



**THE 33% WAGE INCREASE FOR CT STATE WORKERS
UNDER GOVERNOR LAMONT HAS
INCREASED PENSION COSTS \$21.3 BILLION**

**The \$21.3 Billion Increase from the 33% Wage Increase
Exceeds
\$13.8 Billion Reduction from \$6.5 Billion of Special Deposits**

Gross Pension Cost Increased \$7.5 Billion from 2019 to 2025

March 2026

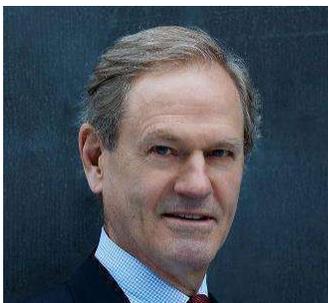




Nutmeg Research Initiative is an IRS §501(c)(4) non-profit, social welfare organization researching, and sharing information about issues that impact the lives and livelihood of everyone in Connecticut, every single day. Using a foundation rooted in center-right principles we strive to make Connecticut a better place to live, work and raise a family, by embracing open and limited government, lower taxes and economic growth and opportunity for everyone.



The Townsend Group



Red Jahncke is the founder and CEO of The Townsend Group International, LLC, a business and public policy consulting firm headquartered in Connecticut. Earlier in his career, he was an investment banker at E.F. Hutton and J.P. Morgan Chase where he specialized in financial institutions.

Red is a nationally recognized columnist, who writes about politics and policy. His columns appear in numerous national publications, including *The Wall Street Journal*, *Bloomberg*, *National Review*, *The Hill*, *Issues & Insights* and *USA Today*, as well as many Connecticut newspapers. Red's columns are featured on *RealClearPolitics* and *CT Capitol Report*. He appears weekly on radio talk shows in Connecticut.

Red was raised in Connecticut, where he and his wife raised four children. He is a graduate of Harvard College and Harvard Business School.

Lamont's 33% Six-Year Wage Increase Pushed Up CT Pension Cost by \$21.3 Billion

The six consecutive annual wage increases under Governor Lamont have increased Connecticut's pension costs \$21.3 billion, based upon analysis of data in the [Report of the Actuary](#) on the State Employee Retirement System (SERS) pension fund as of June 30, 2025.

Connecticut has not released an official analysis of the pension cost associated with the four-year SEBAC 2022 wage contract, nor the pension impact of the six-year cumulative 33% wage increase resulting from the four SEBAC 2022 wage increases of 4.5% per year plus the two preceding 5.5% annual wage increases under Governor Lamont.

While the state's budget agencies, Office of Policy and Management (OPM) and [Office of Fiscal Analysis \(OFA\)](#), did release cost analyses of SEBAC 2022 in April 2022, the analysis omitted the pension impact saying "the SERS impact will be recognized in FY24." No analysis was prepared in FY24.

In 2024, Townsend analyzed the impact of [SEBAC 2022 in its first year](#), finding that it increased the pension liability by \$4.5 billion.

In this new analysis, Townsend used the same methodology and data for the entire six-year period, including analysis by the actuary, Cavanaugh MacDonald, of the pension impact of \$6.5 billion in special deposits into the SERS fund from fiscal 2020 to fiscal 2025 pursuant to the fiscal guardrails.

Over the six-year time period, only two major phenomena impacted the SERS pension fund: (1) the special deposits, which reduced the pension liability and (2) the wage increases, which increased the pension liability^(a) since pensions are based upon wages. Higher wages mean higher pension costs. Average wages increased from \$69,743 in FY19 to \$94,675 in FY25.

Since we know the total change in the SERS liability under Lamont as well as the impact of the special deposits over the same period, we can deduce the amount of increase caused by the 33% cumulative wage increase.

The Actuarial Report contains the data required. In Schedule K (attached), the actuary finds that the \$6.5 billion in special deposits from 2020 to 2025 resulted in a \$13.8 billion reduction in the future pension liability. Section I (attached) of the same Report shows that the total Accrued Liability *increased* \$7.5 billion from 2019 to 2025, which means the 33% cumulative wage increase in 2020 through 2025 led to a \$21.3 billion *increase* in the pension liability^(a).

The \$7.5 billion overall increase in the pension liability is the net change resulting from \$21.3 billion increase driven by the 33% cumulative increase in employee wages offset by the \$13.8 billion reduction in the pension liability resulting from the special deposits.

