



National Association of State Retirement Administrators

PRESS STATEMENT

FOR IMMEDIATE RELEASE

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EMPIRICAL DATA SHOW PUBLIC PENSION PLAN ACTUAL LONG-TERM RETURNS BEAT ASSUMPTIONS

March 15, 2010, Washington, D.C. – While heightened attention has been given to the investment return assumptions used by public retirement systems, a recent review of empirical data by the National Association of State Retirement Administrators (NASRA) finds that since 1985, a period that has included three economic recessions and four years when median public pension fund investment returns were negative (including the 2008 decline), public pension funds have exceeded their assumed rates of investment return.

The NASRA Issue Brief, *Public Pension Plan Investment Return Assumptions*, prepared by research director Keith Brainard, emphasizes the long-term focus of the governmental plan investment return assumption, the process by which it is calculated, as well as the public policies surrounding its regular review.

“A short-term look at investment returns can be misleading,” said Mr. Brainard, “as returns can fluctuate dramatically over brief periods of time. For example, public plans have had a one-year investment return of nearly 20% and a 3-year return below negative one percent.”

The NASRA Issue Brief points out that median public pension actual investment returns for the 25-year period ended December 31, 2009 was 9.25 percent, which exceeded the median assumed return rate of 8.0 percent. The brief also identifies many of the factors that actuaries and plan fiduciaries must consider when establishing and evaluating the investment return assumption. The brief is not a defense of a particular investment return assumption rate, but rather is intended to clarify how this assumption is established, how it should be evaluated, and to compare actual results with assumptions used by public pensions.

The brief is accessible online at: http://www.nasra.org/resources/InvReturnAssumption_Final.pdf

NASRA members are the directors of the nation’s State, territorial, and largest statewide public retirement systems. Together, these systems hold more than \$2 trillion in assets and provide pension and other benefits to more than two-thirds of all state and local government employees.

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