

# Office of the State Treasurer

## *At a Glance*

**SHAWN T. WOODEN, State Treasurer**  
**Linda R. Savitsky, Deputy State Treasurer**  
*Established – 1638*  
*Statutory authority – State Constitution*  
*Central office – 55 Elm Street, Hartford, CT 06106*  
*Number of full-time employees at June 30, 2019 – 117*

### **Assets managed as of June 30, 2019**

<b>Pension Plans and Trust Funds:</b>	<b>\$ 36,013,042,662</b>
<b>Short-Term Investment Fund:</b>	<b>\$ 8,097,478,206</b>
<b>Other Short-Term Investments:</b>	<b>\$ 1,802,139,896</b>

### **Fiduciary assets as of June 30, 2019**

<b>Connecticut Higher Education Trust:</b>	<b>\$ 4,980,549,076</b>
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### **Recurring operating expenses**

<b>General Fund:</b>	<b>\$ 2,894,892</b>
<b>Bond Funds:</b>	<b>\$ 95,722,242</b>
<b>Pension Plans and Trust Funds:</b>	<b>\$ 87,489,010</b>
<b>Second Injury Fund:</b>	<b>\$ 7,700,211</b>
<b>Unclaimed Property Fund:</b>	<b>\$ 6,637,739</b>
<b>Short-Term Investment Fund:</b>	<b>\$ 1,945,101</b>

<b>Total abandoned property receipts:</b>	<b>\$ 137,783,574</b>
<b>Amount returned to owners:</b>	<b>\$ 56,005,570</b>

***Organizational structure – Executive Office; Cash Management Division; Debt Management Division; Management Services; Pension Funds Management Division; Second Injury Fund Division; Unclaimed Property Division***

## **Mission**

***To serve as the premier Treasurer’s Office in the nation through effective financial management of public resources, high standards of professionalism and integrity, and expansion of opportunity for the citizens and businesses of Connecticut.***

## **Statutory Authority**

The Office of the Treasurer was established following the adoption of the Fundamental Orders of Connecticut in 1638. As described in Article Four, Section 22 of the Connecticut State Constitution, the Treasurer shall receive all funds belonging to the State and disburse the same only as may be directed by law.

Connecticut state statutes provide that the State Treasurer serves as a member, ex-officio member, or can designate a representative, on several State boards and commissions. The Treasurer serves on the following boards, commissions and legislatively-mandated committees: Banking Commission, State Bond Commission, Connecticut Airport Authority, Connecticut Data Analysis Technology Advisory Board, Connecticut Green Bank, Connecticut Health and Educational Facilities Authority, Connecticut Higher Education Supplemental Loan Authority, Connecticut Higher Education Trust Advisory Committee, Connecticut Housing Finance Authority, Connecticut Innovations, Connecticut Lottery Corporation, Connecticut Port Authority, Connecticut Retirement Security Authority, Family and Medical Leave Insurance Trust Fund, Finance Advisory Committee, Investment Advisory Council, Municipal Accountability Review Board, Nitrogen Credit Advisory Board, Pension Sustainability Commission, Standardization Committee, State Employees' Retirement Commission, and Teachers' Retirement Board. Newly established during FY 19, is the Governor's Council on Women and Girls.

### **Treasurer Wooden - Brief Bio**

Shawn T. Wooden was sworn in as Connecticut's 83rd State Treasurer on January 9th, 2019. He previously spent 21-years as an investment attorney focused on public pension plans. Born and raised in Hartford, Treasurer Wooden graduated from Trinity College and worked in key roles for the Mayor of Hartford and the state Commissioner of Social Services. Former president of the Hartford City Council and Connecticut Director of Project Vote, he also served on the Connecticut Citizen's Ethics Advisory Board overseeing the Connecticut Office of State Ethics. Treasurer Wooden holds a J.D. from NYU School of Law and worked in the AFL-CIO's Office of Investment in Washington, D.C. He was recognized as a Connecticut Super Lawyer for Securities and Corporate Finance, Business/Corporate. Pensions and Investments named him one of the "25 Investment Professionals to Watch" and Savoy Magazine identified him one of the most influential black lawyers in the country. He is the father of two teenage sons.

