

# The Office of Treasurer Erick Russell

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Treasurer Russell Deposits \$608.2 Million Volatility Transfer into State Pension Funds



## Erick Russell

CONNECTICUT STATE TREASURER

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### Treasurer Russell Deposits \$608.2 Million Volatility Transfer into State Pension Funds

**Hartford, CT** – Connecticut Treasurer Erick Russell announced on Tuesday that \$608.2 million in excess revenues generated through the state's volatility cap have been deposited into the pension funds for retired teachers and state workers following the certification of Fiscal Year 2024 data. At the Treasurer's direction, \$335.0 million has been deposited into the State Employees Retirement System (SERS) and \$273.2 million has been deposited into the Teachers Retirement System (TRS).

"These funds will be used to pay down debt and grow assets in the pension funds," said Treasurer Russell. "Connecticut has taken huge steps to overcome the legacy of pension debt and financial mismanagement inherited by current taxpayers. This marks the fifth consecutive fiscal year that excess contributions have been made into funds in addition to required annual payments. My office will immediately begin investing these funds with the intention of maximizing performance and building on our recent investment success. Strengthening the pension funds benefits all taxpayers by decreasing debt, lowering annual expenses, and upholding our obligations to retired public servants."

The deposits were divided between the two funds proportionally according to outstanding unfunded liability, resulting approximately in a 55%-45% split. The rationale and deposit amounts were communicated to labor leaders, as well as rank-and-file union members, via letter from Treasurer Russell last week.

Later this year, another transfer will occur when the Fiscal Year 2024 operating surplus is certified. At that time, an estimated \$327.6 million will also be deposited using the same proportional formula.

Volatility Transfer (Sept) (\$ millions)	SERS (55.08%)	TRS (44.92%)	TOTAL
	\$335.0	\$273.2	\$608.2
Operating Surplus (Dec.) (\$ millions) * estimated	*\$180.4	*\$147.2	*\$327.6
<b>TOTAL</b> (\$ millions)	*\$515.4	*\$420.3	*\$935.7

Budgetary controls implemented in 2017, known as the fiscal guardrails, capture excess revenues in particularly volatile categories and automatically deposit them into the state's Budget Reserve Fund (commonly referred to as the "Rainy Day Fund"). That fund has currently reached its legal cap, which was recently raised to 18% of net General Fund appropriations, triggering a provision that directs the remainder of the volatility transfers be used to pay down debt, including in the pension funds. Any budget surplus certified at the close of the fiscal year also gets deposited following the same process. Additional contributions have been made into the state's pension funds in each of the past five fiscal years, totaling over \$8.5 billion:

- \$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;
- An estimated \$935.7 million in Fiscal Year 2024.

Earlier this month, **Treasurer Russell announced** (<https://portal.ct.gov/ott/newsroom/news/news-releases/pensionreturnsfy24>) that the state's pension funds added \$6.7 billion in assets in Fiscal Year 2024 due to additional contributions in the prior year and an 11.5% investment performance. Updated funded ratios for SERS and TRS will be included in new actuarial valuations published this winter.

**Contact:** Tyler Van Buren

**[tyler.vanburen@ct.gov](mailto:tyler.vanburen@ct.gov)** (<mailto:tyler.vanburen@ct.gov>) | (959) 529-2468