



Senate

File No. 813

General Assembly

January Session, 2005

(Reprint of File No. 400)

Substitute Senate Bill No. 1358
As Amended by House Amendment
Schedule "A"

Approved by the Legislative Commissioner
May 28, 2005

AN ACT CONCERNING THE CREATION AND MANAGEMENT OF MUNICIPAL POST-EMPLOYMENT HEALTH AND LIFE BENEFIT SYSTEMS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (a) of section 7-403a of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2005*):

4 (a) Upon the recommendation of the chief executive officer of a
5 municipality and approval of the budget-making authority of the
6 municipality, the legislative body of any municipality, as defined in
7 section 7-369, may, by a majority vote, create a loss and retiree benefits
8 reserve fund. The provisions of subsection (a) of section 7-450, as
9 amended by this act, regarding the establishment of post-employment
10 health and life benefit systems, shall not affect the provisions of this
11 section.

12 Sec. 2. Section 7-450 of the general statutes is repealed and the
13 following is substituted in lieu thereof (*Effective October 1, 2005*):

14 (a) Any municipality or subdivision thereof may, by ordinance,
15 establish pension, [and] retirement, or other post-employment health
16 and life benefit systems for its officers and employees and their
17 beneficiaries, or amend any special act concerning its pension, [or]
18 retirement, or other post-employment health and life benefit [system]
19 systems, toward the maintenance in sound condition of a pension,
20 retirement, or other post-employment health and life benefit fund or
21 funds, provided the rights or benefits granted to any individual under
22 any municipal pension or retirement [or pension] system shall not be
23 diminished or eliminated. The legislative body of any such
24 municipality, by a two-thirds vote, may provide for pensions to
25 persons, including survivors' benefits for widows of such persons, not
26 included in such pension or retirement [or pension] system.

27 (b) The provisions of subsection (a) of this section shall not operate
28 to invalidate the establishment of any post-employment health and life
29 benefit system duly established prior to the effective date of this act, by
30 any municipality or subdivision thereof, pursuant to the provisions of
31 any public or special act, charter, special act charter, home-rule
32 ordinance, local ordinance or local law.

33 Sec. 3. Section 7-450a of the general statutes is repealed and the
34 following is substituted in lieu thereof (*Effective October 1, 2005*):

35 (a) Any municipality, in which a pension, [or] retirement, or other
36 post-employment health and life benefit system applicable with
37 respect to any employees of such municipality has been established by
38 ordinance or under the authority of any public or special act, charter or
39 special act charter, shall have prepared, no less often than once every
40 five years commencing July 1, 1977, an actuarial evaluation of such
41 system, including evaluation of accumulated or past service liability
42 and the annual liability related to benefits currently earned under such
43 system. Such evaluation shall be prepared by an actuary enrolled by
44 the joint board for the enrollment of actuaries established under
45 Subtitle C of Title III of the federal act entitled Employee Retirement
46 Income Security Act of 1974, and such evaluation shall be prepared on

47 the basis of such assumptions as to interest earnings, mortality
 48 experience, employee turnover and any other factors affecting future
 49 liabilities under such system, which in the judgment of such actuary
 50 represent the best estimate as to future experience under such system.

51 (b) No ordinance or act altering the pension, [or] retirement, or
 52 other post-employment health and life benefit system shall be enacted
 53 until the legislative body, as defined in subsection (3) of section 7-425,
 54 has requested and received a qualified cost estimate from such
 55 enrolled actuary.

56 (c) Any municipality subject to the requirements in subsection (a) of
 57 this section shall have prepared, within six months following the
 58 adoption of any amendment to such system increasing benefits to any
 59 extent, in addition to such evaluations as required under subsection
 60 (a), a revision of the last preceding evaluation reflecting the increase in
 61 potential municipal liability under such system. If such amendment is
 62 adopted within one year preceding a date on which an actuarial
 63 evaluation is required under subsection (a) of this section, an
 64 additional evaluation shall not be required.

65 (d) Any actuarial evaluation prepared for a municipality in
 66 accordance with this section shall be delivered to the chief fiscal officer
 67 of such municipality who shall file a certified copy thereof with the
 68 town or city clerk for custody in the manner of other public records. A
 69 summary of such evaluation, including a statement prepared by the
 70 actuary as to the amount of annual payment that should be made for
 71 proper funding on the basis of such evaluation with respect to benefits
 72 currently earned and the accumulated or past service liability, shall be
 73 included in the first annual report of the municipality next following
 74 completion of each such evaluation.

This act shall take effect as follows and shall amend the following sections:		
Sec. 1	October 1, 2005	7-403a(a)
Sec. 2	October 1, 2005	7-450

Sec. 3	<i>October 1, 2005</i>	7-450a
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The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

The bill conforms the statutes on municipal finance to the Governmental Accounting Standards Board's recently issued Statement No. 45 *Accounting & Financial Reporting By Employers For Post Employment Benefits Other Than Pensions*.

House "A" strikes the sections on municipal bond issues and eliminates the associated fiscal impact.

OLR Bill Analysis

sSB 1358 (as amended by House "A")*

AN ACT CONCERNING THE CREATION, MANAGEMENT AND FUNDING OF MUNICIPAL POST-EMPLOYMENT HEALTH AND LIFE BENEFIT SYSTEMS**SUMMARY:**

This bill expressly allows municipalities to establish, by ordinance, and finance and maintain post-employment health and life benefit plans and other post-employment benefits (OPEBs) for former municipal officials and employees and their beneficiaries. OPEBs are benefits, other than pensions, that a municipality provides to retirees and former employees. They can include medical insurance and vision, dental, life insurance, or long-term care benefits.

The bill extends to OPEB systems existing (1) requirements for periodic actuarial evaluations of municipal pension systems; (2) prohibitions against enacting ordinances or acts altering pension systems until the municipal legislative body asks for and receives a qualified cost estimate from its actuary; and (3) requirements for revised actuarial evaluations within six months after adoption of any increase in system benefits, unless the periodic evaluation is due within one year after the adoption. Thus, the bill makes the statutes conform to the Governmental Accounting Standards Board's (GASB) Statement No. 45 regarding employer reporting for OPEB systems (see BACKGROUND).

The bill states that its new authority to establish OPEBs does not invalidate any municipal post-employment health and life benefit system established before its effective date under any public or special act, charter, home-rule or local ordinance, or local law. The bill also specifies that it does not affect a municipal legislative body's authority to create a loss and retiree benefit reserve fund.

*House Amendment "A" eliminates the original bill's provisions (1) allowing municipalities to bond unfunded past OPEB system liability under the same conditions as they may already bond unfunded

pension liability and (2) imposing a separate limit on the amount of such bonds a municipality may issue.

EFFECTIVE DATE: October 1, 2005

BACKGROUND

GASB Statement No. 45

The bill’s provisions relate to GASB’s recently issued Statement No. 45, *Accounting & Financial Reporting By Employers For Post Employment Benefits Other Than Pensions*. Most OPEBs are currently funded on a pay-as-you-go basis and financial statements generally do not report the financial effects of OPEBs until the benefits are paid. Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expenses and liabilities that are similar to the methodology used to account for pension benefits.

Statement No. 45 implementation is required in three phases based on a government’s total annual revenues in the first fiscal year after June 15, 1999. It is effective beginning in FY 07 for governments with total annual revenues of \$100 million or more.

Legislative History

The Senate referred the original bill (File 400) to the Planning and Development Committee on April 26. The committee reported the bill favorably without change on April 28.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 36 Nay 7

Planning and Development Committee

Joint Favorable Report
Yea 12 Nay 3