



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

NEWS

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State Pension Fund Grows \$1.1 Billion in Fiscal Year; Overall Investment Return Exceeds 10% for Second Consecutive Year

State Treasurer Denise L. Nappier said today that the state pension fund, the Connecticut Retirement Plans and Trust Funds (CRPTF), had investments earnings exceeding ten percent for the second consecutive year, growing the pension fund by \$1.1 billion to \$21.3 billion for the fiscal year ending June 30, 2005.

The Connecticut pension fund is among the best performing public funds in the country, in the top third of public pension funds with assets greater than \$1 billion. Last year's investment return of 10.5 percent, net of fees, directly follows the fund's best year in the past five, with a 15.23 percent return the previous fiscal year. The two-year investment return of 12.82 percent added a total of \$3 billion to the value of the fund.

"We have consistently achieved a high performance over the long-term, while taking on less risk than our peers, and the pension fund grew strongly despite growth in the payment of benefits," Nappier said. "Beyond that, the pension fund's continuing solid performance decisively outpaced both our benchmark and the market."

The one-year return of 10.76 percent, gross of fees, exceeds the S&P 500, which returned 6.32 percent and the pension fund's actuarial rate of return of 8.5 percent. The median return of large public funds was 9.95 percent, according to the Wilshire Trust Universe Comparison Service (TUCS), which measures performance in the pension-fund industry. The CRPTF placed at the 30th percentile, with performance exceeding 70 percent of large public funds.

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 \$21 billion fund, noted that the growth in the state pension fund during the past two fiscal years occurred despite \$ 1.1 billion in pension payments to beneficiaries that flowed out of the pension fund, which exceeded contributions to the pension fund by \$943 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

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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 we have resisted pressure to make riskier investments," Nappier said.

The CRPTF continues 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 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 2005 included the international stock (19.27%) and real estate (27.56%) investment portfolios. For the fiscal year, the CRPTF ranked at the 30th 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 seven-year return as of June 30, 2005 ranked at the 31st 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. Once again, I am urging the General Assembly and the Governor to adhere to the actuarially recommended contribution levels."

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 target 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.