### **Public Service**

The Treasurer is the chief elected financial officer of the State. The Office of the Treasurer includes an Executive Office and six divisions, each with specific responsibilities: Cash Management, Debt Management, Management Services, Pension Funds Management, Second Injury Fund, and Unclaimed Property. The Treasurer is responsible for the safe custody of the property and money belonging to the State by receiving all money, making disbursements as directed by statute, and managing, borrowing, and investing funds. The Treasurer is principal fiduciary of each of the Connecticut Retirement Plans and Trust Funds ("CRPTF") and, as such, is responsible for prudently investing the State's pension and trust fund assets. The Cash Management Division also manages the Short-Term Investment Fund, which serves as an investment vehicle for the operating cash of the State Treasury, state agencies and authorities,

municipalities, and other political subdivisions of the State. As the public finance arm of state government, the Treasury is responsible for issuing and managing the State's debt in a vigilant and cost-effective manner.

The Executive Office is responsible for overall policy, planning and general administration to enhance the financial integrity and soundness of Treasury operations within each division, providing direction and leadership in carrying out Treasury functions and fostering economic well-being of the state and its citizens and businesses within the confines of fiduciary standards. The Executive Office also administers the Treasury's corporate governance program, which was developed in accordance with its fiduciary duty to protect and grow the value of the State's pension and trust fund investments; promotes, in accordance with state law, environmental, social and governance best practices among the companies in which it invests and with its financial service providers; and serves as a catalyst and advocate for the financial fitness of residents across the state. Other specific activities include legislative affairs, public information and community outreach, legal services, compliance, and financial reporting. The Treasurer is Trustee of the Connecticut Higher Education Trust, the state's 529 college savings program. The Executive Office provides overall supervision of this savings program as managed by financial service providers.

### **Notable Achievements**

When he assumed office in January 2019, Treasurer Wooden immediately set out to help correct the state's economy by quickly addressing the state's unfunded pension liabilities and restructuring the Teachers' Retirement Fund ("TERF"). Within weeks of taking office, Treasurer Wooden proposed a restructuring of the underfunded TERF in order to create a more sustainable funding plan to protect the pension system for teachers and save taxpayers nearly \$900 million over the next five years.

Under the then-existing framework, the state's required annual payments into the fund were projected to increase to an unsustainable level—peaking in 2032 at roughly \$3.4 billion. Treasurer Wooden's proposal, outlined in Senate Bill 873, "An Act Stabilizing the Teachers' Retirement Fund," created in concert with Office of Policy and Management (OPM) Secretary Melissa McCaw and presented in Governor Ned Lamont's February proposed budget, reamortized the unfunded liability over 30 years, reducing required contributions to a more predictable level. Approved by the General Assembly, the Act also required the adoption of a more realistic investment return assumption of 6.9 percent in line with capital market expectations—instead of the current 8 percent—and a more sound actuarial funding method that will stabilize the fund going forward.

These measures along with presentations to all four national credit agencies highlighting the state's improving economy, fiscal controls on bonding, and increases in the Budget Reserve Fund, and the Common Cash Pool, saw significant results when, in March, Standard & Poor's elevated its outlook on Connecticut's General Obligation (GO) bonds credit rating from "stable" to "positive."

In April, the Treasury completed a record-setting sale of state GO Bonds, used for projects such as school construction, economic development programs and grants to municipalities. Total

retail orders received on the bond sale were \$828 million, the highest amount of any GO bond sale in Connecticut history. It exceeded the last record for a GO bond sale of \$364 million in retail orders in August 2018. Total orders from both retail and institutional investors totaled \$5.5 billion, more than five times the amount of bonds issued. Because orders surpassed bonds available, the state was able to lower the interest rates it pays to purchasers of the bonds, saving taxpayers approximately \$46 million.

As a result of collaborations with pension funds across the country, Connecticut secured enhanced disclosure on pay equity, board diversity and claw back policies – issues that bear on the profitability of the companies in which the pension funds invest.

