



**Substitute House Bill No. 6141**

**Public Act No. 07-186**

**AN ACT CONCERNING ADEQUATE FUNDING OF THE  
TEACHERS' RETIREMENT SYSTEM.**

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

Section 1. (NEW) (*Effective July 1, 2007*) The State Bond Commission shall have power, in accordance with the provisions of sections 1 to 8, inclusive, of this act, from time to time to authorize the issuance of bonds of the state in one or more series and in principal maturity amounts which in the aggregate generate proceeds sufficient to fund two billion dollars of the unfunded liability of the Teachers' Retirement Fund and to pay the costs of issuing such bonds and up to two years of interest on such bonds.

Sec. 2. (NEW) (*Effective July 1, 2007*) The proceeds of the sale of such bonds, to the extent hereinafter stated, shall be used for the purpose of: (1) Reducing the unfunded liability, as such term is defined in section 10-183b of the general statutes, of the Connecticut teachers' retirement system, and (2) paying or providing for the costs related to the issuance of the bonds, including the initial costs of agreements and contracts permitted under section 3-20a of the general statutes with respect to such bonds, and up to two years of interest on such bonds.

Sec. 3. (NEW) (*Effective July 1, 2007*) Except as provided in section 5

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of this act, all provisions of section 3-20 of the general statutes or the exercise of any right or power granted thereby which are not inconsistent with the provisions of sections 1 to 8, inclusive, of this act are hereby adopted and shall apply to all bonds authorized by the State Bond Commission pursuant to sections 1 to 8, inclusive, of this act, and temporary notes issued in anticipation of the money to be derived from the sale of any such bonds so authorized may be issued in accordance with said section 3-20 and from time to time renewed. Such bonds shall mature at such time or times not exceeding thirty years from their respective dates as may be provided in or pursuant to the resolution or resolutions of the State Bond Commission authorizing such bonds.

Sec. 4. (NEW) (*Effective July 1, 2007*) None of said bonds shall be authorized except upon a finding by the State Bond Commission that there has been filed with it (1) a request for such authorization, which is signed by the Secretary of the Office of Policy and Management or on behalf of such state officer and stating such terms and conditions as said commission, in its discretion, may require, and (2) a written determination by the State Treasurer and the Secretary of the Office of Policy and Management that the issuance of the bonds is in the best interests of the state.

Sec. 5. (NEW) (*Effective July 1, 2007*) Proceeds of the bonds issued under sections 1 to 8, inclusive, of this act and all earnings on investments of proceeds of such bonds, to the extent not applied to the payment of costs related to the issuance thereof, shall be deposited in the custody of the State Treasurer in the fund for the Connecticut teachers' retirement system and, notwithstanding section 3-20 of the general statutes, shall be invested by the State Treasurer in the manner provided in section 3-13d of the general statutes for trust funds.

Sec. 6. (NEW) (*Effective July 1, 2007*) Said bonds issued pursuant to sections 1 to 8, inclusive, of this act, shall be general obligations of the

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state and the full faith and credit of the State of Connecticut are pledged for the payment of the principal of and interest on said bonds as the same become due, and accordingly and as part of the contract of the state with the holders of said bonds, appropriation of all amounts necessary for punctual payment of such principal and interest is hereby made, and the State Treasurer shall pay such principal and interest as the same become due. Any net premium realized from the sale of said bonds shall be deemed appropriated to the payment of debt service on any bonds issued under this act, and the State Treasurer may apply such net premium to payment of such debt service.

Sec. 7. (NEW) (*Effective July 1, 2007*) Notwithstanding any provision of section 3-21 of the general statutes to the contrary, bonds authorized and bonds issued under sections 1 to 8, inclusive, of this act and any refunding bonds shall not be subject to the debt limitation in section 3-21 of the general statutes and shall not be included in indebtedness of the state for purposes of calculating the amount of indebtedness of the state which is subject to the debt limitation of section 3-21 of the general statutes, and sections 1 to 8, inclusive, of this act and action of the State Bond Commission shall not require any certification of the State Treasurer under section 3-21 of the general statutes.

