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STATE OF CONNECTICUT
TREASURER SHAWN T. WOODEN

TREASURER WOODEN SHARES PROJECTED $1.2 BILLION PAYMENT TOWARDS UNFUNDED PENSION LIABILITIES DUE TO HISTORICALLY HIGH RAINY DAY FUND BALANCE; REACTS TO GLOBAL AND U.S. MARKET CLIMATE

Wooden Reflects on Legislative Session; Legislature Passed Equitable Bipartisan Budget and Supported CT Baby Bonds, which Starting Today will help Children Born into Poverty

Hartford, CT – Today, Connecticut State Treasurer Shawn T. Wooden transmitted the monthly Cash and Bonding Report for the month of May 2021 with updates as of June 30th to the Governor and General Assembly. The Report highlights Connecticut's continued strong cash position during the pandemic. Additionally, the Treasurer shares his perspective on the capital markets and planned bond issuance for the next biennium.

Cash Position

"The latest budget projections are that Connecticut will end fiscal year 2021 with a $157.0 million surplus, as well as a historically high rainy day fund balance of nearly $4.38 billion. Since the amount in this fund will exceed the 15% volatility cap threshold, the excess of $1.2 billion will be transferred to either the State Employees' Retirement Fund or the Teachers' Retirement Fund later this year. I will, therefore, have the opportunity for only the second time in history and for the second year in a row to continue to responsibly paydown long-term unfunded pension liabilities. The historic growth of the State's rainy day fund is a direct result of Connecticut practicing smart fiscal discipline over the last few years. It now remains our job as state leaders to stay the course and pave the way towards a sustainable economic recovery that reaches everyone across our state, especially those who continue to hurt as we recover from the effects of the pandemic.

To continue to help hard working families and communities across Connecticut, in June, the Legislature closed out this year's legislative session by passing one of the most equitable and impactful bipartisan State budgets Connecticut has ever seen. A number of initiatives in this budget will fundamentally change and improve the lives of Connecticut residents as we all strive to build our economy back stronger as the state recovers from the effects of the COVID-19 pandemic. I am also proud that starting today, CT Baby Bonds, a groundbreaking, anti-generational poverty, racial equity, and economic growth program that I proposed during this year's legislative session will begin to help children born into poverty whose births are covered by HUSKY. Since Connecticut is ground zero for wealth and income inequality, for us to be first in the nation to tackle generational poverty and advance racial equity with the enactment of CT Baby Bonds is a powerful testament to our values. This program is the most direct way to narrow the racial wealth gap in Connecticut and is also a long-term investment in Connecticut's future. Study after study shows that failure to close the racial wealth gap inhibits long-term economic growth and this program reinvests directly back into communities and our economy."

As of June 30th, 2021, the State's overall available cash is $11.6 billion with the common cash pool at $10.0 billion.

The State's common cash pool contains the operating cash in many funds and accounts. The cash is pooled in order to make the most effective and efficient use of aggregate balances and to allow positive balances in one fund to temporarily offset negative balances in other funds. Bank balances are consolidated daily, and funds that are not projected to be immediately needed to fund disbursements are collectively managed in various short-term investments or bank accounts that earn interest to successfully meet projected cash flows. No temporary transfers from bond proceeds investment accounts have been made since December 2017.

Capital Markets

As we reflect on fiscal year 2021, one cannot help but notice the discrepancy between Wall Street and Main Street. During a period of economic upheaval with significant job losses and a public health crisis that devastated so many families and communities, capital markets performed as if there were no concerns nor disruptions in the world. The equity markets had some of the strongest returns in recent memory, with the S&P500 returning 40 percent during the fiscal year, high yield bonds returned 15 percent and the broader fixed income markets fell just short of a positive return. In a period where so many were laid low, the capital markets hit new highs. These returns were largely driven by the flood of liquidity entering the global markets resulting from the response of fiscal and monetary policy to the devastating economic effects of the COVID-19 pandemic.

During the most recent quarter that ended yesterday, June 30, 2021, markets continued their push higher, buoyed not only by global liquidity but also by global optimism that the worst of the effects of the COVID-19 pandemic had been felt and that a potential "return to normalcy" would bring continued economic growth. The markets began to reflect the impact of countries and communities venturing out and trying to catch up on the activities that had been curtailed during the pandemic. As the consumer savings rate increased during the pandemic, the "return to normalcy" is expected to bring with it increased spending on everything from dinners to vacations, giving the service industry sector the badly needed economic boost it has been waiting for. During this past fourth fiscal quarter, equities, as measured by the S&P500, returned 8.5 percent while bonds, as measured by the Bloomberg Barclays US Aggregate Index, returned 1.7 percent.

Finally, for the month of June, markets ended higher, with nearly all broader indices higher. Equities, again measured by the S&P500, returned 2.3 percent while bonds, as measured by the Bloomberg Barclays US Aggregate Index, returned 0.6 percent.

