



General Assembly

February Session, 2006

Raised Bill No. 533

LCO No. 2531

02531_____PD_

Referred to Committee on Planning and Development

Introduced by:
(PD)

AN ACT CONCERNING MUNICIPAL PENSION DEFICIT FUNDING BONDS.

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

1 Section 1. Subsection (b) of section 7-374b of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective July*
3 *1, 2006*):

4 (b) Any municipality may authorize the issuance of bonds, notes or
5 other obligations in accordance with the provisions of this chapter for
6 the purpose of funding a [loss and retiree benefits] reserve fund for
7 property or casualty losses established pursuant to section 7-403a, as
8 amended by this act.

9 Sec. 2. Section 7-374c of the general statutes is repealed and the
10 following is substituted in lieu thereof (*Effective July 1, 2006*):

11 (a) For purposes of this section:

12 (1) "Actuarial valuation" means a determination certified by an
13 enrolled actuary, in a method and using assumptions meeting the
14 parameters established by generally accepted accounting principles, of

15 the normal cost, actuarial accrued liability, actuarial value of assets and
16 related actuarial present values for a pension plan of a municipality as
17 of a valuation date not more than thirty months preceding the date of
18 issue of the pension deficit funding bonds, together with an actuarial
19 update of such valuation as of a date not more than three months
20 preceding the date of notification of the secretary by the municipality,
21 in accordance with subdivision (1) of subsection (c) of this section, of
22 its intent to issue the pension deficit funding bonds.

23 (2) "Actuarially recommended contribution" means the lesser of the
24 annual employer normal cost or the [recommended] annual required
25 contribution of the municipal employer to the pension plan of the
26 municipality, [each of which is] as established by the actuarial
27 valuation and determined by an enrolled actuary in a method and
28 using assumptions meeting the parameters established by generally
29 accepted accounting principles provided such contribution shall, [in a
30 time and manner to be prescribed by regulations adopted by the
31 secretary,] in consultation with the Treasurer, be at least equal to the
32 amount actuarially determined necessary to maintain the pension
33 plan's funding ratio substantially the same as immediately succeeding
34 the deposit of the proceeds of the pension deficit funding bonds in
35 such pension plan. Notwithstanding the provisions of this subdivision,
36 with respect to any pension deficit funding bonds (A) issued on or
37 after July 1, 2006, or (B) issued prior to such date and with respect to
38 which the municipality issuing the bonds requests and receives the
39 approval of the Treasurer and the secretary, the term "actuarially
40 recommended contribution" means the annual required contribution of
41 the municipal employer to the pension plan of the municipality, as
42 established by the actuarial valuation and determined by an enrolled
43 actuary in a method and using assumptions meeting the parameters
44 established by generally accepted accounting principles, provided the
45 amortization schedule used to determine such contribution shall be
46 fixed and shall have a term not longer than the longest of ten years, or
47 thirty years from the date of issuance of the pension deficit funding
48 bonds. Any municipality receiving the approval of the secretary and

49 the Treasurer to apply this definition with respect to pension deficit
50 funding bonds issued prior to July 1, 2006, shall thereafter comply with
51 the provisions of subdivision (3) of subsection (c) of this section.

52 (3) "Chief executive officer" means [such officer as described in
53 section 7-193] (A) for a municipality as described in section 7-188, such
54 officer as described in section 7-193, (B) for a metropolitan district,
55 such officer as described in the special act, charter, local ordinance or
56 other local law applicable to such metropolitan district, (C) for a
57 district, as defined in section 7-324, the president of its board of
58 directors, (D) for a regional school district, the chairperson of its
59 regional board of education, and (E) for any other municipal
60 corporation having the power to levy taxes and to issue bonds, notes
61 or other obligations, such officer as prescribed by the general statutes
62 or any special act, charter, special act charter, home-rule ordinance,
63 local ordinance or local law applicable to such municipal corporation.

64 (4) "Enrolled actuary" means a person who is enrolled by the Joint
65 Board for the Enrollment of Actuaries established under subtitle C of
66 title III of the Employee Retirement Income Security Act of 1974, as
67 from time to time amended.

68 (5) "General obligation" means an obligation issued by a
69 municipality and secured by the full faith and credit and taxing power
70 of such municipality.