The Treasury also continued its advocacy on climate-related issues, with Treasurer Wooden joining as a signatory to an investor statement sent to the 20 largest generators of greenhouse gas emissions among electric utilities, calling for a commitment to work toward achieving net zero emissions by 2050.

## **Highlights Fiscal Year 2019**

During Fiscal Year 2019 (FY 19), achievements at the Office of the Treasurer that will benefit state residents and businesses included:

**Short-Term Investment Fund Outperforms Benchmark**—The Short-Term Investment Fund (“STIF”) earned 2.3 percent in FY 19, while its benchmark returned 2.15 percent. Consequently, STIF investors earned an additional \$11.6 million in interest income. The Fund's superior performance has earned the State and local governments and their taxpayers an additional \$73 million over the last ten years.

**Connecticut’s Pension Funds Hit All-Time High in Market Value**—The Connecticut Retirement Plans and Trust Funds (“CRPTF”) posted an unaudited net asset value of \$36.0 billion as of June 30, 2019, an all-time fiscal year-end record. Accounting for fees and expenses, including \$249 million of benefit payments in excess of total contribution receipts, the value grew by more than \$1.8 billion during the fiscal year. Connecticut’s three largest pension plans; Teachers' Retirement System, State Employees' Retirement System and Municipal Employees' Retirement System had assets of \$18.4 billion, \$13.2 billion and \$2.7 billion respectively.

**Unclaimed Property Division Added \$63 Million to General Fund, Returned \$56 Million to Rightful Owners**—Unclaimed property receipts topped \$138 million during FY 19, exceeding the \$117 million projection by \$21 million, or 18 percent. Of the total, the Office deposited \$63 million into the State’s General Fund—\$15 million, or 32 percent, more than was projected—and transferred \$11.9 million to the Citizens’ Election Fund. The Office returned \$56 million in unclaimed assets to 16,954 rightful owners.

**Second Injury Fund Assessment Rates Remain Unchanged**—The Second Injury Fund continues to maintain the assessment rates for Connecticut businesses at the lowest levels in the history of the Fund. As a result, Connecticut businesses have realized an estimated \$104 million in savings during FY 19 and \$99 million in projected savings for FY 20.

**Unfunded Liabilities for Injured Workers Continue to Decline**—Unfunded liabilities in the Second Injury Fund for injured workers during FY 19 decreased 8 percent from \$307 million to \$283 million. -The Fund’s open claim inventory dropped from 2,762 to 2,578 as of June 30, 2019.

**Assets Recovered from Claims and Litigation** – During FY 19, the Treasury recovered \$3.4 million in class action lawsuits. -The Office has regained \$56.2 million since 2000 by closely monitoring and participating in class action settlements.

**Connecticut’s College Savings Plan Surpassed \$3.9 Billion in Assets** – The Connecticut Higher Education Trust (“CHET”) continued its steady growth, surpassing \$3.98 billion in assets under management and more than 157,000 accounts. Since CHET’s inception, more than \$1.8 billion in qualified withdrawals have been taken to cover college costs for approximately 51,000 students attending nearly every public and private college in Connecticut and several out-of-state schools.

**College Scholarships Awarded** – During FY 19, 100 high school freshmen and 100 high school seniors won scholarships of up to \$2,500 in the fifth year of the CHET *Advance* Scholarship program. The winners hail from all eight counties in Connecticut. Since 2013, the Treasury has awarded \$3.0 million in scholarships to 1,200 students through the CHET *Advance* Scholarship program, at no cost to the State.

**Financial Reports Receive Excellence Awards**—The Government Finance Officers Association (“GFOA”) of the United States and Canada awarded the Treasury *Certificates of Achievement for Excellence in Financial Reporting* for two comprehensive annual financial reports for the fiscal year that ended June 30, 2018. The Treasury received the GFOA’s annual award each year for its financial reports for STIF and the Combined Investment Funds. The FY18 certificates mark the 19th consecutive year of this distinction.

