



POLICY PLATFORM AND AGENDA

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MAKING PENSIONS SUSTAINABLE FOR TEACHERS AND STATE WORKERS

We must do everything we can to ensure the long-term sustainability of our pension system. Failure to adequately fund state employee and teacher pensions over decades has contributed to the state's current financial challenges while impacting the retirement security of our state workers. We can only reverse this trend by seeking solutions that are fair and provide predictability for workers, retirees, and the state.

I believe the following are steps we can take that will protect both the taxpayers as well as current and future retirees:

- Contribute the proceeds of undervalued or underutilized state assets to Teachers Retirement System (TRS)
- Require the state to use at least 50% of all one-shot revenues to pay down the pension debt

Above all, we must make sure that CT keeps promises made to current and future retirees. Despite the fiscal neglect of previous years, we must stabilize funding for our State Employees Retirement System and recognize that material concessions have already been made by unions during the last budget negotiation. We must develop strict protocols to deal with underfunding, leaving no ability for politicians to "game the system" and suspend payments.

MAXIMIZING PENSION FUND PERFORMANCE

Optimal Asset Allocation

Connecticut's underfunded pension plans need a high rate of return to meet our future obligations, but that also means higher risk. The best way to minimize risk is through proper asset allocation - deciding how much goes into specific corporate stocks, index funds, real estate, private equity and other investment categories. The current market paradigm is shifting and protracted inflation is going to have an impact on our pension investments. It is not likely that the equity returns of the last few decades will replicate themselves going forward, and the fixed income portion of the portfolio will face further risks as rates rise.

A discussion with all state pension asset managers on allocation strategies seems urgent and warranted in the current investing environment. For example, did the asset managers lighten up on equity exposure before the most recent sell-off?

Should new managers be added with expertise in real estate, commodities and other asset classes that can be better inflation hedges? What is their view on bond exposure and how should duration and credit quality targets be adjusted?

Given the size of our unfunded pension liability (around \$40 billion per the state's calculations), we can't afford investment underperformance going forward. This is going to be especially critical if we face a decade of lower equity returns, which many analysts are predicting. The Treasurer's role will be more important than ever.

Increasing Efficiency and Reducing Fees

Maximizing returns as a long-term investor is critical, but we cannot just look outward at the markets. We must look inward to reduce portfolio costs by doing the following:

- Reduce fees: CT is a major investor and should use its assets to negotiate all fees down
- Incentivize managers who consistently outperform
- Look to lower cost in passive investment through index funds where markets are most efficient
- Use active managers where markets are less efficient and manager skill adds value
- Bring liquid assets in-house. Currently the Treasury pays external managers to manage the pension funds' cash when the state has its own outperforming short term fund

SOCIALLY RESPONSIBLE CORPORATE GOVERNANCE

Pharmaceutical Companies and the Opioid/Addiction Crisis

Pharmaceutical companies play a large role on the health of society and on investment portfolios, but their long-term profitability and social benefit hinges on responsible corporate policy. Addiction disease, including the opioid epidemic has become a crisis which does not discriminate. It exists in every community in Connecticut and across the nation and has sadly brought devastation to my own family. Unscrupulous marketing and dissemination of addictive pharmaceuticals drives up short-term profits, but also endangers lives. Hundreds of thousands of people died in our country in the last twenty years because of the dissemination of misinformation by big pharmaceuticals. The lack of social governance ultimately exposes the company to liability as we saw with Purdue Pharma's bankruptcy and lawsuits. As Treasurer, I will review all pharmaceutical holdings and demand policies which keep both people and profits safe.

Corporate Diversity

When I first entered the financial industry, I was one of the only women of color on the trading floor, but I enjoyed a successful twenty-year career which prepared me to give back via the non-profit sector and now, through government. Studies show diversity in

the workplace - especially in the boardroom, prevents “groupthink,” which can lead to less creative solutions and vision. Racial, ethnic, and gender diversity also correlate with returns above the national average, whereas less diverse corporations are likely to see below-average returns and fall behind the market. Although we’ve made strides to add women and minorities in government and corporate leadership, we still have significant work to do. For these reasons, a diverse Treasury, combined with impact investing in funds and businesses committed to diversity in hiring is smart and profitable. It simply makes sense. As Treasurer, I will be committed to a diverse Treasury which will promote diversity in business, which will ultimately yield optimal returns for our diverse Connecticut pensioners.

Responsible Executive Compensation

Too often Corporate CEOs receive pay packages that tie compensation to annual performance. This encourages risky behavior to yield short-term profits at the risk of long term sustainability. These compensation packages are often disproportionately higher than their value to long-term investors such as the CT Treasury. Our pension funds are shareholders in most major corporations. This gives CT’s Treasurer significant leverage to encourage companies to avoid risky corporate pay structures, and instead promote executive pay that is tied to long-term sustainable profits. This will mitigate the risk of reckless executive behavior and put our portfolios on the path to long-term growth. As Treasurer, I will work with other institutional investors to establish clear standards for CEO Compensation and encourage their adoption in corporations in which we are shareholders.