71 (6) "Legislative body" means (A) for a regional school district, the
72 regional board of education, and (B) for any other municipality not
73 having the authority to make ordinances, the body, board, committee
74 or similar body charged under the general statutes, special acts or its
75 charter with the power to authorize the issue of bonds by the
76 municipality.

77 [(6)] (7) "Municipal Finance Advisory Commission" means the
78 Municipal Finance Advisory Commission established pursuant to
79 section 7-394b.

80 [(7)] (8) "Municipality" means a municipality, as defined in section
81 7-369 or a regional school district.

82 [(8)] (9) "Obligation" means any bond or any other transaction
83 which constitutes debt in accordance with both municipal reporting
84 standards in section 7-394a and the regulations prescribing municipal
85 financial reporting adopted by the secretary pursuant to said section 7-
86 394a.

87 [(9)] (10) "Pension deficit funding bond" means any obligation
88 issued by a municipality to fund, in whole or in part, an unfunded past
89 benefit obligation. ["Pension deficit funding bond"] The term "pension
90 deficit funding bond" shall not include any bond issued by a
91 municipality pursuant to and in accordance with the provisions of
92 subsection (g) of this section to pay, fund or refund prior to maturity
93 any of its pension deficit funding bonds previously issued, or any
94 bond issued prior to January 1, 1999, but may include any bond issued
95 by a municipality prior to January 1, 1999, for the sole and exclusive
96 purposes of (A) applying the provisions of subsection (f) of this section
97 in lieu of subsection (c) of section 7-403a, as amended by this act, as the
98 municipality may determine, and (B) requiring the municipality to
99 apply and comply with the provisions of subsections (c) and (d) of this
100 section.

101 [(10)] (11) "Secretary" means the Secretary of the Office of Policy and
102 Management or the secretary's designee.

103 [(11)] (12) "Treasurer" means the Treasurer of the state of
104 Connecticut or the Treasurer's designee.

105 [(12)] (13) "Unfunded past benefit obligation" means the unfunded
106 actuarial accrued liability of the pension plan determined in a method
107 and using assumptions meeting the parameters established by
108 generally accepted accounting principles.

109 [(13)] (14) "Weighted average maturity" means (A) the sum of the

110 products, determined separately for each maturity or sinking fund
111 payment date and taking into account any mandatory redemptions of
112 the obligation, of (i) with respect to a serial obligation, the principal
113 amount of each serial maturity of such obligation and the number of
114 years to such maturity, or (ii) with respect to a term obligation, the
115 dollar amount of each mandatory sinking fund payment with respect
116 to such obligation and the number of years to such payment, divided
117 by (B) the aggregate principal amount of such obligation.

118 (b) Except as expressly provided in this section, no municipality
119 shall issue any pension deficit funding bond.

120 (c) Any municipality which has no outstanding pension deficit
121 funding bonds, other than an earlier series of such obligations issued
122 under [section 7-374] subsection (b) of section 7-374b, as amended by
123 this act, or this section to partially fund an unfunded past pension
124 obligation, may authorize and issue pension deficit funding bonds to
125 fund all or a portion of an unfunded past benefit obligation, as
126 determined by an actuarial valuation, and the payment of costs related
127 to the issuance of such bonds in accordance with the following
128 requirements.

129 (1) The municipality shall, within the time and in the manner
130 prescribed by regulations adopted by the secretary or as otherwise
131 required by the secretary, notify the secretary of its intent to issue such
132 pension deficit funding bonds and shall include with such notice (A)
133 the actuarial valuation, (B) an actuarial analysis of the method by
134 which the municipality proposes to fund any unfunded past benefit
135 obligation not to be defrayed by the pension deficit funding bonds,
136 which method may include a plan of issuance of a series of pension
137 deficit funding bonds, (C) an explanation of the municipality's
138 investment strategic plan for the pension plan with respect to which
139 the pension deficit funding bonds are to be issued, including, but not
140 limited to, an asset allocation plan, (D) a three-year financial plan,
141 including the major assumptions and plan of finance for such pension

