

State of Connecticut



Hartford

DENISE L. NAPPIER
TREASURER

December 9, 2008

Barry Burr
Editorial Page Editor
Pension & Investments
360 N. Michigan Avenue Fourth Floor
Chicago, IL 60601

RE: Letter to the Editor – *Pensions & Investments*

Dear Mr. Burr:

Your editorial of December 8, 2008, “Risk of a Sure Bet,” properly points out the potential problems associated with issuing debt to fund pension obligations. Your editorial further implies that Connecticut’s issuance of \$2 billion in pension obligation bonds last April to fund part of the unfunded liability of our Teachers’ Retirement Fund might have been a misplaced bet.

As State Treasurer and principal fiduciary of the Connecticut Retirement Plans and Trust Funds, let me assure your readers that in Connecticut we were fully aware of the “risks” associated with this transaction, and still believe that over time the state and its taxpayers will save billions of dollars. The soundness of the transaction is measured not by a quarter or even a year’s investment performance, but by the rate of return earned by the Teachers’ Pension Fund during the life of the bonds. As long as the return earned on the proceeds from the bonds exceeds the cost of borrowing – which we fully expect – Connecticut and its taxpayers will realize substantial savings.

What was missing from the editorial was the fact that the most significant feature of the Connecticut plan is that we created a covenant to bondholders that the state would make the actuarially-recommended contribution during the life of the bonds.

Connecticut, like many plan sponsors, for years paid less than was required to fulfill its obligations to its Teachers’ Retirement Fund, thereby contributing significantly to an unfunded liability. With the issuance of these bonds coupled with the covenant to bondholders, Connecticut has committed to meet its retirement obligations to the tens of thousands of public school teachers throughout our state.

The end of your editorial concludes, “Unfortunately, many pension plan sponsors have yet to learn to properly fund their plans.” In Connecticut, we have not only learned that lesson, but have taken the steps to ensure that our commitment to our teachers remains secure.

Sincerely,

A handwritten signature in black ink that reads "Denise L. Nappier". The signature is written in a cursive style with a large, looping initial "D".

Denise L. Nappier
State of Connecticut Treasurer