The Office Of
State Treasurer
Denise L. Nappier

News

FOR IMMEDIATE RELEASE
August 3, 2011

CONNECTICUT'S PENSION FUND INVESTMENTS GENERATE $4.5 BILLION IN FISCAL YEAR 2011; OVERALL RETURN OF NEARLY 21% IS HIGHEST IN TWENTY-THREE YEARS

HARTFORD, Conn. – August 3, 2011 – State Treasurer Denise L. Nappier announced today that the state pension funds, known collectively as the Connecticut Retirement Plans and Trust Funds ("CRPTF"), will post an investment return, net of expenses, of roughly 21% for the 2011 fiscal year ending June 30th. This robust performance was driven primarily by positioning the fund to take advantage of the energetic rebound of the domestic and emerging equities markets, adding $4.5 billion of market value to pension assets. With $1.2 billion in net benefit payments and fees for the period, the value of the CRPTF grew from $21.9 billion at the end of last fiscal year to $25.2 by the end of June 2011 - an increase of $3.3 billion.

Nappier reported that the 21% return is the highest achieved by the fund in twenty-three years, and reflects a continuation of the strong performance in 2010, when pension fund assets grew by $2.6 billion, producing a net increase in value of $1.5 billion. "While there remain many challenges to our state, national and global economies," Nappier stated, "this record-setting performance is evidence of the strength of our pension funds and investment strategy, even during tough economic times."

Treasurer Nappier went on to note, "As encouraging as this news may be, we must be mindful of the somber outlook for capital market returns going forward. Wall Street may have rebounded, yet the overall economy continues to show troubling signs of weakness. Persistently high unemployment coupled with sluggish growth suggests that the recovery we see on the horizon may take us several years to reach. Until then, the performance of the pension fund will continue to pose challenges in meeting the 8.25% to 8.5% actuarially determined investment return assumption over the long-term. We did it this year with a whopping 21% return, but a sustainable pension fund must be able to meet its financial objective over the long haul. At present, the overall pension funds average 3, 5 and 8 year returns were 4.05%, 4.72%, 7.40%, respectively. That's why it is so important for Governor Malloy and the General Assembly to remain steadfast in their commitment to fully-fund the

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actuarially required contributions to the CRPTF, year in and year out. And, the respective retirement systems and their fund actuaries may have to accept that long-term expectations for investment performance may need to be modified to reflect a new reality that full recovery will take time."

Treasurer Nappier also commented on the recent disclosure that state pension plans appear to have violated IRS rules when calculating retirement benefit amounts: "The revelation of the state pension fund's award of some excess benefits is troubling. This issue must be expeditiously remedied to avoid the loss of the pension fund's tax exempt status, which will penalize all current and future beneficiaries, as well as our taxpayers. When I served as Treasurer of the City of Hartford, with responsibility for both assets and liabilities, we developed a methodology for ensuring that the City's plan complied with IRS guidelines. To avoid harm to beneficiaries, the State must either eliminate the excess benefits or use non-pension fund dollars to pay for them."

Treasurer Nappier further stated, "If the state does not act quickly and decisively, the penalties for violating the IRS rules may erode the strong investment gains achieved over the past two years as the CRPTF continues to work its way back from losses caused by the historically difficult market environment of 2008–2009. In the meantime, our prudent and disciplined investment approach served us well for the fiscal year end, enabling the pension fund to realize growth across all asset classes and ultimately achieve a double digit positive return that could offer some relief in meeting the state's actuarially required contribution in the next biennium."

The CRPTF includes six state pension plans covering approximately 190,000 teachers, state and municipal employees, and eight trust funds that support academic programs, grants, and other initiatives throughout the State. As of June 30, 2011, the value of the two largest funds in the CRPTF, the Connecticut Teachers Retirement Fund and the State Employee Retirement Fund was $14.1 billion and $9.0 billion, respectively.

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