

## Kroll: CT Lotto assets transfer could ease pension pressure, but...



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Connecticut state Capitol in Hartford.

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If Connecticut were to transfer its lottery assets to its underfunded pension system, it could be a credit positive move, though not a silver bullet to the state's fiscal woes, Kroll Bond Rating Agency said in a new report.

With the state Pension Sustainability Commission preparing to issue final recommendations to the legislature in January regarding the potential transfer of lottery and other state assets in order to make the state's pension contributions less burdensome over the next 30 years, Kroll warned that there are hurdles ahead if Connecticut proceeds.

The accounting is tricky, due to laws about government accounting, and such a scheme might only have positive benefits if the state makes it part of a thoughtful long-term plan, and better manages its existing shortfalls going forward, the company said.

New Jersey garnered attention last year when it enacted a similar lottery transfer to bolster its pension system.

All major ratings agencies have opined on that move, declaring it to be either a slight credit positive or credit neutral move, since New Jersey's pension system won't see higher annual payments for the first five years, but could in the following 25 years.

However, New Jersey immediately reaped an increase in its pension funded ratio, from 45 percent to 59 percent. New Jersey expects its pension fund to reach a funding ratio of 90 percent by 2047, higher than the estimated 80 percent, had it done nothing.

By way of comparison, Connecticut's two biggest pension funds are 52 percent and 32 percent funded, respectively.

Kroll said many states are likely watching the New Jersey and Connecticut experience, and it expects more to follow suit, due to infrastructure and pension funding shortfalls.

As a percentage of gross state product, New Jersey, Illinois and Connecticut have the highest pension liabilities in the country, according to Kroll.