



STATE OF CONNECTICUT

TREASURER SHAWN T. WOODEN

TREASURER WOODEN, GOVERNOR LAMONT, TEACHERS URGE PASSAGE OF ACT TO STABILIZE TEACHERS' RETIREMENT FUND *Plan Would Save Nearly \$900 Million Over Next Five Years*

April 5, 2019

HARTFORD, CT - State Treasurer Shawn T. Wooden – supported by Governor Ned Lamont and associations representing tens of thousands of active and retired teachers - today urged the General Assembly's Appropriations Committee to approve his proposal to restructure the state Teachers' Retirement Fund in order to save the state an estimated nearly \$900 million over the next five years.

"This plan protects our teachers, taxpayers and bondholders while maintaining true to a disciplined approach to managing our long-term obligations," Wooden said during a hearing at the Legislative Office Building. "Along with other concrete steps in the direction of greater fiscal discipline and increasing the state's reserves, this proposal contributed to the state's credit outlook recently being elevated to "positive" – for the first time in 18 years."

Under the current framework, required payments from the state into the teachers' pension fund are projected to increase to unsustainable levels - peaking in 2032 at roughly \$3.4 billion.

Wooden's proposal, created in concert with the Governor and Office of Policy and Management (OPM) Secretary Melissa McCaw, would allow the state to reamortize the unfunded pension liability over 30 years, reducing required contributions to more even and sustainable levels. It is contained in **S.B. 873: *An Act Stabilizing the Teachers' Retirement Fund.***

OPM estimates it will result in budget savings totaling roughly \$900 million in reduced payments over the next five years.

“We owe it to our residents, businesses, and investors to act now to address our teacher pension problems,” said Governor Lamont. “I stand with Treasurer Wooden in urging the General Assembly to pass S.B. 873 and adopt these much-needed changes to our Teachers Retirement System to improve our financial standing and put our state into the best possible position to grow.”

The proposal also would create a Special Capital Reserve Fund that will ensure the repayment of outstanding pension obligation bonds issued in 2008.

The reserve would be initially funded with approximately \$380 million of the state’s current fiscal year 2019 surplus.

Importantly, the plan also would adopt a more conservative and realistic estimate for the assumed rate of return on investments in the teacher’s fund, from 8 percent to 6.9 percent.

Jeff Leake, President of the Connecticut Education Association, the state’s largest teachers’ union representing active and retired educators, said the proposal would benefit both public school teachers and the state.

“Connecticut teachers strongly support Treasurer Wooden's proposal to ensure the long-term viability of the teachers' retirement fund,” Leake said. “We commend Treasurer Wooden and Governor Lamont for their leadership on this issue and for their commitment to making the much-needed structural changes necessary to address decades of state underfunding.”

The Association of Retired Teachers of Connecticut (ARTC), also submitted written testimony Friday in support of the plan. The association is a non-profit organization that represents 16,000 members/affiliates and advocates for 33,000 CT retired teachers.

“The Association of Retired Teachers of Connecticut is grateful that Treasurer Wooden and Governor Lamont have both made stable retirement funds for teachers a priority,” the testimony said in part. “Retired teachers do not negotiate their retirement benefits. They are dependent on legislative decisions and past government promises.

In short, for much of the system’s history, the state did not properly save for the retirement benefits promised to teachers.”

Testimony in support of the bill was also given by the Connecticut branch of the American Federation of Teachers, which represents approximately 30,000 teachers, support staff, higher education faculty and state and municipal employees in 90 unions across Connecticut.

“On behalf of the teachers I represent, I must applaud the writers of this bill for addressing a significant problem in a responsible manner,” said Ed Leavy, a vocational-education teacher and Secretary-Treasurer of AFT CT. “I strongly support the passage of Bill 873.”

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