Denise L. Nappier
Treasurer

Hartford

January 20, 2009

Alice Clayton, Editor
Middletown Press
386 Main Street, 4th Floor
Middletown, CT 06457

Dear Ms. Clayton:

I write in response to an opinion piece appearing in the January 13, 2009 edition of The Middletown Press, *Our View: Unfunded Liabilities Threaten to Cripple State*. As the State's chief elected financial officer and the principal fiduciary for the Connecticut Retirement Plans and Trust Funds, it is important for me to respond to the glib observations and the overly simplified view of the State's long-term fiscal problems presented in the commentary.

Attributing the current market meltdown as the fault of U.S. Senator Christopher Dodd is grossly unjust and undeserving. It appears that author(s) of this piece merely searched the right-wing blogosphere and came up with the formula: Chris Dodd was ranking member of the Senate Banking Committee; Senator Dodd promoted policies that would expand homeownership opportunities for Americans; the bursting of the housing bubble is at the heart of the financial market collapse; therefore, it is Senator Dodd's fault. The absurdity of this syllogism should be obvious on its face.

With respect to the underfunding of our State pension funds, for more than a decade I have urged the State to demonstrate fiscal discipline in honoring its obligations to the beneficiaries of its retirement funds. The two funds that have chronically been underfunded are the State Employees' Retirement Fund and the Teachers' Retirement Fund. The third largest fund, the Municipal Employees' Retirement Fund, is as a matter of fact close to fully funded.

My proposal last year to issue pension obligation bonds for the Teachers' Retirement Fund was based upon decades long practices of the State to underfund that system. A feature of the legislative proposal included a requirement that the State contribute 100% of the required annual payment into the system as a covenant to bond holders. This will ensure the fiscal discipline that was historically ignored, and over the life of the bonds will save taxpayers millions of dollars. As for the State Employees' plan, it is amortizing its past unfunded liability as part of a collective bargaining agreement between the State and a coalition of State employee organizations.

As State Treasurer, I am acutely aware that it is my fiduciary duty to exercise prudence, discipline and to manage risk within tolerable limits. That is why the investment policies for the various pension funds we oversee look to diversification across asset classes and investing over the long term. When it comes to what are called “Other Post-Employment Benefits” (OPEB), the State has set up a reserve, albeit small, to begin to address this long-term liability rather than continue to rely exclusively on making payments on a pay-as-you-go basis.

Let me also caution you about using pension fund status as the sole measure when comparing the State’s financial condition with our municipalities, such as Waterbury. While The Brass City is doing a yeoman’s job in getting the house of its pension fund in order, after decades of neglect, its unfunded liability far exceeds the pension funds administered by the State.

None of this is to minimize the fiscal challenges facing our State or the hard choices that we are going to have to make. But opinion pieces should serve to stimulate debate and raise important issues for public examination. In this instance, the opinion only serves to characterize the problems in such a way as to trivialize the hard work ahead.

Sincerely,

Denise L. Nappier

Denise L. Nappier
State Treasurer

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