



STATE OF CONNECTICUT

TREASURER SHAWN T. WOODEN

TREASURER WOODEN: FIRST 100 DAYS IN OFFICE SHOW COMMITMENT TO ACTION ON STATE'S PRESSING FISCAL CHALLENGES

*ADDRESSING UNFUNDED PENSION LIABILITIES,
IMPROVING CREDIT STANDING AMONG HIGHLIGHTS*

April 18, 2019

(HARTFORD, CT) – State Treasurer Shawn T. Wooden today said his first 100 days in office demonstrate his commitment to tackling the state's most persistent fiscal challenges.

"I took office in January with an agenda to quickly begin addressing the state's unfunded pension liabilities, our standing on Wall Street, and our impact on Main Street," Wooden said. "I've also focused on improving the investment performance of our pension funds and engaging on corporate governance issues that impact our shareholder value. While we clearly still have a great deal of work ahead of us, I'm pleased with the solid, measurable progress the Treasurer's office has made during these first 100 days."

Wooden pointed to the following achievements:

Restructuring the State Teachers' Retirement Fund

Within weeks of taking office, Wooden proposed a restructuring of the underfunded Teachers' Retirement Fund 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 current framework, the state's required annual payments into the fund are projected to increase to an unsustainable level -- peaking in 2032 at roughly \$3.4 billion.

Wooden's proposal, created in concert with Office of Policy and Management (OPM) Secretary Melissa McCaw and presented in Governor Ned Lamont's budget proposal on

February 20, would reamortize the unfunded liability over 30 years, reducing required contributions to a more predictable level.

The proposal also requires 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.

“Connecticut teachers strongly support Treasurer Wooden's proposal to ensure the long-term viability of the teachers' retirement fund,” said Jeff Leake, President of the Connecticut Education Association (CEA.) “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 restructuring is outlined in Senate Bill 873, An Act Stabilizing the Teachers' Retirement Fund, which requires passage by the General Assembly. Testimony in support of the bill has been submitted by the CEA, the Connecticut branch of the American Federation of Teachers, and the Association of Retired Teachers of Connecticut.

First “Positive” Outlook on General Obligation Bonds in 18 Years

In mid-March, national credit rating agency Standard & Poor's elevated its outlook on Connecticut's General Obligation (GO) bonds credit rating from “stable” to “positive,” the first such improvement for GO bonds since 2001.

The action came less than a week after Wooden, Governor Lamont and OPM Secretary McCaw made presentations to all four national credit rating agencies at the State Capitol.

The presentations also highlighted the state's improving economy, fiscal controls on bonding in the Governor's proposed budget, and increases in the Budget Reserve Fund and the Common Cash Pool.

“This positive change in Connecticut's credit outlook is another significant step in the right direction that is drawing notice on a national level,” Wooden said. “The next step is to follow through on plans to address our current economic challenges and continue building a stable foundation for future growth and financial sustainability.”

Record-Setting Sale of Connecticut Bonds

On April 11, the Treasurer's office completed a record-setting sale of state General Obligation 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 on any GO bond sale in Connecticut history. It exceeds 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 exceeded bonds available, the state was able to lower the interest rates it pays to purchasers of the bonds, saving approximately \$46 million.

The sale followed an unprecedented “roadshow” presentation on the state’s fiscal landscape with potential GO bond investors in Hartford, Chicago, New York and Boston by Wooden, Lamont and McCaw. Investors who attended the presentations placed orders for about \$2.5 billion of the bonds.

“It was great engaging the investor community with the Governor,” Wooden said. “The overwhelming response to this sale is further proof that our efforts to improve the state’s long-term fiscal stability are having a direct impact with concrete, measurable savings.”

Corporate Governance

Treasurer Wooden kicked off his administration with a continued commitment to exercising the shareholder rights of the Connecticut Retirement Plans and Trust Funds, and the fight for sound governance measures that will maximize the long-term value of Connecticut’s investments.

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 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.

Pension Fund Management

Since taking office, Treasurer Wooden has worked with the Investment Advisory Council (IAC) to assess the status of the Connecticut Retirement Plans and Trust Funds investment program. As a result, the existing asset allocation targets were revised to ensure the program is positioned to achieve realistic investment returns while managing liquidity needs and monitoring risk.

In February, Wooden presented new emerging- market equity investment managers to the IAC after careful consideration of structure and exposures in this important asset class. Subsequent to the review, best in class active investment managers were added to the program.

In addition, Wooden reviewed the Private Investment Fund, the Real Estate Fund and the Alternative Investment Fund pacing plans to allow for prudent capital deployment over the coming years and proper diversification of plan assets. In April, a Private Investment Fund opportunity was reviewed and received favorably by the IAC.

Largest Attendance Ever at Public Finance Outlook Conference

On April 5, the Treasury's 24th annual Public Finance Outlook conference drew its largest attendance ever, attracting nearly 250 municipal and private-sector finance professionals to Dunkin' Donuts Park in Hartford.

"It is vitally important that the Treasury engage with our public and private partners on important issues that connect us and which we may be able to help shape going forward," Wooden said. "This event is a great way to do that and I couldn't be more pleased at the turnout, enthusiasm and sense of collaboration it created."

For Immediate Release