142 deficit funding bonds, [prepared in the manner prescribed by the
143 secretary, (E) documentation of the municipality's authorization of the
144 issuance of such pension deficit funding bonds, and (F) such other
145 information and documentation, as defined in regulations, as is
146 required by the secretary or the Treasurer to carry out the provisions of
147 this section.] (E) a comparison of the anticipated effects of funding the
148 unfunded past benefit obligation through the issuance of pension
149 deficit funding bonds with the funding of the obligation through the
150 annual actuarially recommended contribution, prepared in the manner
151 prescribed by the secretary, (F) documentation of the municipality's
152 authorization of the issuance of such pension deficit funding bonds
153 including a certified copy of the resolution or ordinance of the
154 municipality authorizing the issuance of the pension deficit funding
155 bonds and an opinion of nationally recognized bond counsel as to the
156 due authorization of the issuance of the bonds, (G) documentation that
157 the municipality has adopted an ordinance, or with respect to a
158 municipality not having the authority to make ordinances, has
159 adopted a resolution by a two-thirds vote of the members of its
160 legislative body, requiring the municipality to appropriate funds in an
161 amount sufficient to meet the actuarially required contribution and
162 contribute such amounts to the plan as required in subdivision (3) of
163 subsection (c) of this section, (H) the methodology used and actuarial
164 assumptions that will be utilized to calculate the actuarially
165 recommended contribution, (I) a draft official statement with respect to
166 the issuance of the pension deficit funding bonds, and (J) such other
167 information and documentation as reasonably required by the
168 secretary or the Treasurer to carry out the provisions of this section.
169 The secretary and the Treasurer may, if they deem necessary, hire an
170 independent actuary to review the information submitted by the
171 municipality.

172 (2) Not later than ten days after the sale of the pension deficit
173 funding bonds, the municipality shall provide the secretary and the
174 Treasurer with a final financing summary comparing the anticipated
175 effects of funding the unfunded past benefit obligation through the

176 issuance of the pension deficit funding bonds with the funding of the
177 obligation through the annual actuarially recommended contribution,
178 prepared in the manner prescribed by the secretary.

179 ~~[(2)]~~ (3) So long as the pension deficit funding bonds or any bond
180 refunding such bonds are outstanding, the municipality shall (A) [meet
181 any actuarially recommended contribution in] for each fiscal year of
182 the municipality commencing with the fiscal year in which the bonds
183 are issued, appropriate funds in an amount sufficient to meet the
184 actuarially required contribution and contribute such amount to the
185 plan, and (B) notify the secretary annually, who shall in turn notify the
186 Treasurer, of the amount [and] or the rate of any such actuarially
187 recommended contribution and the amount [and] or the rate, if any, of
188 the actual annual contribution by the municipality to the pension plan
189 to meet such actuarially recommended contribution. On an annual
190 basis, the municipality shall provide the secretary and the Treasurer
191 with: (i) The actuarial valuation of the pension plan, (ii) a specific
192 identification, in a format to be determined by the secretary, of any
193 changes that have been made in the actuarial assumptions or methods
194 compared to the previous actuarial valuation of the pension plan, (iii)
195 the footnote disclosure and required supplementary information
196 disclosure required by GASB Statement Number 27 with respect to the
197 pension plan, and (iv) a review of the investments of the pension plan
198 including a statement of the current asset allocation and an analysis of
199 performance by asset class. With respect to a municipality which issues
200 pension deficit funding bonds on or after July 1, 2006, in any fiscal year
201 for which such municipality fails to appropriate sufficient funds to
202 meet the actuarially required contribution in accordance with the
203 provisions of this subdivision there shall be deemed appropriated an
204 amount sufficient to meet such requirement, notwithstanding the
205 provisions of any other general statute or of any special act, charter,
206 special act charter, home-rule ordinance, local ordinance or local law.

207 ~~[(3)]~~ (4) The municipality shall not issue pension deficit funding
208 bonds prior to, nor more than six months subsequent to, receipt of the

209 written final review required under subsection (d) of this section. A
210 municipality may renotify the secretary of its intention to issue
211 pension deficit funding bonds and provide the secretary with updated
212 information and documentation in the manner and as described in
213 subdivision (1) of this subsection, and request an updated final review
214 from the secretary if more than six months will elapse between the
215 receipt of the prior final review of the secretary and the proposed date
216 of issue of the pension deficit funding bonds.

