The Office Of
State Treasurer
Denise L. Nappier

News

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Statement by Treasurer Denise L. Nappier Concerning the Under Funding of State Pension Funds as Reported by The Pew Center on the States

Yesterday's sensational headlines about the report on state pension under funding by The Pew Center on the States only underscores what we have known for a long time in Connecticut: the State's initial pay as you go approach to financing pensions for state employees and the chronic under funding of the Teachers' Pension Fund investment program have led us directly to this point in time. My concerns about this looming liability are no secret. I have been working to shine light on this issue for more than a decade, through testimony before the General Assembly, opinion editorials, speeches and press releases. Indeed, this issue formed the backbone of my 1998 campaign for State Treasurer.

Every year since I was first elected State Treasurer, I have testified before the General Assembly raising concerns about the under funding. As an example, in 2001 I testified that "no single issue facing our state pension system – and the fundamental integrity of future state budgets – is more important than fully funding the State's annual pension contributions." At that time I urged state lawmakers to appropriate 100% of the actuarially determined level of funding for the Teachers' Retirement Fund and to consider the use of future surplus dollars to accelerate the funding of the State Employees' Retirement Fund.

In 2008, I proposed the issuance of $2 Billion in pension obligation bonds to address a portion of the Teachers' Retirement Fund unfunded liability. In that proposal, which became law, I insisted upon the inclusion of a bond covenant requiring our legislature to fund the actuarially recommended amount in each fiscal year, which The Pew Report recognized as an important element of funding reform. This significant feature was strangely ignored in the reporting on The Pew Report. The past practice of the state to under fund the Teachers' Retirement Fund had reduced the Fund assets by billions of dollars. My plan stopped that practice, which will result in fully funding the plan for Teachers' over the next 20+ years. Residents of the State need to know that most public school teachers in Connecticut are not part of the Social Security System and, therefore, rely heavily on the retirement benefits from the Teachers' Retirement Fund.

Not only was the sale of Pension Obligation Bonds the right thing to do, on behalf of our Teachers' Retirement Fund participants and their families, it was fiscally prudent. Over time, it is projected that the measure will save taxpayers an estimated $2.8 billion over the next twenty-five

Contact:
Lisa Monroe - Communications (860) 702-3014
Tim Corbett - Chief Investment officer, (860) 702-3005 ▪ tim.corbett@ct.gov
lisa.monroe@ct.gov

years. Unlike the Teachers' pension fund, there exists a collective bargaining agreement requiring the State to make the full payment annually to the State Employees' Retirement Fund.

Making a fully funded pension fund a priority is still the right thing to do.

As the Pew report clearly shows, years of under funding pension obligations and zero attention paid to post retirement benefit costs has only exacerbated our state's financial challenges. But make no mistake, the under funding of pension funds for State Employees and Teachers is the consequence of poor fiscal practices that date back to the 1970s. It is important to recognize that since assuming office in 2006, Governor Rell, with the support of the General Assembly, has been a proponent of fully funding our Teachers' Retirement Fund and honoring the collective bargaining agreement for the State Employees' Retirement Fund, with the exception of an agreement to defer up to $200 million in contributions because of the current fiscal crisis. It is my hope that the current Pew Report will serve as a reminder that we need to stay disciplined and chart the right course to ensure that our commitment to current and future retirees remains firm. There is much work to do and additional reforms to consider as we look to the future.

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lisa.monroe@ct.gov