## **Cash Management Division**

**Short-Term Investment Fund**—For FY 19, STIF achieved an annual return of 2.30 percent, exceeding its primary benchmark by 15 basis points, earning an additional \$11.6 million in interest income for Connecticut’s agencies, authorities, municipalities and taxpayers during the fiscal year, while also adding \$7 million to its reserves.

At the end of FY 19, STIF had \$8.1 billion in assets under management. Municipalities opened 29 new STIF accounts, bringing the total number of municipal accounts to 537. Standard & Poor’s reaffirmed STIF’s AAAM rating, the highest rating available

**Community Bank and Credit Union Initiative**—Pursuant to section 3-24k of the Connecticut General Statutes, the Treasury continued the Community Bank and Credit Union Initiative to support Connecticut-based banks and credit unions—with assets not exceeding \$1 billion—through investments in their certificates of deposit. During FY 19, a monthly competitive bidding process was held, through which \$32.5 million was invested at an average interest rate of 2.52 percent. Since inception, 13 banks and one credit union have signed up for the initiative with \$551.5 million invested at an average yield of 2.24 percent through June 30, 2019.

**Cash Management Operations**—The Division works with State agencies to improve the efficiency of the State’s cash management program by accelerating receipts via electronic payments and the Internet, streamlining the flow of funds between concentration accounts and individual disbursement accounts to reduce manual processes, increase invested funds, and speed the flow of bank information to State agencies.

## **Debt Management Division**

During FY 19, the Debt Management Division oversaw the State’s \$25.6 billion debt portfolio and managed the issuance of \$2.2 billion of new bonds to fund the State’s capital programs, including local school construction, economic development initiatives, transportation infrastructure, improvements at the University of Connecticut, and Clean Water and Drinking Water grants and loans. These projects help bolster local economies throughout the State.

The Division also issued a total of \$435.4 million of refunding bonds across several of the state’s bond programs to capture the lower interest rates in the current marketplace thereby providing aggregate debt service savings of \$51.7 million over the life of the bonds. In addition, the Division issued \$400 million of GO bonds to repay maturing bond anticipation notes.

Notable this fiscal year was the Division’s role in the General Assembly’s adoption of a major proposal advanced by the Governor and Treasurer to restructure the funding of the Teachers’ Retirement Fund. The adopted proposal puts funding on a more sustainable path and includes the lowering of the investment return assumption to a more achievable level. This was accomplished by creating a Special Capital Reserve Fund, using FY 19 projected budget surplus, to provide adequate provision for the outstanding 2008 pension obligation bonds. In addition, the General Assembly passed a Joint Resolution confirming its intention in the prior regular legislative session to exclude refunding bonds and certain other bonds from the new GO bond issuance caps, reaffirming the Attorney General’s opinion on the matter.

In March 2019, Governor Lamont, Treasurer Wooden, and the Office of Policy and Management’s Secretary McCaw personally met with major bond investors through an extensive and highly successful Investor “Road Show” tour conducted in four cities. The new Administration shared their vision and plans for Connecticut.

Both Standard & Poor’s and Kroll Bond Ratings elevated their credit outlooks on Connecticut’s GO bonds to positive and stable respectively, the first rating upgrade or positive outlook of GO bonds in 18 years. These improved outlook changes, together with the Administration’s outreach to investors, led to some record high levels of investor demand in a market already buoyed by federal tax reform, resulting in much improved pricing across the State’s bonding programs.

Continuing its market leadership, Connecticut priced its sixth issue of Green Bonds, this time for the State Revolving Fund for Clean Water and Drinking Water Projects which generated \$57 million in bond orders from Green investors.

## Pension Funds Management Division

The two largest pension funds among the Connecticut Retirement Plans and Trust Funds (“CRPTF”), the Teachers’ Retirement Fund (“TERF”) and the State Employees’ Retirement Fund (“SERF”), both generated net investment results of 5.9 percent for FY 19. For the longer term period of fifteen years, ending June 30, 2019, TERF and SERF generated net investment results of 6.7 percent and 6.6 percent, in line with the funds’ composite benchmark returns of 6.7 percent.