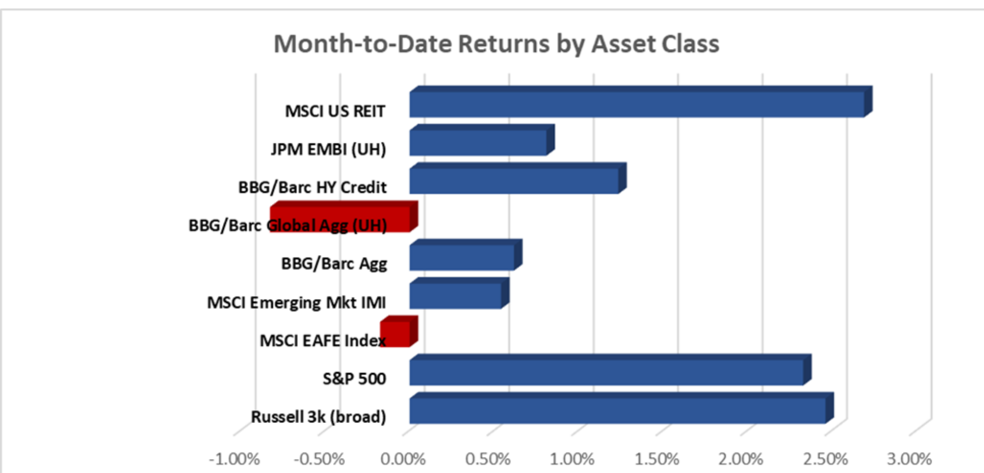
Looking forward, while we do not expect the various capital markets to perform as well as they did during fiscal year 2021, we judge the risks to the markets as moderate, and the majority of the risks present are related to the various inflationary pressures present within the system. The balance sheet of corporations is generally in good health, default rates are generally low, and there appears to be sufficient demand present to support continued economic growth.

Periodic returns of the various asset classes:

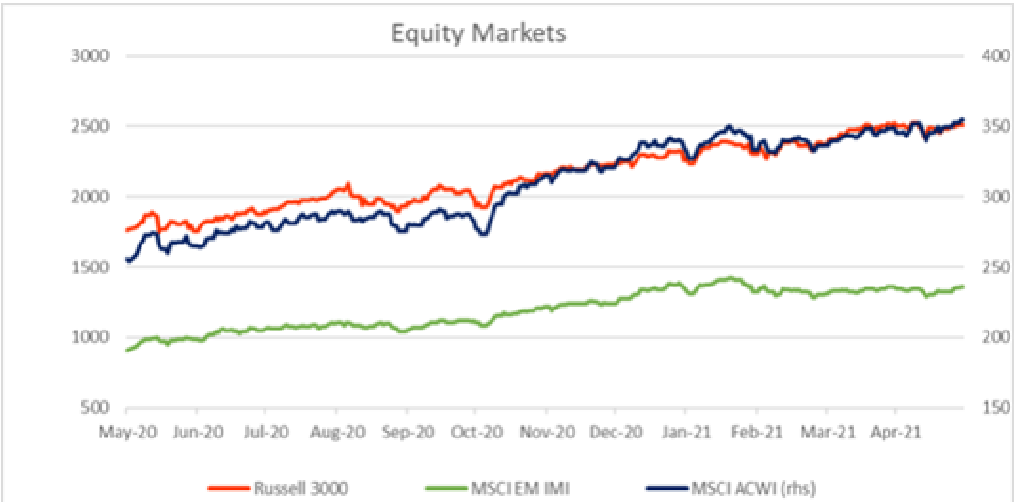
Asset Class Returns

Asset Class	Strategy	Index	MTD Returns	QTD Return	Fiscal YTD Return
Equity	US Equity	Russell 3k (broad)	2.46%	8.24%	40.04%
Equity	US Equity	S&P 500	2.33%	8.54%	36.87%
Equity	Internatioinal Equity	MSCI EAFE Index	-0.17%	6.33%	34.69%
Equity	Emerging Market Equity	MSCI Emerging Mkt IMI	0.54%	5.88%	40.47%
Fixed Income	Core Fixed	BBG/Barc Agg	0.62%	1.74%	-1.00%
Fixed Income	Global Fixed	BBG/Barc Global Agg (UH)	-0.83%	1.37%	3.31%
Fixed Income	High Yield	BBG/Barc HY Credit	1.24%	2.64%	13.54%
Fixed Income	Emerging Mkt Bonds	JPM EMBI (UH)	0.81%	3.85%	5.85%
Real Estate	Real Estate	MSCI US REIT	2.69%	12.00%	31.20%

Month-to-Date returns of the various asset classes:



Equity market time series:



Citation: Graphs and charts are attributable to Bloomberg News

Debt Issuance Updates

The new CT Baby Bonds program that goes into effect today, championed by Treasurer Wooden, is funded through the issuance of State's General Obligation bonds, with $50 million per year authorized for the next 12 years for a total of $600 million in funding.

Furthermore, the State budget that passed included appropriations for debt service based on the Treasurer's plans to issue up to $1.6 billion of new General Obligation bonds for each year of the biennium as well $800 million and $925 million of Special Tax Obligation, Transportation Infrastructure bonds fiscal year 2022 and fiscal year 2023, respectively. In addition, the Treasurer's Office plans to issue $260 million and $190.5 million of University of Connecticut bonds in fiscal year 2022 and fiscal year 2023, respectively.

More information on the State's bonding programs is available at www.buyctbonds.com.