F-56. Retirement

The National Education Association shall provide leadership in retirement issues and believes that state and local retirement systems and programs should include:

a. Boards of trustees with a majority elected by and from the membership and of sufficient size to assure an adequate number of representatives from among retired members. Subject to their fiduciary responsibilities, these boards should also have all the powers necessary to ensure their independence from the plan sponsor, including the power to obtain by employment or contract the services necessary to exercise the trustees’ powers and perform the trustees’ duties, including actuarial, auditing, custodial, investment, and legal services.

b. Retirement boards will be in charge of administering benefits as well as investments

c. Actuarial and investment policies that produce sound financing

d. Assets of the retirement system be used for the sole benefit of the beneficiaries of the system. Any other proposal to use the assets of a retirement system be adopted only if it is determined that it will have no negative actuarial impact on the system

e. All member pension plans, except higher education, have as a basis an adequate and fully funded defined benefit plan

f. A benefit that will maintain real replacement income levels of at least 75 percent of the highest single year’s rate of salary after 30 years of service (and at least 50 percent after 20 years of creditable service) and automatic cost-of-living increases (without regard to age) to maintain purchasing power for retirees and beneficiaries. Normal retirement will also be available at age 55, irrespective of length of service, if fully vested, where actuarially sound.

g. Immediate and full vesting after not more than five years of service
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q. Nondiscrimination on the basis of gender or marital status
r. Retirement credit for unused sick leave
s. All compensation, including extra-duty pay, in computing retirement benefits
t. Benefits not reduced by other sources of income, including Social Security benefits
u. Pre-retirement counseling
v. Retirement housing facilities that are funded from sources other than those designated for retirement benefits
w. Education employees' contributions and benefits that are not subject to federal income taxation
x. Nondiscriminatory Internal Revenue Service rules and regulations
y. An annual financial statement distributed to all members
z. Tax-sheltered annuity and deferred compensation plans with a broad choice of programs available to all members. These plans should have actuarial tables that do not discriminate on the basis of race, gender, or national origin
aa. Provisions to purchase pension credit for any previous Department of Defense teaching service
bb. Fully paid comprehensive health insurance, including reimbursement for Medicare Part B premiums, for retired education employees, their spouses, domestic partners, and/or dependents
cc. Benefits that are free from double taxation or source taxation by states for retirees living outside of the state where the benefits were earned
dd. All retirement benefits for spouses equally available for domestic partners
ee. Benefit formulas that provide full-year credit for each school year worked and provide that credit regardless of the number of hours worked per day. (1969, 2002)
The Association also believes that the boards of trustees of education employee retirement systems should make every effort, consistent with their fiduciary obligations, to participate in the decision-making process of corporations in which the systems hold stock by casting stockholder votes that benefit the interests of the participants and beneficiaries of the retirement systems and those of the united education profession and by electing to corporate boards members and/or representatives who support public education. The Association further believes that the boards of trustees of public employee retirement systems should coordinate their voting in companies in which they have a mutual interest.

The Association believes that the assets of retirement systems in which public education employees participate should be managed and invested for the sole and exclusive benefit of the participants and beneficiaries of those systems. Expenditures from a system trust fund should only be made for the benefit of trust beneficiaries and for the reasonable expenses of administering the system. All retirement benefits earned by education employees should, under the law, be payable to such employees. Existing retirement benefits should be maintained or improved. No person participating in a retirement system should be required to accept any reduction in benefits below those in force at any time during the period of membership. The retirement benefits are earned, and therefore, inviolate.

The Association is aware of incursions on retirement system assets by state and municipal governments. Such incursions involve either a misuse of assets or the failure to appropriate required funds to the system. Both practices result in increasing accrued liabilities, which reduces the financial soundness of the system and jeopardizes the security of education employee retirement benefits. Retirement systems can best be protected by the passage of state constitutional protections against any diminution of plan assets that is not in the sole interest of plan participants and beneficiaries or, absent such constitutional safeguards, by at least the passage of federal and/or state legislation that provides for protections against any diminution of plan assets that is not in the sole interest of plan participants and beneficiaries.

The Association also believes that a retirement system should be exempt from federal regulations when its plan is in compliance with minimal standards prescribed by federal, state, and local statutes. (1976, 2002)

F-57. Investment of Retirement System Assets and Protection of Earned Benefits

The National Education Association believes that retirement system assets can be invested in any type of investment that plays an appropriate role in achieving risk and return objectives reasonably suited to the retirement program. In the investment and management of retirement systems assets, and in a manner consistent with their fiduciary responsibilities and all applicable federal, state, and local statutes, trustees should, among other circumstances, consider:

a. General economic conditions
b. The possible effect of inflation or deflation
c. The role that each investment or course of action plays within the overall portfolio of the retirement program
d. The expected total return from income and appreciation of capital
e. Needs for liquidity, regularity of income, and preservation or appreciation of capital
f. The adequacy of funding for defined benefit plans based on reasonable actuarial factors
g. Protection of the long-term employment interests and opportunities of participants in the plan
h. Opposition to investments in corporations whose policies or expenditures of funds undermine child welfare and/or public education, when other investments provide equivalent benefits to retirement system members.

Boards of trustees charged with the authority to invest and manage the assets of public employee retirement systems should adopt a statement of investment objectives and policies for each retirement program that include—

a. The desired rate of return on assets overall
b. The desired rate of return and acceptable levels of risk for each asset class
c. Asset allocation goals
d. Guidelines for the delegation of authority
e. Information on the types of reports to be used to evaluate performance.