NATIONAL COUNCIL ON TEACHER RETIREMENT
PRESS STATEMENT

FOR IMMEDIATE RELEASE　　　　　　CONTACT: JIM MOSMAN
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NCTR OPPOSES FEDERAL TAKE-OVER
OF PUBLIC PENSION ACCOUNTING

"One-size-fits-all" Federal reporting mandates unwarranted; new regulations would be disruptive and costly for state, local governments

Washington, DC, February 9, 2011 -- The National Council on Teacher Retirement (NCTR) issued the following statement in response to new legislation proposed by Congressman Devin Nunes (R-CA) and others that would amend the Internal Revenue Code to impose new Federal reporting and disclosure requirements on State and local governments' retirement savings plans:

The National Council on Teacher Retirement today announced its opposition to public pension reporting legislation introduced by Representatives Devin Nunes (R-CA), Paul Ryan (R-WI) and Darrell Issa (R-CA) on February 9, 2011. Their proposal ignores the facts regarding the validity of current state and local government accounting rules and practices. The legislation would mandate inappropriate, costly federal reporting requirements on state and local retirement systems that could result in the loss of Federal tax-exempt status for plan sponsors' bonds if the IRS found fault with the filing of these reports.

In a press statement issued in connection with virtually identical legislation introduced by Congressmen Nunes, Ryan and Issa last December, NCTR and eight other national organizations representing state and local governments, officials, and public retirement plans expressed their opposition, stating that the legislative approach "represents a fundamental lack of understanding regarding the strong accounting rules and strict legal constraints already in place that require open and transparent governmental financial reporting and processes."

"Their new legislation is no different," said Jim Mosman, NCTR's Executive Director. "It would recklessly create turmoil in the municipal bond markets and scare bondholders, taxpayers and retirees by erroneously claiming our members' pension trusts will soon be exhausted." According to Mosman, "That is simply not the case."

NCTR believes that the academic studies on which such claims (and the legislation itself) are based are highly suspect, using unrealistic assumptions to exaggerate the financial condition of state and local government retirement systems. According to a critique prepared by the National Association of State Retirement Administrators (NASRA), the research vastly underestimates states' projected future contributions to their pension plans and their expected investment returns. It also ignores the unprecedented number of reforms already underway in the states that are reinforcing the sustainability of public pension plans going forward.

Other experts have also recently cautioned that, unlike states' and localities' operating deficits, which call for near-term solutions, longer-term issues such as those related to pension obligations can be addressed over the next several decades. They warn that it is inappropriate to add these longer-term costs to projected operating deficits, and that exaggerating the size and implications of these longer-term costs, as some recent discussions have done, can lead to inappropriate policy decisions.

NCTR is in the process of sending a letter to every member of the US House of Representatives urging Member of Congress to ignore the doomsday rhetoric, learn the facts about the retirement systems sponsored by their state and local governments, and then oppose the Nunes legislation.

The National Council on Teacher Retirement (NCTR) is an independent association dedicated to safeguarding the integrity of public retirement systems in the United States and its territories to which teachers belong. NCTR membership includes 69 state, territorial and local pension systems, serving more than 18 million active and retired teachers, non- teaching personnel, and other public employees, with combined assets of more than $2 trillion in their trust funds.