(a) The Accrued Liability is an actuarial estimate based upon methodology and assumptions set forth in Section VI, 4. of the Report, and consistent with the 2016 contract memorandum. Generally, method and assumptions have been consistent since 6/30/20, Wage assumptions have changed as follows: projected minimum wage increases and wage inflation have declined from 3.5% and 3.5%, respectively, at 6/30/20 to 3.0% and 2.5%, respectively, at 6/30/25.



SCHEDULE K – IMPACT OF PAST CONTRIBUTION TRANSFERS

The following tables show the forecast of the reductions the State's ADEC resulting from the additional contributions to the System's assets from the Budget Reserves Fund (BRF) and General Fund Surplus. The table below summarizes the amount of these transfers.

Past Contribution Transfer Amounts	
Valuation Year	Amount
2020	\$ 61,621,659
2021	714,663,947
2022	3,203,691,833
2023	1,118,546,305
2024	513,939,722
2025	894,706,383
Total	\$ 6,507,169,849

The transfer amounts increase the value of assets in the actuarial valuation and effectively have a corresponding decrease in the UAAL as of the valuation date. The UAAL is amortized with future payments which reflect an interest and principal component. By reducing the UAAL with each transfer, the future interest payments are reduced. The following table provides the forecast of savings to the ADEC due to the transfers shown above.





SCHEDULE K – IMPACT OF PAST CONTRIBUTION TRANSFERS

Projected ADEC Reductions Due to Additional Transfers		
Valuation Year	Fiscal Year	Amount
2020	2022	\$ 5,240,239
2021	2023	66,014,489
2022	2024	338,452,980
2023	2025	433,572,949
2024	2026	477,277,828
2025	2027	553,362,692
2026	2028	553,362,692
2027	2029	553,362,692
2028	2030	553,362,692
2029	2031	553,362,692
2030	2032	553,362,692
2031	2033	553,362,692
2032	2034	553,362,692
2033	2035	553,362,692
2034	2036	553,362,692
2035	2037	553,362,692
2036	2038	553,362,692
2037	2039	553,362,692
2038	2040	553,362,692
2039	2041	553,362,692
2040	2042	553,362,692
2041	2043	553,362,692
2042	2044	553,362,692
2043	2045	553,362,692
2044	2046	553,362,692
2045	2047	548,122,452
2046	2048	487,348,203
2047	2049	214,909,711
2048	2050	119,789,742
2049	2051	76,084,864
Total		\$ 13,834,067,297





SECTION I – SUMMARY OF PRINCIPAL RESULTS

COMPARATIVE SCHEDULE											
Valuation Date June 30	Active Members				Retired Lives			Valuation Results (\$ thousands)			
	Number	Payroll (\$ 000)	Average Salary	% increase from previous valuation	Number	Active/ Retired Ratio	Annual Benefits (\$ 000)	Benefits as % of Payroll	Accrued Liability	Valuation Assets	UJAAAL
2014	49,976	\$3,487,577	\$69,785	(0.4)%	45,803	1.09	\$1,576,606	45.2%	\$25,505,610	\$10,584,795	\$14,920,815
2016	50,019	3,720,751	74,387	6.6	48,191	1.04	1,745,785	46.9	32,310,335	11,922,966	20,387,369
2018	49,153	3,428,068	69,743	(6.2)	50,441	0.97	1,931,098	56.3	34,214,163	12,990,400	21,223,763
2019	49,429	3,686,365	74,579	6.9	51,745	0.96	2,051,605	55.7	36,087,938	13,795,389	22,292,549
2020	47,662	3,672,443	77,052	3.3	52,498	0.91	2,158,277	58.8	36,971,136	14,242,897	22,728,239
2021	48,014	3,847,146	80,126	4.0	53,699	0.89	2,280,127	59.3	38,344,444	15,946,862	22,397,582
2022	46,661	3,787,016	81,160	1.3	56,778	0.82	2,525,749	66.7	40,656,964	19,726,002	20,930,962
2023	47,269	4,168,950	88,196	8.7	57,327	0.82	2,619,341	62.8	41,981,067	21,846,667	20,134,400
2024	49,023	4,460,207	90,982	3.2	57,628	0.85	2,675,603	60.0	42,869,799	23,683,583	19,186,216
2025	49,362	4,673,330	94,675	4.1	57,652	0.86	2,734,173	58.5	43,610,016	25,988,657	17,621,359



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