



**NATIONAL ASSOCIATION OF STATE RETIREMENT ADMINISTRATORS
NATIONAL COUNCIL ON TEACHER RETIREMENT
PRESS STATEMENT**

FOR IMMEDIATE RELEASE

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STATE & LOCAL PENSIONS NAVIGATING THE STORM

Diversified Portfolios, Long-View Investment Horizon Enable Pensions to Weather Market Conditions While Providing Capital to Financial Markets

SEPTEMBER 25, 2008, Washington, D.C. – National organizations representing the nation’s largest public pension funds announced today that State and local retirement systems remain sound amid the current downturn in financial markets, and retirement benefits of the nation’s teachers, firefighters, police officers and other public workers remain safe and secure.

“Public pension funds are intentionally designed to withstand market fluctuations – even ups and downs as dramatic as those in recent days and in years past,” said Terry Slattery, president of the National Association of State Retirement Administrators (NASRA) and executive director of New Mexico PERA. “Retirement benefits for the nation’s public workforce are safe and secure because they are highly diversified and invested with a focus on the long-term,” he said.

Melva Vogler, president of the National Council on Teacher Retirement (NCTR) and chairman of the Pennsylvania Public School Employees' Retirement System added, “Pension funds continue to work as designed – they are weathering the storm, sticking to long-view investment strategies, and pursuing opportunities to purchase assets that now may offer long-term value opportunities. Pension fund investments in companies making the headlines are just a small fraction of their overall portfolio. Furthermore, by holding on to their investments and providing liquidity to the market, pension funds are aiding the recovery of the capital markets.

Public pension benefits are pre-funded with more than \$2.5 trillion in assets that are professionally managed and broadly diversified – about 60% of assets in global stocks; 30% in government and corporate bonds; 5% in real estate; and the remainder in cash and alternatives. The Government Accountability Office (GAO) recently reported that public pensions on the whole are financially sound and positioned to meet their long-term pension obligations. Moreover, another recent GAO report focusing on pension funds' alternative investments found that States take a variety of commendable approaches to overseeing and monitoring public pension plan investment, including documentation of due diligence steps in the selection of fund managers; and public information on investment decisions, fund performance, and reporting.

Additionally, public pension funds are subject to well-structured accounting rules that promote transparency and allow the funds to focus on the long term rather than requiring them to react to short-term market volatility.

Public pensions have the liquidity needed to pay promised benefits for the near term, and the accumulated assets and funding mechanisms that will allow them to continue to do so indefinitely. This also positions these funds to provide short and long-term solutions to help markets recover. For example, many public funds halted securities lending and other practices prior to institution by the Securities and Exchange Commission of additional regulations designed to curb predatory short sales in their efforts to settle market volatility and restore investor confidence.

Public pensions have endured many past financial market crises. For example:

- State and local plans successfully survived the market crash of 1987, where the 500 point one day drop in the Dow Jones Industrial Average equaled a 20% loss, not the 5% loss it means today.
- Recent reports of investment banks and investment companies going bust may sound new, but public pension funds have weathered past ones—Drexel Burnham Lambert, which at one time was the fifth largest investment bank in the U.S., declared bankruptcy in 1990; Executive Life, one time the largest life insurance company in California, was declared insolvent in 1991.
- Going back to the 1970s, there were a string of back-to-back years when the inflation rate was substantially higher than the rate of return on investments.
- Public pensions survived the Enron and WorldCom debacles and the bursting of the tech stock bubble early this century.

Not only are State retirement systems expected to withstand the latest market turmoil, but they are expected again to be a source of essential liquidity and patient capital, helping to stabilize markets as they did following 9/11 and following the market crash in 1987. Statements from some individual retirement system members of NASRA and NCTR can be found at:

http://www.apers.org/news_p1.html
<http://www.azasrs.gov/web/pdf/FromtheDirectorKeepingSteadyHand.pdf>
http://www.calstrs.com/Newsroom/What's%20New/market_fluctuations.aspx
<http://www.calpers.ca.gov/>
http://www.fppaco.org/toc_frames.html
<http://www.copera.org/PERA/about/latestnews.stm#Impact>
<http://www.delawarepensions.com/>
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http://www.ipers.org/newsroom/announcements/2008_2.html
<http://www.persi.state.id.us/documents/Market.pdf>
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<http://www.kpers.org/portfoliodownstatement082008.htm>
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<http://www.sra.state.md.us/SecurityOfPension.html>
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<http://www.psrsmo.org/PSRS/News-MarketEvents.html>

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<http://www.nmerb.org/>
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<http://www.nystrs.org/main/headlines.html#Pension>
http://www.strsoh.org/boardnews/bn_current.html
<http://www.sers.state.pa.us/sers/cwp/view.asp?Q=284091&A=303>
<http://www.retirement.sc.gov/news/20.htm>
http://www.trs.state.tx.us/global.jsp?&page_id=/global/conference_call_sept17
<http://www.ers.state.tx.us/news/articles/20080917.aspx>
<http://www.tmr.org/>
<http://www.drs.wa.gov/>
<http://www.swib.state.wi.us/downmarkets.pdf>

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

The National Council on Teacher Retirement (www.nctr.org) is dedicated to safeguarding the integrity of public retirement systems in the United States and its territories to which teachers belong and to promote the rights and benefits of the members, present or future, of the systems. NCTR had its beginnings in 1924; became affiliated with the National Education Association in 1937; and became an independent association in 1971. NCTR membership includes 77 state, territorial, local, and university pension systems. These systems serve more than 16 million active and retired teachers, non-teaching personnel, and other public employees, and have combined assets of more than \$2 trillion in their trust funds.

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