The Office Of
State Treasurer
Denise L. Nappier

Press Release

**FOR IMMEDIATE RELEASE**
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# Connecticut's Pension Plans Generate Investment Return of 10.54% for Three Year Period Ending June 30, 2012
## One-Year Return Stands at -.90%

Hartford, CT -- Connecticut State Treasurer Denise L. Nappier announced that the State's pension funds, known collectively as the Connecticut Retirement Plans and Trust Funds ("CRPTF"), generated an investment return of 10.54% for the three year period ending June 30, 2012, which takes into account the difficult market climate of 2012, where investment returns came in at negative .90% for the one-year period ending June 30, 2012.

Treasurer Nappier stated: "It comes as no surprise that the 2012 fiscal year end performance results are not as we had hoped, but more along the lines of what we expected. The Great Recession clearly was not a hit-and-run event -- it has been an unprecedented financial crisis. And as investors in a global economy, we must be mindful that events in Europe and beyond have had and will continue to have far-reaching consequences. At the end of the day, the CRPTF is a long-term investor, and the strength of the three-year performance speaks to the soundness of our overall strategy – although we have a ways to go before the state pension plan can, once again, enjoy longer term performance that meets or exceeds the actuarial return assumptions of 8.25% and 8.50%."

During Fiscal Year 2012, the CRPTF's net assets declined from $25.2 billion to $24 billion, which reflects declines in market values as well as non-market related activities (e.g., management fees, net beneficiary payments, and other pension fund operating expenses) that accounted for about $1 billion in the reduction of assets.

The strongest performance was garnered in fixed income – which represents approximately 29 percent of the CRPTF assets. Inflation-linked bonds and core fixed income posted returns of 11.91 and 7.63 percent, respectively. The balance of the portfolio is invested in asset classes that struggled through particularly volatile markets during the fiscal year, such as developed and emerging equities.

The CRPTF, which includes six state pension plans and eight trust funds, the majority of which is comprised of the State Employees' Retirement Fund (SERF), the Teachers' Retirement Fund (TERF) and the Municipal Employees' Retirement Fund (MERF), provides pension fund benefits to approximately 190,000 state and municipal workers and retirees. For the fiscal year ended June 30, 2012, the SERF, TERF and MERF returned -0.90, -0.96, and +0.47 percent, respectively. The CRPTF performance compared favorably to the loss sustained in the MSCI Worldwide Index of about 4.4 percent for the same time period. (MSCI is an all world stock index with over 6000 securities from 24 countries in the developed world.)

"The fiscal year 2012 performance results pale when compared to the 2011 fiscal year return of nearly 21 percent -- which was the highest in twenty-three years. Such a significant swing in performance results only underscores the wild global financial ride that hasn't quite come to a full stop yet," noted Nappier.

Treasurer Nappier cautioned, "We expect continued uncertainty in the markets. The volatility we have seen since 2008 may be par for the course in the short term. As I stated publicly on August 3, 2011, following our historic positive performance:

> *'As encouraging as this news [of 21% positive return] 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.'*

In the meantime, it is imperative that the State remains unwavering in its commitment to fully fund the actuarially required contributions to the pension plan each year."

The three-year investment performance is expected to help to reduce the unfunded liability of the state's two major pension funds for state employees and teachers. In addition, the funding of the state employees' plan was also bolstered by changes in benefits negotiated with the State's unions last year, as well as through Governor Malloy's funding reform plan that will improve the financial footing of the plan.

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