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State pension fund jumps 13.4%

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By Kym Soper
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The state pension fund posted a 13.43 percent net return on its investments for the 12 months ending Jan. 31, propelled by holdings in domestic and foreign stocks and bonds, according to the state treasurer's office.

In particular, the market value of the $30.89 billion Connecticut Retirement Plans and Trust Funds for teachers and state employees[1] increased by $830 million between Oct. 31 and Jan. 31, according to numbers supplied by state Treasurer Denise L. Nappier.

"Connecticut's pension funds have certainly benefited from the bullish equity markets since President Trump was elected," Nappier, a Democrat, said last week. "Driven largely by expectation of favorable tax policies, deregulation, and increased spending on infrastructure," the fund has "generated very strong results, both for the one-year period ending Jan. 31, 2017, and for calendar year 2016."

The fund, which includes six pension plans and nine trust funds, has been growing steadily since the Great Recession when the market took a tumble and led to an 11 percent loss of its in value in just four months during 2008.

The plan remains well diversified and no benefits were ever at risk, Nappier said at the time. Last week, Nappier noted that returns on the two largest components of the pension fund — the teacher and state employee retirement systems — exceeded their actuarial assumptions.

[1] The $30.89 billion market value – and $830 million growth between October 31 and January 31 - refers to the entire Connecticut Retirement Plans and Trust Funds (CRPTF), made up of six pension plans and nine trust funds. Growth for the two largest plans in the CRPTF, the Teachers' Retirement Fund and the State Employees' Retirement fund, totaled $720 million for the three months ending January 31.

Predictions had the Teachers Retirement Fund growing by 8.5 percent through June 30, 2016, and lowered to 8 percent for subsequent periods following July 1, 2016, while the State Employees Retirement Fund was projected at 8 percent, then lowered to 6.9 percent for the same time period.

Net returns on the two funds for the one-year period ending Jan. 31, 2017, were posted at 13.43 percent, however, with the teachers fund gaining 13.57 percent and the state employees fund growing by 13.37 percent.

Overall, the Connecticut Retirement Plans and Trust Funds reached a market value of $30.9 billion as of Jan. 31, 2017 — compared to $27.9 billion a year earlier.

More recently, market values posted in the most recent quarters — from Oct. 31, 2016, to Jan. 31, 2017 — showed growth in the teachers fund from $15.99 billion to $16.39 billion, while the state employees fund grew from $10.94 billion to $11.26 billion.

For the 2016 calendar year, the combined fund added $2.36 billion of market value to pension assets, Nappier reported.

After net withdrawals of $798.5 million — largely attributed to payments of $710.7 million that were greater than contributions — the entire fund ended the year with net assets of $30.24 billion, an increase of $1.56 billion, or 5.44 percent from the previous year.

Moreover, the teachers fund and the state employees fund outperformed 74 percent and 71 percent of their public pension plan peers, respectively, Nappier said touting the use of investment metric numbers.

Growth in 2017 can largely be attributed to stronger economic data during the last few months, Nappier said, in particular, low unemployment, improving manufacturing output, and stronger corporate profits.

For example, the manufacturing index reached its highest level in two years as of Dec. 31, 2016, at 54.7, indicating strong growth in the sector. This has also been a driver of stronger equity markets in the second half of the year.

“These investment gains can help to strengthen the plan’s solvency,” Nappier said, noting the portfolio is diversified in order to capture “these gains through the choppy financial markets over the last 12 months.

“Where the wind will blow next in terms of market returns is anyone’s guess, which reaffirms the need to generally stay put with the CRPTF’s long-term asset allocation mix,” she added.