



The Office Of State Treasurer  
Denise L. Nappier

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## News

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### **STATE TREASURER DENISE L. NAPPIER EXPRESSES CONCERN ABOUT THE STATE BUDGET'S INCREASE OF THE UNFUNDED LIABILITY OF THE TEACHERS' RETIREMENT FUND**

**HARTFORD, CT** – State Treasurer Denise L. Nappier today expressed concern about the negative impact of the recently passed state budget on the Teachers' Retirement Fund ("TRF"), saying it "may erode carefully constructed progress toward funding sufficiency."

At a special conference call meeting of the Teachers' Retirement Board today, Treasurer Nappier voted against the approval of a revised June 30, 2016 actuarial valuation prepared by Cavanaugh Macdonald Consulting, LLC in response to the budget adopted by the General Assembly last month. That budget increases retirement contributions from teachers by 1 percentage point -- from 6% to 7% of their pay -- and reduces the State's contribution by \$59.5 million from the amount that otherwise would have been paid into the TRF for 2018 and 2019.

"Nearly a decade ago, I worked with our teachers to establish a disciplined path toward full funding of the Teachers' Retirement Fund. This latest action by the legislature tugs at the threads of our efforts, and I strongly advise that there be careful scrutiny of any steps that would undermine the framework necessary to reach our goal. I believe we must stick to our knitting, which is why I voted against the new valuation," Treasurer Nappier said.

According to the Cavanaugh Macdonald analysis, the new state budget will result in a further increase in the unfunded actuarial liability of the TRF of \$20.4 million and a decrease in the funded ratio from 56.01% to 55.97%.

"While the drop in the funded ratio and the increase in unfunded liability attributable to the budget may not seem like much, it is a slippery slope," Treasurer Nappier said. "Any increase in the unfunded liability, however small, is a step in the wrong direction. And according to the Pension Practice Council of the Academy of Actuaries, 'funded ratios are a point-in time measurement. The movement or trend of the funded ratio is as important as the absolute level.'"

She added, "The changes may meet the letter of the law regarding the bond covenant adopted in 2008 to shore up the Fund, but they certainly violate the spirit."

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