



State of Connecticut

SENATE

STATE CAPITOL
HARTFORD, CONNECTICUT 06106-1591

SENATOR L. SCOTT FRANTZ
ASSISTANT MINORITY LEADER
THIRTY-SIXTH DISTRICT

TOLL FREE: 800-842-1421
OFFICE: 860-240-8800
FAX: 860-240-8306
E-mail: Scott.Frantz@cga.ct.gov

RANKING MEMBER
BANKS COMMITTEE
COMMERCE COMMITTEE

MEMBER
FINANCE, REVENUE & BONDING COMMITTEE
TRANSPORTATION COMMITTEE

Testimony

In Support of Raised Bill 448

An Act Concerning the State Employees Retirement Commission

Appropriations Committee

April 5, 2011

Good morning Senator Harp, Representative Walker, Senator Kane, Rep. Miner, and members of the committee. I am here today to testify in support of Raised Bill 448, An Act Concerning the State Employees Retirement Commission.

This bill would require the state treasurer to be a member of the State Employees Retirement Commission (SERC) and would require the Commission to review reports issued by the National Association of State Retirement Administrators prior to adopting an annual assumed rate of return for the state's pension and OPEB portfolios. This proposal would also require the Commission to annually present to the Finance, Revenue and Bonding Committee a status report regarding the fiscal health of the retirement system and include an examination of the actual rate of return realized by the state's pension funds.

This legislation would help ensure that the State Employee Retirement Commission adopts a realistic assumed rate of return for its investments. Surprisingly, there is no current member with investment experience on SERC. Given that the state treasurer is already on the Investment Advisory Commission, which makes investment decisions for the state, it would only make fiduciary sense to add her as a permanent member of SERC. Adopting a more sensible annual rate of return assumption allows decision makers to more accurately determine funding needs for each year with less risk of underfunding the portfolio. While there is little doubt that the short-term implications of using a lower rate of return assumption carries with it an added current cash expense burden, the added transparency and better investment decision making outweigh this disadvantage and would serve to help better fund our pension and OPEB plans over the long-term.

Many thanks for your time and consideration of my testimony.

Sincerely,

L. Scott Frantz, State Senator 36th District