217 (d) Upon receipt of notification from a municipality that it intends
218 to issue pension deficit funding bonds, the secretary shall inform the
219 Treasurer and the Municipal Finance Advisory Commission of such
220 notification. The secretary and the Treasurer shall review the
221 information and documentation required in subsection (c) of this
222 section and within fifteen days shall notify the municipality as to the
223 adequacy of the materials provided and whether any additional
224 information is required. The secretary and the Treasurer shall issue a
225 written final review to the municipality verifying that the municipality
226 has complied with the provisions of subdivision (1) of subsection (c) of
227 this section and, including any recommendations to the municipality
228 concerning the issuance of pension deficit funding bonds, not later
229 than thirty days following the receipt of such information and
230 documentation. The secretary shall file a copy of such final review
231 with the chief executive officer of the municipality and the Municipal
232 Finance Advisory Commission. If the secretary and the Treasurer fail
233 to provide a written final review to the municipality by the forty-fifth
234 day following the receipt of such information and documentation,
235 such final review shall be deemed to have been received by the
236 municipality.

237 (e) Except as otherwise provided by this section, the provisions and
238 limitations of this chapter shall apply to any pension deficit funding
239 bonds issued pursuant to the provisions of this section. Such pension
240 deficit funding bonds shall be general obligations of the municipality,
241 and shall be serial bonds maturing in annual or semiannual

242 installments of principal, or shall be term bonds with mandatory
243 annual or semiannual deposits of sinking fund payments into a
244 sinking fund. Notwithstanding the provisions of any other general
245 statute or of any special act, charter, special act charter, home-rule
246 ordinance, local ordinance or local law, (1) the first installment of any
247 series of pension deficit funding bonds shall mature or the first sinking
248 fund payment of any series of pension deficit funding bonds shall be
249 due not later than eighteen months from the date of the issue of such
250 series, provided that such first installment shall mature or such first
251 sinking fund payment shall be due not later than the fiscal year of the
252 municipality next following the fiscal year in which such series is
253 issued, and the last installment of such series shall mature or the last
254 sinking fund payment of such series shall be due not later than thirty
255 years from such date of issue, (2) any such pension deficit funding
256 bonds may be sold at public sale on sealed proposal, by negotiation or
257 by private placement in such manner at such price or prices, at such
258 time or times and on such terms or conditions as the municipality, or
259 the officers or board of the municipality delegated the authority to
260 issue such bonds, determines to be in the best interest of the
261 municipality, and (3) no municipality shall issue temporary notes in
262 anticipation of the receipt of the proceeds from the sale of its pension
263 deficit funding bonds.

264 (f) Proceeds of the pension deficit funding bonds, to the extent not
265 applied to the payment of costs related to the issuance thereof, shall be
266 deposited in the pension plan of the municipality to fund the
267 unfunded past benefit obligation for which the bonds were issued,
268 and, notwithstanding any limitations on the investment of proceeds
269 received from the sale of bonds, notes or other obligations set forth in
270 section 7-400 may be invested in accordance with the terms of said
271 pension plan, as such terms may be amended from time to time.

272 (g) A municipality may authorize and issue refunding bonds to pay,
273 fund or refund prior to maturity any of its pension deficit funding
274 bonds in accordance with the provisions of section 7-370c, provided,

275 or, with respect to a regional school district, the provision of section
276 10-60a, notwithstanding the provisions of said [section] sections 7-370c
277 and 10-60a, the weighted average maturity of such refunding bonds
278 shall not exceed the weighted average maturity of the outstanding
279 pension deficit funding bonds being paid, funded or refunded by such
280 refunding bonds. The municipality shall notify the secretary, who shall
281 in turn notify the Treasurer, of its intention to issue refunding bonds
282 pursuant to this subsection, not less than fifteen days prior to the
283 issuance thereof, and shall provide the secretary with a copy of the
284 final official statement, if any, prepared for the refunding bonds, not
285 more than fifteen days after the date of issue of such bonds.

286 (h) The secretary, in consultation with the Treasurer, [shall] may
287 adopt regulations, in accordance with the provisions of chapter 54, as
288 necessary to establish guidelines concerning compliance with the
289 provisions of subsections (c), (d) and (g) of this section.

