the position at all times in working to provide a better retirement and investment program for all Omaha Public Schools employees and retirees; and

WHEREAS, Charles has served the National Council on Teacher Retirement as a member of the Executive Committee and as a delegate or alternate to the annual meetings at over 20 conferences; and

WHEREAS, Charles is currently and has been active in community organizations providing invaluable service to the public by presently serving as Chairman of the Public Employees Retirement Board of Nebraska and having served as President of the following organizations: Omaha School Employees' Retirement System; Omaha Public Schools Board of Education; Nebraska School Board Association; Historical Society of Douglas County; Landmarks, Inc.; the Omaha Metropolitan Association of Churches; and through service on numerous other community groups; and

WHEREAS, Charles has had a distinguished professional career having served as President of NP Dodge Company, the Omaha Area Board of Realtors, and the Iowa-Nebraska River Industrial Park and is currently president of CAP Investments, Inc.; now therefore be it

RESOLVED, that the members of NCTR join with the Retirement System members, Board of Trustees, and staff in extending their grateful appreciation to Charles and recognize him for his contributions to NCTR and for his dedicated service to the members of the Retirement System and extend their best wishes to him and his wife, Jeanne, for good health and for success and happiness in all their future endeavors; and be it further

RESOLVED, that a copy of this Resolution be presented to Charles A. Peters and be included in the proceedings of the 80th Annual Convention of the National Council on Teacher Retirement, 2002.

Submitted by: The Omaha School Employees' Retirement System

**IN APPRECIATION
MARY THORNTON PHILLIPS**

WHEREAS, Mary Thornton Phillips served on the St. Paul Teachers' Retirement Fund Association Board with distinction from January 1998 to December 2001; and

WHEREAS, Mary championed the improvement of benefits for both active and retired members while insisting that the Association remain actuarially funded; and

WHEREAS, Mary served the Association with vision, loyalty, dedication and integrity by providing valuable counsel to the Association and support to Association staff; and

WHEREAS, during Mary's tenure, the Association grew substantially both in assets, benefits and membership; and now therefore be it

RESOLVED, that the National Council on Teacher Retirement expresses its appreciation to Ms. Phillips for her contributions and dedicated years of outstanding service to the St. Paul Teachers' Retirement Fund Association; and be it further

RESOLVED, that a copy of this resolution be presented to Mary Thornton Phillips and be included in the proceedings of the 80th Annual Convention of the National Council on Teacher Retirement, 2002.

Submitted by: The Board of the St. Paul Teachers' Retirement Fund Association

**IN APPRECIATION
MARK TOMASELLO**

WHEREAS, Mark Tomasello has served as a Trustee of the Omaha School Employees' Retirement System as a representative of the classified employees for eight and one half years; and

WHEREAS, Mark has served the active and retired members of the System with loyalty, dedication, and integrity; and

WHEREAS, during Mark's tenure as a Trustee, benefits for active and retired members were substantially improved; and

WHEREAS, Mark has been an active participant in the National Council on Teacher Retirement throughout his service on the Board of Trustees; and

WHEREAS, Mark retired from his service to the Board of Trustees and NCTR in April, 2002; now therefore, be it

RESOLVED, that the National Council on Teacher Retirement expresses its appreciation to Mark for his contributions and for his dedicated years of service to the Omaha School Employees' Retirement System; and be it further

RESOLVED, that a copy of this Resolution be presented to Mark Tomasello and be included in the proceedings of the 80th Annual Convention of the National Council on Teacher Retirement, 2002.

Submitted by: The Omaha School Employees' Retirement System

**IN APPRECIATION
RICHARD WAGENKNECHT**

WHEREAS, Richard “Dick” Wagenknecht served on the St. Paul Teachers’ Retirement Fund Association Board with distinction from January 1996 to January 2002; and

WHEREAS, Dick championed the improvement of benefits for both active and retired members while insisting that the Association remain actuarially funded; and

WHEREAS, Dick served the Association with vision, loyalty, dedication and integrity by providing valuable counsel to the Association and support to Association staff; and

WHEREAS, during Dick’s tenure, the Association grew substantially both in assets, benefits and membership; now therefore be it

RESOLVED, that the National Council on Teacher Retirement expresses its appreciation to Mr.Wagenknecht for his contributions and dedicated years of outstanding service to the St. Paul Teachers’ Retirement Fund Association; and be it further

RESOLVED, that a copy of the resolution be presented to Richard Wagenknecht and be included in the proceedings of the 80th Annual Convention of the National Council on Teacher Retirement, 2002.

Submitted by: The Board of the St. Paul Teachers’ Retirement Fund Association.

