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Framework for Connecticut's Fiscal Future: Series of Studies to Address Alternative Approaches to State Budget Crisis

Third Study Released: Funding Crisis for State Pensions and Other Post Employment Benefits

The Connecticut Regional Institute for the 21st Century (the Institute), a non-profit group that focuses on ways in which Connecticut can expand its economic growth, today announced key findings of the third in its series of studies to inform policymakers about critical issues that hold the most potential for the state's future.

The State projects facing a \$3.4 billion budget deficit in fiscal year 2011. Shrinking revenues are forcing governors and legislators to examine all areas of public spending for possible savings. This report focuses on the funding crisis for pensions and other post employment benefits that is facing many states but is particularly burdensome in Connecticut.

Since the 2008 financial meltdown, the tension between the fiscal health of the states' retirement programs and the need for states to provide other services has been especially intense. Between 2008 and September 2010, in an effort to get costs under control, 40 states took at least one action with respect to their pension programs and 15 states took at least one action with respect to their retiree medical program.

Pension and OPEB liabilities are a fiscal tsunami heading right for Connecticut. Increasingly, towns and states are actually considering bankruptcy because of the huge liability associated with pensions and OPEB. Connecticut's unfunded pension and medical liability is \$41.878 billion. This represents a liability of \$17,480 for every voting age citizen in Connecticut. Our total annual required contribution (ARC) to the pension and medical plans is \$2.968 billion per year. This is 12% of CT's current annual state budget. Connecticut has lagged the 49 other states in terms of number and magnitude of actions taken to address its unfunded liability problem.

Today's report addresses the need to design comprehensive compensation plans, including both salaries and benefits, in order to attract and retain employees qualified to deliver state and municipal services. On a regular basis, the plans should be analyzed, benchmarked, and adjusted to reflect current market and economic conditions.

"There is much to learn from other states' actions over the past two and a half years and the Institute recommends that the Governor and the Legislature review them all and take strong action on numerous fronts to get this problem under control," said James Torgerson, President and CEO, of UIL Holdings Corporation and chair of the Institute's steering committee. "It is critical to Connecticut's future that we offer and fund fair, competitive, compensation plans that attract and retain highly capable people to service the residents of Connecticut" he said.

More information about the Institute's initiative, including the findings from the *Pensions and Other Post Employment Benefits* study, can be found at www.CTRegionalInstitute.org.

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