The Office of
Treasurer Erick Russell

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Governor Lamont, Comptroller Scanlon, Treasurer Russell Announce Connecticut Pension Funds Achieve Highest Funded Ratios in Nearly 20 Years

Governor Ned Lamont, Comptroller Sean Scanlon, and Treasurer Erick Russell today are highlighting the release of two reports detailing the significant improvements made in r years to strengthen the long-term health of Connecticut's pension funds for retired state workers.

The annual *State Employees' Retirement System (SERS) Actuarial Valuation* for fiscal year 2024, which was published today, shows that assets in the fund that benefits the ge state employee population grew by more than $2.7 billion over the year due to strong investment performance and additional state contributions. The funded ratio of 55.2% is the highest achieved since fiscal year 2003.

Similarly, the *Teachers' Retirement System (TRS) Annual Valuation* for fiscal year 2024, which was released earlier this month, shows that assets for the fund that benefits the state's retired educators increased by more than $2.6 billion over the year. The funded ration of 62.3% for that fund is the highest achieved since fiscal year 2008.

"For too many decades, decisions were made to not fully fund Connecticut's pension obligations, creating disastrous results that led to years of fiscal instability," **Governor Lamont said**. "Now, for the first time in a generation, the budget decisions we have made over the last five years are having a significant impact at improving the fiscal health of our state. Since 2020, the budgets we enacted with the legislature allocated an additional $8.6 billion toward our pension obligations, resulting in cumulative budget savings of $730 million per year for the next 25 years. These savings are allowing the state to increase funding for essential services, while we also recently enacted the largest personal income tax cut in Connecticut's history. Our residents are directly benefiting from the sound fiscal management that has resulted in these increased funding ratios."

"Thanks to discipline and determination, we've taken our pension from 35% funded to 55% funded in just eight years," **Comptroller Scanlon said**. "This isn't just good news for pension holders, it's good news for all taxpayers. As we increase our funded ratio and pay down debt, we've freed up money – $492 million in the next fiscal year alone – that can support tax cuts for working families and key investments in our communities. We've got a lot of work left to do, but I'm proud of our continued fiscal progress and I hope the people of Connecticut are too."

"Connecticut has made necessary and undeniable progress in strengthening its pension funds and addressing the legacy of debt inherited by the current generation of taxpayers," **Treasurer Russell said**. "Although this data may feel abstract, it directly impacts every aspect of public life. Our budgetary decisions can now be made from a stronger position rather than amid a persistent crisis. Stabilizing state finances, rebuilding our national reputation, and honoring our commitments to retired teachers and state workers is economically vital work. It is also evidence of our capacity to tackle future challenges with similar urgency and determination. I'm grateful for the contributions of so many in achieving this milestone and look forward to the work ahead."

"Reaching the 55% funded threshold for SERS is a remarkable achievement considering the 39% funding level in 2020 and the jump from 51% funded to 62% for TRS in the same period," **Office of Policy and Management Secretary Jeffrey Beckham, who serves as the governor's chief budget advisor, said**. "However, Connecticut continues to have one of the worst-funded pension systems in the nation. If we are going continue to attract new businesses and residents to our state, we must continue this positive progress that reduces our unfunded liabilities and fixed costs and enables state leaders to maintain funding for core services."

Additional contributions made to pension funds in recent years

The improved funded ratios are the result of a combination of factors, including strong fiscal discipline, additional contributions from excess revenue and surplus funds, and strong investment performance in recent years. Over the past decade, reforms and adjustments were put in place to lower the assumed rate of investment returns, level long-term payment schedules, and direct certain revenues to alleviate debt in the pension funds.

Budgetary controls implemented in 2017 (commonly referred to as "fiscal guardrails"), direct the state to capture certain volatile revenues and deposit them in the Budget Reserve Fund (commonly known as the "Rainy Day Fund"), along with any year-end budget surplus. When that fund reaches its legal maximum, the excess is used to pay down pension debt. These additional contributions toward pension funds in recent years have totaled more than $8.5 billion, including:

$61.6 million in fiscal year 2020;
$1.6 billion in fiscal year 2021;
$4.1 billion in fiscal year 2022;
$1.8 billion in fiscal year 2023; and
Approximately $933 million in fiscal year 2024 (final amount to be confirmed later this year).

According to **an analysis requested by Comptroller Scanlon's office** and conducted by Cavanaugh Macdonald, an independent actuarial firm, these contributions will save taxpayers an estimated $18.4 billion over the next two decades through reduced annual payment obligations. Without them, the upcoming biennial state budget lawmakers will craft early next year would require an additional $1.4 billion of funding.

Investment performance surpasses expectations

In September, Treasurer Russell **announced (https://portal.ct.gov/ott/newsroom/news/news-releases/pensionreturnsfy24)** that Connecticut's pension and trust funds portfolio achieved an 11.5% investment return for fiscal year 2024, surpassing the assumed rate of return of 6.9%. This follows an 8.5% return in fiscal year 2023, continuing a trend of strong investment results.

These returns have significantly boosted assets across all funds, including record-high balances for both the teachers' and state employees' pension funds.

Recent budgets reversed decades of trends, making required pension contributions

For decades under several administrations, Connecticut failed to make the full required annual contributions to its pension funds, leading to compounding debt. However, since 2011 the budgets adopted by the governor and legislators have fully funded these contributions annually and implemented collaborative reforms with labor and management.

According to the annual Fiscal Accountability Report from the Office of Policy and Management that was **released last month**, more than 75% of the unfunded SERS liability is for retirees.

In fiscal year 2025, the state will need to contribute $1.98 billion to fund the normal cost of benefits accrued by current employees ($246.5 million) and to maintain the schedule of eliminating legacy debt for retired state employees ($1.73 billion).

View the pension reports

The pension fund actuarial valuations provide detailed membership data, actuarial analysis, and cost breakdowns.

To view the reports for the State Employees Retirement System, visit **osc.ct.gov/public/retirement/retirement-systems-actuarial-reports (https://osc.ct.gov/public/retirement/retirement-systems-actuarial-reports/)**.

To view the reports for the Teachers' Retirement System, visit **portal.ct.gov/trb/content/other-resources/statistics-and-research/actuarial-valuation (https://portal.ct.gov/trb/content/other-resources/statistics-and-research/actuarial-valuation)**.

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