**IN APPRECIATION
EUGENE WASCHBUSCH**

WHEREAS, Eugene “Gene” Waschbusch served as Secretary-Treasurer of the St. Paul Teachers’ Retirement Fund Association from October 1986 to June 2002; and

WHEREAS, he earned the respect, confidence, and esteem of his fellow Board of Trustees, his fellow employees, and all those with whom he associated; and

WHEREAS, under his leadership, the Association was governed by highly ethical and professional standards in the administration of investment and retirement programs; and

WHEREAS, during Gene’s tenure, the investment funds administered by the Association experienced tremendous growth; and

WHEREAS, under his guidance, the St. Paul Teachers’ Retirement Fund Association was able to significantly improve the benefits provided to active and retired participants while maintaining the actuarial soundness of the Plan; and

WHEREAS, Gene's work with the legislature of the State of Minnesota enabled the Association to improve the funding status and the benefit structure; and

WHEREAS, Gene played a major role in forming the response to the legislative mandate on the plan to restructure all teacher retirement plans in the State of Minnesota; and

WHEREAS, Gene represented the St. Paul Teachers' Retirement Fund Association to the National Council on Teacher Retirement and served as that organization's President; and

WHEREAS, Gene represented the National Council on Teacher Retirement to the President's Commission on Pre-Retirement Savings; and now therefore be it

RESOLVED that the National Council on Teacher Retirement expresses its appreciation to Mr. Waschbusch for his contributions and dedicated years of outstanding service and leadership to the National Council on Teacher Retirement and to the St. Paul Teachers' Retirement Fund Association; and be it further

RESOLVED, that a copy of this resolution be presented to Eugene Waschbusch and be included in the proceedings of the 80th Annual Convention of the National Council on Teacher Retirement, 2002.

Submitted by: The Board of the St. Paul Teachers' Retirement Fund Association.

**IN MEMORIAM
DOUG HANSON**

WHEREAS, Douglas A. Hanson served as trustee of the Minneapolis Teachers' Retirement Fund Association (MTRFA) from 1987 until his death in 2002; and

WHEREAS, Doug Hanson served his country in the military from January 26, 1951 through January 1, 1953; and

WHEREAS, prior to retiring from the Minneapolis Public Schools in 1990, Doug Hanson was a teacher and high school counselor for 40 years; and

WHEREAS, Doug Hanson will be remembered by Roosevelt High School, the school he attended as a student and served so well as a teacher/ counselor, as one of the greatest Teddies ever; and

WHEREAS, Doug Hanson had a great sense of humor, a deep concern for others, and gained the respect and friendship of everyone who had the privilege of knowing him; and

WHEREAS, Doug Hanson as a trustee of the MTRFA, recognized the importance of the trust placed in him and worked diligently to increase the funding level and benefits of its members, and;

WHEREAS, Doug Hanson passed away on June 27, 2002; therefore be it

RESOLVED, that with deep sadness and a sense of loss, the members of the National Council on Teacher Retirement extend their sincere sympathy to Doug Hanson's wife, Joan and their two children, Scott and Barb, and their three grandchildren; and be it further

RESOLVED, that a copy of this Resolution be presented to the family of Doug Hanson and be included in the proceedings of the 80th Annual National Council on Teacher Retirement, 2002.

Submitted by: Minneapolis Teachers' Retirement Fund Association

**IN MEMORIAM
DR. BERNARD KOLASA**

WHEREAS, Dr. Bernard Kolasa served as a Trustee of the Omaha School Employees' Retirement System as a representative of the Board of Education for 12 years; and

WHEREAS, Bernie supported the improvement of benefits for both the active and retired membership while working to preserve the actuarial soundness of the System; and

WHEREAS, Bernie was an active participant in the National Council on Teacher Retirement throughout his service on the Board of Trustees and was a delegate or alternate to the annual meetings for four years; and

WHEREAS, Bernie served on the Omaha Public Schools Board of Education for 16 years, having served one year each as Vice President and President of the Board; and

WHEREAS, Bernie dedicated 32 active years to the public teaching profession; and

WHEREAS, Bernie retired from his service to the Board of Trustees and NCTR in July, 2002; and

WHEREAS, Dr. Bernard Kolasa passed away on September 30, 2002; now therefore be it

RESOLVED, that the National Council on Teacher Retirement extends its sincere sympathy and condolences to his wife, Pat, and other family members; and be it further

RESOLVED, that NCTR expresses its appreciation for Bernie's contributions to the Council over the years and for his dedicated years of service to the Omaha School Employees' Retirement System; and be it further

RESOLVED, that a copy of this Resolution be presented to Pat and be included in the proceedings of the 80th Annual Convention of the National Council on Teacher Retirement, 2002.

