



OFFICE OF  
STATE TREASURER  
DENISE L. NAPIER

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# NEWS

**FOR IMMEDIATE RELEASE**

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## **State Pension Fund Grows \$1.6 Billion in Fiscal Year; Overall Investment Return Exceeds 10% for Third 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 third consecutive year, helping the pension fund grow by a net \$1.6 billion to \$22.9 billion for the fiscal year ending June 30, 2006.

Nappier said that the annualized investment return, net of expenses, of just over 12 percent during the three-year period added \$7.1 billion to the value of the fund. During the three years, the pension fund paid out \$2.5 billion in pension benefits, including \$709 million in FY2006, for net growth in the fund's bottom line of \$4.6 billion.

"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," said Nappier, principal fiduciary of the fund. "Beyond that, the pension fund continued to outpace both our benchmark and the market."

The FY2006 one-year return of 11.2 percent, gross of fees, exceeds the S&P 500, which returned 8.63 percent and the pension fund's actuarially assumed rate of return of 8.5 percent. The median return of large public funds was 10.7 percent, according to the Wilshire Trust Universe Comparison Service (TUCS), which measures performance in the industry.

This 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.

"We are not market timers and therefore resist any temptation to stray from our well diversified asset allocation plan in response to market volatility. Long-term, the overall performance of our pension fund investments has been proven to be quite successful in meeting the financial objectives of the fund," Nappier said.

The performance of Connecticut's pension fund is among the best in the country, in the top third of public pension funds with assets greater than \$1 billion. For virtually the length of the Nappier administration (seven year period through June 30, 2006), the CRPTF places at the 29<sup>th</sup> percentile in the Trust Universe Comparison Services (TUCS) universe of public funds with assets greater than \$1 billion, with performance exceeding 71 percent of large public funds. On the risk side, the CRPTF has taken on less risk in its investment program than 81 percent of those funds.

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"It is important to recognize that most of the funds that took on greater risk than Connecticut in order to achieve short-term gain fell short of Connecticut's outstanding performance," Nappier said. "And virtually every fund within the top third that outperformed Connecticut took on greater risk to do so. Over the long-term, our approach has been both prudent and successful."

Nappier also observed that the state's refusal, over many years, to contribute 100% of the actuarially recommended contribution to the pension fund, represented lost investment opportunity and an increased unfunded liability. The Treasurer noted, for example, that had the state contributed to the pension fund at 100% in FY2004 and FY2005, that would have meant an additional \$214.7 million in the fund, from the additional contributions and earnings. According to the Teachers' Retirement Board actuary, if the state had contributed annually at 100% between 1989 and 2000, there would have been an additional \$1.36 billion in the pension fund by the year 2000.

"No investment program, no matter how successful, can ever fully make up for monies not put into the fund -- without taking on undue risk. We saw some progress this year, with the Governor and the General Assembly contributing the full actuarially recommended contribution for the first time in many years. I will continue to urge strict adherence to meeting the state's financial obligation to the pension fund," Nappier said, "as I have done consistently from day one."

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.

The top performing asset class during fiscal year 2006 was the international stock fund, with a 26.4 percent return, gross of fees. The alternative investment program, which includes venture capital and private equity investments, earned 16.5 percent, and the real estate portfolio earned 11.6 percent. Reflecting market trends, the domestic equity (10.6%) and fixed income (0.9%) segments of the portfolio were exceeded by international and alternative investments.

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%). Overall at year's end, the CRPTF was invested 69 percent in public and private equities, 29 percent in bonds and fixed income, and 2 percent in real estate.

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, Hopmead Fund, and Police & Fireman's Survivors' Benefit Fund.

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