While all asset classes contributed positively to overall results, the strongest investment performances at the asset class level were realized in both the public and private equity investment portfolios, and the emerging markets debt portfolios. For FY 19, returns were: Private Investment Fund, 15.5 percent, Domestic Equity Fund, 8.4 percent while the Emerging Markets Debt Fund was 10.1 percent. Developed Markets Equities which faced both geopolitical and global economic headwinds throughout the year were the weakest performer, returning a positive 0.3 percent in 2019.

Over the course of the fiscal year, the CRPTF made significant new investment commitments to private markets totaling \$880 million representing 12 opportunities: Eight in the Private Investment Fund totaling \$590 million, and four in the Real Estate Fund totaling \$290 million, including the launch of the real estate allocation within the Connecticut Horizon Fund.

**Corporate Governance**—During FY 19, the Treasury focused on a number of corporate governance issues, including board diversity, pay equity, board oversight of opioid distribution and risks, and climate change-related disclosure. The CRPTF co-filed shareholder resolutions with 13 portfolio companies; of these, nine proposals were withdrawn following successful engagement with companies, and three went to a shareholder vote (two of which received support of a majority of shareholders). In addition, the Treasury joined a coalition of investors in advocating for the *Principles for a Responsible Civilian Firearms Industry*, aimed at urging gun manufacturers and distributors to support gun control measures, and joined other funds from across the country in signing onto a *Joint Investor Statement on Corporate Disability Inclusion*, an open appeal to companies urging the development of best practices for including people with disabilities in their workforces. The Treasury also continued its advocacy on climate-related issues, with Treasurer Wooden joining as a signatory to an investor statement sent to 20 of the largest generators of greenhouse gas emissions among electric utilities, calling for a commitment to work toward achieving net zero greenhouse gas emissions by 2050.

**International Investment Restrictions**—The Treasury is charged with administering three laws that authorize investment restrictions on companies doing business in Northern Ireland, Sudan and Iran. Connecticut’s MacBride law, set forth in Section 3-13h of the Connecticut General Statutes, is based on the MacBride Principles, which are a corporate code of conduct for companies doing business in Northern Ireland designed to address religious discrimination in the workplace. During FY2019, the CRPTF restricted its managers from investing in two companies for failure to adopt these principles: Domino’s Pizza Inc. and Yum Brands, Inc.

The Treasury monitored companies doing business in Sudan pursuant to Section 3-21e of the Connecticut General Statutes. The Sudan law, adopted in 2006, authorizes the Treasurer to

engage companies doing business in Sudan and potentially divest holdings in those companies if their business contributes to the government's perpetuation of genocide in Sudan. As of the conclusion of FY2019, the Treasury prohibited direct investment in 18 companies: Bharat Heavy Electricals Ltd.; China North Industries Group; China North Industries Corporation a.k.a. NORINCO; NORINCO International Cooperation Ltd.; North Huajin Chemical Industries Co. Ltd.; North Navigation Control Technology Co. Ltd.; China Petroleum and Chemical Corp.; CNPC (Hong Kong); Dongfeng Motor Corporation; Jiangxi Hongdu Aviation Industry Ltd.; Oil and Natural Gas Corp.; Mangalore Refinery and Petrochemicals Ltd.; ONGC Nile Ganga BV, Amsterdam; ONGC Videsh Limited; ONGC Videsh Vankorneft; PetroChina Co. Ltd.; Petronas Capital Ltd.; and Sinopec Shanghai Petrochemical Corp.

Connecticut's Iran law, set forth in Connecticut General Statutes Section 3-13g, authorizes the Treasurer to engage with companies doing business in Iran, and potentially divest holdings in such companies if such companies, by their business activities, may be contributing to the Iranian government's development of its nuclear program and its support of global terrorism. As of the conclusion of FY19, the Treasury prohibited direct investment in 14 companies: Bongaigaon Refinery & Petrochemicals; Ca La Electricidad de Caracas; Chennai Petroleum Corp.; China Bluechemical; China National Offshore Oil Corporation; China Oilfield Services Ltd.; CNOOC; Daelim Industrial Co. Ltd.; IBP Co. Ltd.; Indian Oil Corporation Ltd.; Lanka Ioc Plc; Offshore Oil Engineering Co.; Oil India Ltd.; and Petroleos de Venezuela S.A.

