



A Union of Professionals

Strengthening Retirement Security and Building a Better America

These principles and recommendations, from “Strengthening Retirement Security and Building a Better America,” can help guide pensions and policy-makers to build a foundation for retirement security for all American workers in the 21st century. While it is important to make meaningful changes to existing plans, circumstances may exist in different states that dictate alternative approaches to achieve these goals. The full report can be found at <http://www.aft.org/pdfs/press/StrengthRetireSecurity0411.pdf>.

UNIVERSAL RETIREMENT COVERAGE

- Every worker should be covered by retirement arrangements that provide consistent income replacing enough of his or her pre-retirement income to secure a reasonable standard of living throughout his or her entire retirement.

SHARED RESPONSIBILITY

- Retirement security should be the shared responsibility of employers, employees and the government. Both employers and employees should contribute to fund retirement benefits. The government should ensure that low-income workers are able to participate fully.

PORTABILITY

- Earned pension benefits should be retained for retirement. Specifically, pension accruals should be portable when workers change jobs, and no withdrawals should be permitted before retirement except in cases of severe disability.

GOVERNANCE THAT ENSURES ADEQUATE FUNDING AND RISK MANAGEMENT

- States and other employers should pay their annual required contribution every year.
- All future changes to benefits should be reviewed for their impact on the plan’s long-term financial health.
- Pensions should establish a reserve fund to assist in offsetting market volatility.
- Financial risks and costs should be minimized through pooling assets in a trust, governed by one or more fiduciaries/trustees representing the plan’s stakeholders. The trustee(s) should be empowered to develop and implement investment and funding policies, use trust assets to pay for their budgets, and hire and fire professionals as appropriate to manage the trust.

PUBLIC EMPLOYEE PENSION REFORMS

- Eliminate spiking at the end of a career, which artificially increases the pension benefit.
- Eliminate double-dipping. Responsibly limit the payment of both a pension and a salary to any employee who is rehired after retirement by the same employer.
- Establish a maximum benefit ceiling on the employer-sponsored defined-benefit portion of an employee’s pension to guard against excessive payouts.
- Prohibit pension fund senior staff and trustees from accepting employment from fund service providers for five years after leaving a fund.

PARTICIPATION IN SOCIAL SECURITY AND VOLUNTARY SAVINGS

- Many public employers do not participate in Social Security, and it is time to have an open discussion to consider the inclusion of public employees in the program. The AFT will convene a summit of public employee organizations to discuss this concept. The summit will also include discussion of the Windfall Elimination Provision and the Government Pension Offset.
- Because voluntary employee savings are an important component of individuals’ retirement security, employers should encourage and facilitate voluntary tax-favored savings.
- Responsible Investments To Build a Better America
- The American Society of Civil Engineers has written that the United States needs to invest more than \$2.2 trillion in economic and social infrastructure over the next five years to meet critical infrastructure needs. In order to help meet part of that goal, the nation’s public pension plans should explore pledging a portion of their assets, in a prudent manner, to create a national pool of resources to help finance the rehabilitation and new construction of the nation’s infrastructure assets.
- These investments should be undertaken at the risk-adjusted market rate of return. Examples could include a smart electric grid, expanded access to high-speed and wireless communications, high-speed rail and clean energy sources.