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# Connecticut governor proposes reforms to state teachers fund in conjunction with treasurer, By James Comtois

## Connecticut Gov. Ned Lamont proposed legislation to reform the $18.7 billion state Teachers' Retirement Fund.

Connecticut Gov. Ned Lamont proposed legislation Tuesday to reform the $18.7 billion state Teachers' Retirement Fund.

Proposed reforms include reducing the assumed rate of return to 6.9% from its current 8%, stabilizing payments to the TRF by extending the payment period to 30 years from 12 years and strengthening the state's commitment with the 2008 pension obligation bond covenants.

The proposed legislation would also create the TRF Special Capital Reserve Fund, which would initially will be funded with $380.9 million out of the state's current year general fund surplus and provided with a backstop funded by lottery proceeds.

"We're trying to come up with a long-term plan that would honor our commitments to our bondholders, make our teachers fund more sustainable in the long-term and have assumed rates of returns that are more realistic," said Shawn T. Wooden, state treasurer and principal fiduciary of the $34 billion Connecticut Retirement Plans and Trust Funds, Hartford, which includes the TRF, said in a phone interview.

Mr. Wooden, who worked with Mr. Lamont on the proposed reforms, added that the changes are being proposed to avoid a huge spike in pension payments, flatten out the state's payment stream over time and create more flexibility on Connecticut's operating budget.

A news release issued by the governor's office said that "teacher pension annual costs could increase by nearly $2.1 billion, from $1.3 billion in (fiscal year) 2019 to $3.4 billion by 2032, if the state does not meet its optimistic current investment return assumption."

Mr. Lamont also proposed that each municipality or local education board be responsible for at least 25% of the normal pension cost paid on its behalf by the state. Municipalities with teacher salaries above the statewide median would pay proportionally more, while distressed municipalities would contribute less.

"We need to think about these long-term obligations as we would a mortgage," said Mr. Lamont. "You wouldn't pay off your mortgage in a decade, and Connecticut shouldn't try to do the same with its pension obligations."