NATIONAL ASSOCIATION OF STATE TREASURERS

Pension & Trust Investment Committee

PRINCIPLES AND BEST PRACTICES FOR FRAMING A BIPARTISAN POSITION ON RETIREMENT SECURITY MODELS

For Defined Benefit Pension (DB) Plans:

- Maintain an adequate funding plan based on sound actuarial assumptions, including generational mortality tables, that adhere to the principle of equity across generations (ensure benefits are funded by the generation that earns them and receives the benefit of services provided by active participants).
- Meet 100% of required actuarial contributions.
- Investment strategy should be well diversified to mitigate risk.
- Plans should be administered in a cost effective and effectively transparent manner, while at the same time being safeguarded on an operational front from cybersecurity attacks and other such threats.
- Plans should invest the trust assets to preserve and grow the principal in order to meet the needs of the current and future beneficiaries.
- Plans should consider the appropriate checks and balances, as well as define and follow governance best practices.
- All participants should have the opportunity to retire with dignity and predictability.

For Defined Contribution (DC) Plans:

- Target date funds or similar investment products with an auto escalation should be the default.
- Participants should have access to a robust menu of investment options that span a broad range of asset classes and risk/return profiles to allow for appropriate individual long-term planning. Total number of actual choices, however, should be limited to no more than 20.
- All participants should have access to resources that educate them about their plan and their path to retirement security including, but not limited to, retirement ready calculation tools and post retirement investment alternatives. Participants should automatically receive educational material in regard to their path to retirement security.

- Plans should have distribution options that provide for a variety of solutions that satisfy participant preferences for income in retirement, an ability to manage longevity risk and the opportunity for portfolio growth.

- Plans should be administered in a cost efficient and effectively transparent manner.

- Plans should ensure they are using the lowest cost option in a fund for their plan (i.e. institutional collective trust vs. institutional share class mutual fund).

- All participants should have the opportunity to retire with dignity and predictability.