290 Sec. 3. Section 7-403a of the 2006 supplement to the general statutes
291 is repealed and the following is substituted in lieu thereof (*Effective July*
292 *1, 2006*):

293 (a) Upon the recommendation of the chief executive officer of a
294 municipality and approval of the budget-making authority of the
295 municipality, the legislative body of any municipality, as defined in
296 section 7-369, may, by a majority vote, create a loss and retiree benefits
297 reserve fund. The provisions of subsection (a) of section 7-450, as
298 amended, regarding the establishment of postemployment health and
299 life benefit systems, shall not affect the provisions of this section.

300 (b) Upon the recommendation of the chief executive officer and
301 approval of the budget-making authority and the legislative body,
302 there shall be paid into such reserve fund (1) amounts authorized to be
303 transferred thereto from the general fund cash surplus available at the
304 end of any fiscal year, (2) amounts raised by the annual levy of a tax
305 for the benefit of such fund, and for no other purpose, provided such
306 tax shall be levied and collected in the same manner and at the same

307 time as the regular annual taxes of the municipality, or (3) with respect
308 to a reserve fund for property or casualty losses, the proceeds of
309 bonds, notes or other obligations issued pursuant to subsection (b) of
310 section 7-374b, as amended by this act.

311 (c) The budget-making authority may, from time to time, direct the
312 treasurer to invest such portion of such reserve fund as in its opinion is
313 advisable, provided: (1) Not more than forty per cent of the total
314 amount [invested] of the reserve fund shall be invested in equity
315 securities, and (2) [not less than fifty per cent of the total amount
316 invested shall be invested in United States government obligations,
317 United States agency obligations, United States postal service
318 obligations, certificates of deposit, commercial paper, savings accounts
319 and bank acceptances] any portion of such reserve fund not so in
320 invested may be invested in bonds or obligations of, or guaranteed by,
321 the state or the United States, or agencies or instrumentalities of the
322 United States in certificates of deposit, commercial paper, savings
323 accounts and bank acceptances, in the obligations of any state of the
324 United States or any political subdivision thereof or the obligations of
325 any instrumentality, authority or agency of any state or political
326 subdivision thereof, provided at the time of investment such
327 obligations are rated within the top rating categories of any nationally
328 recognized rating service or of any rating service recognized by the
329 Banking Commissioner, and applicable to such obligations, in the
330 obligations of any regional school district in this state, of any
331 municipality in this state or any metropolitan district in this state,
332 provided at the time of investment such obligations of such
333 government entity are rated within one of the top two rating categories
334 of any nationally recognized rating service or of any rating service
335 recognized by the Banking Commissioner, and applicable to such
336 obligations, or in any fund in which a trustee may invest pursuant to
337 section 36a-353, or in investment agreements with financial institutions
338 whose long-term obligations are rated within the top two rating
339 categories of any nationally recognized rating service or of any rating
340 service recognized by the Banking Commissioner or whose short-term

341 obligations are rated within the top rating category of any nationally
342 recognized rating service or of any rating service recognized by the
343 Banking Commissioner, or investment agreements fully secured by
344 obligations of, or guaranteed by, the United States or agencies or
345 instrumentalities of the United States.

346 (d) The treasurer shall submit annually a complete and detailed
347 report of the condition of such fund to the chief executive officer, the
348 budget-making authority and the legislative body and such report
349 shall be made a part of the annual report of the municipality.

350 (e) Upon the recommendation of the chief executive officer and the
351 budget-making authority and approval by the legislative body, (1) any
352 part or the whole of such fund may be used and appropriated to pay
353 only for property or casualty losses and employee retirement benefits,
354 and expenses related thereto, including court costs and attorneys' fees,
355 incurred by the municipality, or (2) any part or the whole of such fund
356 may be transferred to a trust established to hold and invest the assets
357 of a pension, retirement or other postemployment health and life
358 benefit system of the municipality. Any unexpended portion of such
359 appropriation remaining after such payment, together with all interest
360 accruing on the balance in the fund, shall revert to and be credited to
361 such reserve fund. For the purposes of this section, "property or
362 casualty losses and employee retirement benefits" shall include, but
363 not be limited to, [(1)] (A) motor vehicle liability, physical damage and
364 collision, [(2)] (B) loss or damage to, or legal liability for, real or
365 personal property, [(3)] (C) legal liability for personal injuries or
366 deaths, including but not limited to, workers' compensation and heart
367 and hypertension, and [(4)] (D) retiree health and life benefits.