## **Second Injury Fund Division**

The Second Injury Fund provided \$22.9 million in indemnity, medical and settlement payments to injured workers during FY 19. The number of injured workers receiving bi-weekly benefits (indemnity payments only) decreased from 225 to 202 during the year.

The Fund continues to maintain the assessment rates for insured employers and self-insured employers at the lowest levels in the history of the Fund. The rate for insured employers is at 2.25 percent and the rate for self-insured employers at 2.75 percent. The estimated savings to Connecticut businesses for FY 19 is \$104 million and the projection for FY 20 is an estimated \$99 million in savings.

As of June 30, 2019, the Fund's open claim inventory was 2,578. The unfunded liabilities of the Fund for all open claims as of June 30, 2019 has reduced by 8 percent for the fiscal year from \$307 million to \$283 million.

## **Unclaimed Property Division**

The Division returned \$56 million in unclaimed property to 16,954 rightful owners during FY 19. In addition, the division received \$138 million in unclaimed property—\$81 million in receipts from holders, \$17 million from examination of holder records, and \$40 million from securities sold in accordance with section 3-68a (d) of the Connecticut General Statutes. Section 3-69a (2) of the statutes required the Division to deposit \$11.9 million into the Citizens' Election Fund and the balance into the General Fund.

During FY 19, 2.9 million searches for abandoned property were performed through the unclaimed property website, 74,890 claims were filed and the division responded to 40,339

inquires via the telephone. As of June 30, 2019, the Unclaimed Property website contained \$912 million in escheated property for 1.6 million rightful owners.

## **Connecticut Higher Education Trust (CHET)**

CHET surpassed \$3.97 billion in assets under management and more than 157,000 accounts in two trust plans: CHET Direct (marketed directly to individuals) and CHET Advisor (available through financial advisors).

TIAA-CREF Tuition Financing, Inc. (“TFI”) manages the CHET Direct plan. During FY 19, CHET Direct increased the number of accounts over the previous year from 122,885 on June 30, 2018 to 128,837 on June 30, 2019, and total assets reached \$3.3 billion.

The Hartford Funds (formerly known as Hartford Financial Services Group, Inc.) manages the CHET Advisor plan, which began operating in October 2010. As of June 30, 2019, there were 29,174 accounts with total assets of \$635 million.

## **Financial Education**

Former Treasurer Denise Nappier continued her longstanding commitment to financial education until her final term concluded, with an ongoing partnership with the YWCA Hartford Region on the statewide annual Money Conference for Women. The conference has since been named in her honor. In addition, Treasurer Wooden continues the Treasury’s partnership with the Connecticut Jump\$art Coalition, and has been an active participant in the financial literacy subgroup of the Governor’s Council on Women and Girls.

## **Achieving A Better Life Experience (“ABLE”) Trust**

Connecticut’s ABLE Trust has not yet been formally established. There are no ABLE accounts within the Trust, and there have been no contributions made or accepted and, as a result, no distributions. The Treasurer was successful in receiving budgeted resources for FY 20 to finally establish the Trust.

Connecticut residents can open ABLE accounts with programs sponsored by any other state.

## **Information Reported as Required by State Statute**

**Affirmative Action**—The Office of the Treasurer’s annual affirmative action program, submitted in compliance with section 46a-78 of the Connecticut General Statutes to the State Commission on Human Rights and Opportunities, was approved by the Commission. The Treasury pledges to make every good-faith effort to achieve all objectives, goals and timetables in its affirmative action plan. Contracts, leases and purchase orders of the Treasury contain clauses requiring non-discrimination, and vendors are required to certify the same. The Office of the Treasurer, under the Wooden Administration, has met its annual Set-Aside Program goals.