State of Connecticut

DENISE L. NAPPIER
TREASURER

Hartford

January 31, 2017

President Pro Tempore of the State Senate Martin M. Looney
Republican President Pro Tempore of the State Senate Leonard Fasano
Majority Leader of the State Senate Bob Duff
Deputy Republican President Pro Tempore of the State Senate Kevin Witkos

Speaker of the State House of Representatives Joseph Aresimowicz
Majority Leader of the State House of Representatives Matthew Ritter
Minority Leader of the State House of Representatives Themis Klarides

The Honorable Catherine A. Osten, Senate Co-Chair, Appropriations Committee
The Honorable Paul M. Formica, Senate Co-Chair, Appropriations Committee
The Honorable Toni E. Walker, House Co-Chair, Appropriations Committee
The Honorable Melissa H. Ziobron, House Ranking Member, Appropriations Committee

Dear Mesdames and Messrs.:

I am writing to recommend approval of S.R. No. 7 and H.R. No. 8, *Resolutions Proposing Approval of an Agreement Between the State of Connecticut and the State Employees' Bargaining Agent Coalition.* I also urge the General Assembly to do more.

First, I commend the Appropriations Committee for its endorsement of the Agreement. Its action is a first step toward righting the pension funding ship and setting it on a course of sustainability. Briefly, let me note the positive aspects of the Agreement:

- A continued commitment to an actuarially funded plan for all retirees – in other words, no return to the "pay as you go" days that got us to where we are today;
- Upholding the 2032 deadline for paying off at least some unfunded liabilities;
- A more realistic rate of return assumption on pension fund investments;
- A transition to funding methodologies that, while still actuarially sound, allow more stable annual contributions.

More needs to be done, however, to strengthen the Agreement's intent to better manage the State's ability to fund its pension obligations and also not shortchange its yearly funding requirement going forward.

Specifically, there must be:

- Passage of legislation that would make the annually required contribution deemed appropriated; and
- A strict limit on the use of 25-year phase-ins to avoid using them for benefit enhancements, such as early retirement incentive programs, that have the unintended consequence of costing the state more in the long run.

To be frank: a comprehensive solution will absolutely require a clear-eyed and good faith discussion on how pensions and benefits can be more affordable and, consequently, sustainable.

We owe our state employees a secure pension, and we owe our taxpayers the assurance that we will fully and finally dispense with the undisciplined habits of the past.

Thank you for the opportunity to offer input on this Agreement.

Sincerely,

Denise

Denise L. Nappier
State Treasurer

cc: Members of the Appropriations Committee of the General Assembly