368 (f) Such fund may be discontinued, after recommendation by the
369 chief executive officer and the budget-making authority to the
370 legislative body and upon approval of such body, and [such] to the
371 extent there is any remaining portion of such fund, the fund shall be
372 converted into, or added to, a sinking fund to provide for the

373 retirement of the bonded indebtedness of the municipality. If the
374 municipality has no bonded indebtedness, such fund shall be
375 transferred to the general fund of the municipality.

376 Sec. 4. Subdivision (1) of section 7-425 of the general statutes is
377 repealed and the following is substituted in lieu thereof (*Effective July*
378 *1, 2006*):

379 (1) "Municipality" means any town, city, borough, school district,
380 regional school district, taxing district, fire district, district department
381 of health, probate district, housing authority, regional work force
382 development board established under section 31-3k, regional
383 emergency telecommunications center, tourism district established
384 under section 10-397, flood commission or authority established by
385 special act or regional planning agency.

386 Sec. 5. Subdivision (3) of section 7-425 of the general statutes is
387 repealed and the following is substituted in lieu thereof (*Effective July*
388 *1, 2006*):

389 (3) "Legislative body" means, for towns having a town council, the
390 council; for other towns, the selectmen; for cities, the common council
391 or other similar body of officials; for boroughs, the warden and
392 burgesses; for regional school districts, the regional board of education
393 for district departments of health, the board of the district; in the case
394 of a probate district, the judge of probate; for regional planning
395 agencies, the regional planning board; for regional emergency
396 telecommunications center, a representative board; for tourism
397 districts, the board of directors of such tourism district; and in all other
398 cases the body authorized by the general statutes or by special act to
399 make ordinances for the municipality.

400 Sec. 6. Section 7-450 of the 2006 supplement to the general statutes is
401 repealed and the following is substituted in lieu thereof (*Effective July*
402 *1, 2006*):

403 (a) Any municipality or subdivision thereof may, by ordinance, or
404 with respect to a municipality not having the authority to make
405 ordinances, by resolution adopted by a two-thirds vote of the members
406 of its legislative body, establish pension, retirement, or other
407 postemployment health and life benefit systems for its officers and
408 employees and their beneficiaries, or amend any special act concerning
409 its pension, retirement, or other postemployment health and life
410 benefit systems, toward the maintenance in sound condition of a
411 pension, retirement, or other postemployment health and life benefit
412 fund or funds, provided the rights or benefits granted to any
413 individual under any municipal pension or retirement system shall not
414 be diminished or eliminated. The legislative body of any such
415 municipality, by resolution adopted by a two-thirds vote of its
416 members, may provide for pensions to persons, including survivors'
417 benefits for widows of such persons, not included in such pension or
418 retirement system.

419 [(b) The provisions of subsection (a) of this section shall not operate
420 to invalidate the establishment of any postemployment health and life
421 benefit system duly established prior to October 1, 2005, by any
422 municipality or subdivision thereof, pursuant to the provisions of any
423 public or special act, charter, special act charter, home-rule ordinance,
424 local ordinance or local law.]

425 (b) Notwithstanding the provisions of the general statutes or of any
426 special act, charter, special act charter, home-rule ordinance, local
427 ordinance or other local law, any municipality or subdivision thereof
428 may, by ordinance and amendment thereto, or with respect to a
429 municipality not having the authority to make ordinances, by
430 resolution adopted by a two-thirds vote of the members of its
431 legislative body, (1) establish one or more trusts, or determine to
432 participate in a multiemployer trust, to hold and invest the assets of
433 such pension, retirement or other postemployment health and life
434 benefit system; (2) provide for the management and investment of
435 such system and any such trust, including the establishment of a board

436 or commission or the designation of an existing board or commission
437 for such purposes; or (3) provide for the organization of and the
438 manner of election or appointment of the members of such board or
439 commission. Notwithstanding any limitations on the investment of
440 municipal funds set forth in section 7-400, funds held in any such trust
441 may be invested in accordance with the terms of the pension,
442 retirement or other postemployment health and life benefit plan, as
443 such terms may be amended from time to time. The investment and
444 management of the assets of any such trust shall be in compliance with
445 the prudent investor rule as set forth in sections 45a-541 to 45a-451l,
446 inclusive.