BUILDING TREASURER’S OFFICE INITIATIVES

Expanding the Connecticut Higher Education Trust (CHET)

My mother always taught my sisters and me that with a good education, we could reach our fullest potential. Rising college costs are creating a barrier for many students and leaving other graduates deeply in debt as they start their adult lives. Studies show that 68% of adults do not know what a 529 College Savings Plan is. Increasing awareness and access to the Treasury’s CHET program will enable more families of all income levels to save for colleges and technical schools.

In addition, offering a Prepaid Tuition Plan in addition to the existing College Savings Plan will provide our families more options on how to save. These programs, which exist in a number of other states, give parents the option of pre-paying for college at existing tuition rates, which both builds savings and reduces the overall cost of college. As Treasurer, I would work with the legislature to enact this additional tool for Connecticut families.

Improving Financial Literacy

From credit cards to college savings, to managing a checking account - far too many people fall victim to poor planning or scams because they lack adequate financial literacy. All Connecticut residents deserve the necessary money management skills to make informed decisions and protect their financial futures. Our treasury presently offers several online tools to improve financial literacy, but there is room to extend this vital programming. By partnering with the private sector, we can develop an innovation fund to sponsor Credit for Life Fairs and other financial literacy programming for residents across the state. As Treasurer, I will work to expand the Financial Literacy program to reach far more people, especially high school students, seniors, and families from lower income communities.

Driving Social Change While Earning Money for CRPTF

Prudent social impact investing involves investing in businesses which can both deliver profitable returns while achieving important social goals such as gender and racial equality, pay equity, affordable housing, small business growth, clean environment, public health, safer gun laws and social justice. Improving society creates economic benefits for CT and should be a top priority for our Treasury. In 2016, the Pennsylvania Treasury adopted a key Obama-era policy when launching a substantial social impact investing initiative for state infrastructure. We too can use social impact investing to effect positive change in our state and around the world.

Preparing our Workforce for the Jobs of Today and Tomorrow

Even as many families struggle with unemployment or under-employment, there are shortages of qualified applicants for jobs across our state. As Treasurer, I will bring together employers, legislators, labor leaders, and higher education officials to discuss current and anticipated employment needs. As a team, we can work to ensure that we are giving every student the tools they need to find a well paying job in the market into which they graduate. Further, this can help shape non-academic job training and retraining programs, making our workforce even more competitive and attractive to companies, thereby keeping those companies and jobs in our state.

Investment in Connecticut's Quiet Corner

Neighboring states have created successful tourism destinations in economically challenged rural areas by investing in and supporting local businesses. Our "Quiet Corner" has as much natural beauty as Vermont or Massachusetts; smart investing can stimulate job growth by make the quiet corner a destination spot for agritourism and outdoor recreational activities. As Treasurer, I will actively seek out prudent investment opportunities in the Quiet Corner.

COLLABORATION AND PARTNERSHIPS

By harnessing the power of partnerships with other branches of government, the private sector, and grassroots organizations, I will expand the Treasury's policy and social initiatives without increasing cost to the state. Loan forgiveness, education, savings, financial literacy, and socially responsible investments are essential to our economy and quality of life.

In-State Investments and Collaboration with CT Innovations

Borrowing on the experiences of other states which have enacted similar programs, I will create an in-state investment pool within the Connecticut Retirement Plans and Trust Funds (CRPTF), and actively work with organizations like CT Innovations and Women's Business Development Council to find Connecticut businesses which could benefit from these investments while working towards our goal of maximizing investment return. Many successful small businesses struggle with accessing capital for growth and expansion. With Connecticut in need of job creation and economic growth, it makes sense to invest a small portion of pension funds in our local businesses **where the anticipated risks and returns meet our standards**. Investment and collaboration with CT Innovations will stimulate technology hubs in New Haven and Stamford, creating high tech jobs and enticing younger workers to remain in, or come to CT. A strong business community will lead to greater growth of our revenue base.

Establish a Connecticut Infrastructure Bank (CIB)

I believe that Connecticut should revisit establishing an infrastructure bank. It is a tried and tested financing model used in more than 30 states (including New Jersey and Rhode Island) as well as across the world.

The CIB would add to our existing arsenal of financing options, giving us the opportunity to accelerate investment in our railways, ports, airports, and bridges by engaging private capital. Commercially run but owned by the state, the CIB has a number of advantages. It would:

- create a multiplier effect on state funds
- establish a center of excellence to engage the private sector while also protecting taxpayers
- unlock access to institutional investors who control trillions of dollars in capital.

An economically self-sustaining CIB would help fuel economic activity, revitalize our communities and create good paying jobs.

Ensure Green Bank Expansion into Environmental Infrastructure is Adequately Funded

As the nation's first green bank, the Connecticut Green Bank (CGB) has successfully and affordably moved sustainable energy into homes and businesses around our state over the past decade. Attracting more than seven dollars in private investment for every

dollar it expended, CGB's effectiveness was rewarded by the legislature in 2021 with a larger mission. Initially focused solely on renewable energy, CGB can now finance projects connected to environmental infrastructure more broadly. As Treasurer, I will work to ensure that CGB's funding matches its expanded mission. I am committed to improving Connecticut's climate resilience and moving our state to a sustainable energy future.