



**OFFICE OF
STATE TREASURER
DENISE L. NAPIER**

NEWS

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State Pension Fund Grows \$1.9 Billion in Fiscal Year; Overall Investment Return of 15% is Highest in Four Years

State Treasurer Denise L. Nappier said today that the state pension fund, the Connecticut Retirement Plans and Trust Funds (CRPTF), earned a 15.12 percent return on its investments for the fiscal year ending June 30, 2004. During the year, the value of the pension fund increased from \$18.3 billion in July 2003 to \$20.2 billion by the end of June 2004 – an increase of \$1.9 billion.

Nappier said the 15.12 percent return is the highest achieved by the fund during the past four years. In fiscal year 2003, the fund earned 2.5 percent.

“We achieved double-digit returns, vastly improved from a year ago, and the pension fund grew strongly despite growth in the payment of benefits,” Nappier said.

The solid performance of the fund is good news for the approximately 160,000 teachers, state, and municipal employees who are pension plan participants and beneficiaries as well as the academic programs, grants, and initiatives that are funded through the CRPTF.

Nappier, principal fiduciary of the \$20 billion fund, noted that the growth in the state pension fund during the fiscal year occurred despite net negative operating cash flow of \$827 million, due to pension payments that exceeded contributions to the pension fund by the General Assembly. A year ago, in fiscal year 2003, the net negative outflow was \$761 million.

“We have been working diligently to navigate through the scandals of the past administration and the turmoil in the stock market, and have come through with solid performance. “As a public pension fund, we are a long-term investor. Our investment strategy is to achieve superior returns with less risk over a market cycle, and have resisted pressure to make riskier investments,” Nappier said.

The Funds continued to be well diversified, consistent with long-term risk/return objectives, while adhering to established investment guidelines as reflected in the Investment Policy Statement (IPS), which was adopted by the Treasurer and approved by the Investment Advisory Council. Created in the wake of the scandal involving former Treasurer Paul

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Silvester, development of an IPS was part of Treasurer Nappier's comprehensive Treasury Reform plan enacted by the General Assembly.

Treasury Reform strengthened the role of the independent Investment Advisory Council, ensured greater accountability and transparency, improved checks and balances, and imposed higher ethical standards.

Top performing asset classes during fiscal year 2004 included the domestic equity (20.86%), international stock (29.78%) and private equity (18.70%) investment portfolios. For the fiscal year, the CRPTF ranked at the 51st percentile in the Trust Universe Comparison Services (TUCS) universe of public funds with assets greater than \$1 billion. Over the longer term, the CRPTF's five-year return as of June 30, 2004 ranked at the 38th percentile.

"We will continue to build on our solid performance, working closely with the Investment Advisory Council to achieve strong returns and follow through on our asset allocation plan," Nappier said. "We are doing so while traveling uphill, seeking to build the fund despite insufficient annual state contributions that do not reflect the actuarially recommended levels of contributions to the fund, year after year."

The CRPTF's asset mix is established by the Treasurer with approval by the Investment Advisory Council based on capital market theory, financial and fiduciary requirements, and liquidity needs. The present asset allocation mix includes domestic equities (36%), fixed income (29%), international equities (18%), private equity (11%), real estate (5%) and cash (1%).

In accordance with state law, the CRPTF holds assets on behalf of the State Employees' Retirement Fund, Teachers' Retirement Fund, Municipal Employees' Retirement Fund, Probate Court Retirement Fund, Judges' Retirement Fund, State's Attorneys' Retirement Fund, Soldiers' Sailors' & Marines' Fund, Endowment for the Arts, Agricultural College Fund, Ida Eaton Cotton Fund, Andrew Clark Fund, School Fund, Hopemead Fund, and Police & Fireman's Survivors' Benefit Fund.