447 (c) The provisions of subsections (a) and (b) of this section shall not
448 operate to invalidate the establishment by any municipality or
449 subdivision thereof, pursuant to the provisions of any public or special
450 act, charter, special act charter, home-rule ordinance, local ordinance
451 or local law, of any postemployment health and life benefit system
452 duly established prior to October 1, 2005, or of any trust duly
453 established or board or commission duly established or designated
454 prior to the effective date of this act with respect to a pension,
455 retirement or other postemployment health and life benefit system.

456 Sec. 7. Section 7-450a of the 2006 supplement to the general statutes
457 is repealed and the following is substituted in lieu thereof (*Effective July*
458 *1, 2006*):

459 (a) Any municipality, in which a pension, retirement, or other
460 postemployment health and life benefit system applicable with respect
461 to any employees of such municipality has been established by
462 ordinance or under the authority of any public or special act, charter or
463 special act charter, shall have prepared, no less often than once every
464 five years commencing July 1, 1977, an actuarial evaluation of such
465 system, including evaluation of accumulated or past service liability
466 and the annual liability related to benefits currently earned under such
467 system. Such evaluation shall be prepared by an actuary enrolled by

468 the joint board for the enrollment of actuaries established under
469 Subtitle C of Title III of the federal act entitled Employee Retirement
470 Income Security Act of 1974, and such evaluation shall be prepared on
471 the basis of such assumptions as to interest earnings, mortality
472 experience, employee turnover and any other factors affecting future
473 liabilities under such system, which in the judgment of such actuary
474 represent the best estimate as to future experience under such system.

475 (b) No ordinance, resolution or other act altering the pension,
476 retirement, or other postemployment health and life benefit system
477 shall be enacted until the legislative body [, as defined in subsection (3)
478 of section 7-425,] of the municipality has requested and received a
479 qualified cost estimate from such enrolled actuary.

480 (c) Any municipality subject to the requirements in subsection (a) of
481 this section shall have prepared, within six months following the
482 adoption of any amendment to such system increasing benefits to any
483 extent, in addition to such evaluations as required under subsection
484 (a), a revision of the last preceding evaluation reflecting the increase in
485 potential municipal liability under such system. If such amendment is
486 adopted within one year preceding a date on which an actuarial
487 evaluation is required under subsection (a) of this section, an
488 additional evaluation shall not be required.

489 (d) Any actuarial evaluation prepared for a municipality in
490 accordance with this section shall be delivered to the chief fiscal officer
491 of such municipality who shall file a certified copy thereof with the
492 [town or city clerk] municipal clerk and, with respect to any
493 municipality constituting a multitown district, with the municipal
494 clerk of each such town, for custody in the manner of other public
495 records. A summary of such evaluation, including a statement
496 prepared by the actuary as to the amount of annual payment that
497 should be made for proper funding on the basis of such evaluation
498 with respect to benefits currently earned and the accumulated or past
499 service liability, shall be included in the first annual report of the

500 municipality next following completion of each such evaluation.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2006</i>	7-374b(b)
Sec. 2	<i>July 1, 2006</i>	7-374c
Sec. 3	<i>July 1, 2006</i>	7-403a
Sec. 4	<i>July 1, 2006</i>	7-425(1)
Sec. 5	<i>July 1, 2006</i>	7-425(3)
Sec. 6	<i>July 1, 2006</i>	7-450
Sec. 7	<i>July 1, 2006</i>	7-450a

Statement of Purpose:

To clarify state statutes concerning municipal postemployment health and life benefit systems; to revise state statutes regarding municipal retiree benefit reserve funds in order to facilitate the transfer of funds held in such reserves to pension, retirement and OPEB (Other Post Employment Benefits) trusts; and to update the statutes with respect to the issuance of pension obligation bonds by municipalities.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]