Submitted by: The Omaha School Employees' Retirement System

III. CONTINUING RESOLUTIONS:

A-1. Support for Defined Benefit Plans

WHEREAS, efforts to convert state and local government retirement plans from defined benefit to defined contribution have taken place; and

WHEREAS, state and local government employees traditionally participate in defined benefit plans that provide a pension benefit based on the employee's length of service and salary at retirement; and

WHEREAS, some state and local government employees have in addition to defined benefit plan coverage a supplementary defined contribution plan, such as a Section 403(b) tax sheltered annuity, a Section 457 deferred compensation plan, or a Section 401(k) plan, in which they may voluntarily participate; and

WHEREAS, state and local government defined benefit plans help to attract and retain productive employees, which helps produce a high performance work force for taxpayers; and

WHEREAS, such plans provide employees with an effective means of building retirement income; and

WHEREAS, such plans offer a predictable lifetime retirement benefit that can never be reduced; and

WHEREAS, such plans are long-term investors and average the bad periods against the good, therefore, the amount of a retiree's benefit is not reliant on the health of the stock market as could be the case with defined contribution plans; and

WHEREAS, such plans frequently offer plan participants the opportunity to purchase service credit which affords portability; and

WHEREAS, the funding policy of such plans is intended to produce relatively level rates of funding that will accumulate sufficient assets to meet the cost of promised benefits; and

WHEREAS, some changes have been made recently in state and local retirement plans to address the issue of short service employees and to enhance portability within the structure of the existing defined benefit plan and not by converting to a defined contribution plan; now therefore be it

RESOLVED, that the National Council on Teacher Retirement supports the prevailing system of retirement benefits in the public sector, namely, a defined benefit plan and a supplementary defined contribution plan into which the employee voluntarily contributes.

Submitted by: The NCTR Legislative Committee

A-2. 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

WHEREAS, defined benefit plans provide the basic retirement income for 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.

Submitted by: The NCTR Legislative Committee

A-3. Resolution Urging Money Managers to Recognize the Fundamental Role of Defined Benefit Plans and the Need for Plan Member and Trustee Input and Concurrence on any Change in Plan Design.

WHEREAS, virtually all retirement systems that belong to NCTR 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 NCTR'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 that any conversion to a defined contribution or a defined benefit/defined contribution hybrid plan must have the input and concurrence of the plan members and Trustees.

Submitted by: The NCTR Trustee Education Committee

A-4. Effect on Retirement Systems of Policies that Encourage Veteran Educators to Remain in Workforce

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 or, alternatively, transition from full-time work to retirement by reducing hours and/or responsibilities; 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, federal law creates a barrier to veteran educators transitioning from full-time work to retirement through reduced hours and/or responsibilities because the “in service distribution” rule prohibits an individual from drawing a pension while continuing to work unless he/she has reached normal retirement age; 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 teachers to remain in the workforce must include the effect on retirement system funding; and

WHEREAS, without such consideration, policies could be adopted that raise 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 available to mitigate such impact.

Submitted by: The NCTR Legislative Committee

A-5 Support for Pension Simplification Proposals

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 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 simplify the Internal Revenue Code pension qualification rules that will improve the administration of state and local government retirement plans for the exclusive benefit of plan participants.

Submitted by: The NCTR Legislative Committee

A-6. Maintaining Fiscal Integrity of State and Local Government Retirement Systems

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 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, 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 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 resist taking actions that impair the systems’ stability, place in jeopardy the guaranteed rights of plan participants to their benefits, or both.

Submitted by: The Teachers’ Retirement System of the City of New York and the NCTR Legislative Committee

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

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 recently liberalized by the Economic Growth and Tax Relief Reconciliation Act of 2001 (“EGATRR”); and

WHEREAS, as a result of the enactment of EGATRRRA, 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 EGATRRRA will sunset on December 31, 2010 and throw plan participants back under the 415(b) dollar limitations as they existed prior to the enactment of EGATRRRA; and

WHEREAS, implementation of the “sunset” provision in EGATRRRA, 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 EGATRRRA, 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.

Submitted by: The NCTR Legislative Committee

B. Investment of Assets

B-1. Prudent Investment of State and Local Government Pension Plan Assets

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

WHEREAS, state and local pension plan administrators and trustees must invest plan assets according to fiduciary standards which include the duty to invest the assets in a prudent manner; and

WHEREAS, in investing prudently, state and local pension plan administrators and trustees seek investments that provide an appropriate risk adjusted market rate of return; and

WHEREAS, if state and local pension plan administrators and trustees do not invest according to these standards, they violate their fiduciary duties and responsibilities to the plan participants and are subject to personal liability; and

WHEREAS, some policy makers are interested in using pension funds as a source of program funding in violation of these duties and responsibilities; and

WHEREAS, other policy makers would like plan administrators and trustees to make investments that advance certain social concerns, which are not directly related to investment returns; now therefore be it

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.

Submitted by: The NCTR Legislative Committee

C. Plan Governance

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

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, 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 the regulation and protection of state and local government retirement plans by the respective state or local government.

Submitted by: The NCTR Legislative Committee

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

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.

Submitted by: The NCTR Legislative Committee

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

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, including the complex and burdensome regulations, barriers to portability, and lower annual contribution limitations will be effective again; and

WHEREAS, the potential return of prior law makes financial planning for retirement very confusing and difficult, and if the return of prior law were to occur, it would 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.

Submitted by: The NCTR Legislative Committee

E. Plan Members

E-1. Support for Increased Retirement Savings and Enhanced Education on the Subject

WHEREAS, employees of state and local governments as well as large companies usually have pension coverage; and

WHEREAS, only 20% of small business workers have pension coverage; and

WHEREAS, women and minorities are less likely to have pension coverage than other groups; and

WHEREAS, Americans' savings rate is very low; and

WHEREAS, the number of Americans reaching retirement age will accelerate in the next few decades; and

WHEREAS, NCTR is working through its LIFEPLAN website to educate teachers, other state and local government employees, and members of the public about the need for retirement savings; and

WHEREAS, many other organizations, individual employers, and employee associations are also conducting campaigns to educate Americans about retirement savings; now therefore be it

RESOLVED, that the National Council on Teacher Retirement urges Congress to provide incentives to ensure pension coverage for all Americans, including the encouragement of programs that educate the public about the need to save for retirement.

Submitted by: The NCTR Legislative Committee

F. Miscellaneous

F-1. Support for Pension Provisions in Pending Bankruptcy Reform Bill

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, each House of Congress has passed legislation to provide additional protection for retirement interests; and

WHEREAS, the additional protections would, among other things, establish a new exemption in bankruptcy for tax favored retirement savings vehicles not protected from creditor claims under current law, assure 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 assure 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 would be of substantial benefit to state and local government employees, including teachers; now therefore be it

RESOLVED, that the National Council on Teacher Retirement supports the inclusion of the additional protections for retirement savings in the bankruptcy legislation and urges both Congress to approve the final version of the bill and the President to sign it into law.

Submitted by: The NCTR Legislative Committee

NCTR POLICY RESOLUTIONS FOR 2002-2003

- 1. 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.**

WHEREAS, the National Council on Teacher Retirement recognizes that Social Security has successfully provided basic retirement and other benefits since 1935, raising 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; 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 will actively oppose any Social Security reform, which undermines the long-term solvency of the Social Security Trust Fund, reduces the current level of Social Security benefits, establishes individual private accounts, or that jeopardizes the guaranteed inflation-adjusted retirement income currently promised to American workers, retirees, and their survivors.

Submitted by: The NCTR Executive Committee and the NCTR Legislative Committee

2. Support for Increased Investor Protection

WHEREAS, the members of 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 the companies are operated and managed on a sound financial basis and their reports on the financial condition and operating results of those companies are truthful and accurate; 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 commends Congress and the President for the enactment of the Sarbanes-Oxley Act of 2002; and be it further

RESOLVED, that the National Council on Teacher Retirement urges the Securities and Exchange Commission to implement fully and promptly the provisions of the Act; and be it further

RESOLVED, that the National Council on Teacher Retirement urges the appropriate regulatory bodies, exchanges, and Congress to continue to make changes as other problems arise.

Submitted by: The NCTR Executive Committee and the NCTR Legislative Committee

3. Pension Security Legislation

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 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;

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

WHEREAS, that 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 passed onto 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 passed onto the plan participants; now therefore be it

RESOLVED, that the National Council on Teacher Retirement calls on the Congress to exclude from pension security legislation public plans 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 the 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.

Submitted by: The NCTR Executive Committee and the NCTR Legislative Committee

4. Support for Enabling Phased Retirement as a Matter of Plan Design

WHEREAS, the National Council on Teacher Retirement recognizes that the retirement of the so-called, "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 inevitability of 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, a study by the Employee Benefits Research Institute reports that 67% of today's 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.

Submitted by: The NCTR Executive Committee and the NCTR Legislative Committee

5. Support for Retirees to Pay for Health Insurance and Other Medical Expenses on a Pre-Tax Basis

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

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 modify the federal Internal Revenue Code so that retirees may pay for health insurance premiums and other medical expenses on a pre-tax basis just as employees may now do so.

Submitted by: The South Carolina Retirement System