Sec. 8. (NEW) (*Effective July 1, 2007*) Each fiscal year that any bonds authorized by sections 1 to 8, inclusive, of this act or any refunding bonds are outstanding, there shall be deemed appropriated from the General Fund of the state the amount equal to the annual required contribution to the fund for the Connecticut teachers' retirement system and such amount shall be deposited by the Treasurer in the fund for the Connecticut teachers retirement system in quarterly allotments on July fifteenth, October first, January first and April first of such fiscal year. The amount of the annual required contribution shall be determined in accordance with the provisions of subsection (b)

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of section 10-183l and section 10-183z of the general statutes, as amended by this act, and for each biennial budget shall be the amounts for the fiscal years of said biennium determined in the actuarial evaluation required to be submitted by the December first prior to the beginning of the first fiscal year of the biennium, as provided in said subsection (b) of section 10-183l, beginning with the actuarial evaluation submitted prior to December 1, 2006, for the biennial budget for the fiscal years commencing July 1, 2007, and July 1, 2008. Said amount shall be certified by the Teachers' Retirement Board and the Comptroller. The state of Connecticut does hereby pledge to and agree with the holders of any bonds issued under sections 1 to 8, inclusive, of this act and any refunding bonds that, as long as the actuarial evaluation for each biennium, as required by this section, and the certification of the annual contribution amounts, as required by this section, are completed in the manner and by the dates required by this section, subsection (b) of section 10-183l of the general statutes and subsection (a) of section 10-183z of the general statutes, as amended by this act, no public or special act of the General Assembly shall diminish such required contribution until such bonds, together with the interest thereon, are fully met and discharged, provided nothing herein contained shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of such bonds, or if and when the Governor declares an emergency or the existence of extraordinary circumstances, in which the provisions of section 4-85 of the general statutes are invoked, and at least three-fifths of the members of each chamber of the General Assembly vote to diminish such required contribution during the biennium for which the emergency or existence of extraordinary circumstances are determined, and the funded ratio of the Connecticut teachers' retirement system is at least equal to the funded ratio immediately after the sale of bonds pursuant to sections 1 to 8, inclusive, of this act in accordance with the actuarial method used at the time. If all of such conditions are met, the funding of the annual

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required contribution may be diminished, but in no event shall such diminution result in a reduction of the funded ratio of the Connecticut teachers' retirement system by more than five per cent from the funded ratio which would otherwise have resulted had the state funded the full annual required contribution, or the funded ratio immediately after the sale of the bonds, whichever is greater. For purposes of this section, the "funded ratio" shall be measured as the actuarial value of assets over the actuarial value of liabilities. The actuarial value of assets and the actuarial value of liabilities will be projected from the most recent actuarial valuation to the end of the fiscal year in which said annual required contribution is due. For purposes of this section, the "existence of extraordinary circumstances" may mean a change in the actuarial methods or accounting standards used to value the fund that would result in a significant increase in the state's annual required contribution. The State Treasurer is authorized to include this pledge and undertaking for the state in such bonds.

Sec. 9. Section 10-183c of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2007*):

(a) The Connecticut teachers' retirement system is established to provide retirement and other benefits for teachers, their survivors and beneficiaries. On or after a member vests in the system by becoming eligible to receive a retirement benefit pursuant to section 10-183f, or accumulates ten years of credited service in the system, as defined in subsection (a) of section 10-183e, whichever is later, the member's benefit under sections 10-183e, 10-183f, 10-183g, 10-183h and 10-183aa is contractual in nature and no public or special act of the General Assembly shall diminish such benefit, provided this section shall apply only to an active member who is vested on October 1, 2003, or to a member who vests or accumulates ten years of credited service on or after October 1, 2003, and shall apply to the member's benefit in existence on October 1, 2003, or to the member's benefit in existence on

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the date the member vests or accumulates ten years of credited service, respectively, whichever is later. [Nothing in this section shall affect the provisions of section 10-183t or 10-183z. On or after October 1, 2003, any public or special act enhancing the benefits of the system shall be subject to the provisions of this section.]

(b) In addition to the benefits described in subsection (a) of this section, upon the issuance of bonds authorized by sections 1 to 8, inclusive, of this act, all benefits of all members of the teachers' retirement system as of said issuance shall be construed to be contractual in nature, as long as the bonds issued in accordance with sections 1 to 8, inclusive, of this act, or any subsequent reauthorizations of said bonds remain outstanding. Nothing in this subsection shall be construed to bestow any vested rights upon a member of the Connecticut teachers' retirement system until such time as those rights are earned in accordance with provisions in place upon issuance of the bonds pursuant to sections 1 to 8, inclusive, of this act.

(c) Nothing in this section shall affect the provisions of section 10-183t or 10-183z, as amended by this act.

Sec. 10. Subsection (l) of section 10-183g of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2007*):

(l) (1) Beginning the first day of January or July which follows nine months in retirement, a retired member who retired on or after September 1, 1992, or a member's successor beneficiary, except a person receiving survivor's benefits, shall be eligible for an annual cost of living allowance. [for each year in which the plan actuaries have certified under the provisions of subsection (n) of this section that sufficient funds are available.] The cost of living allowance shall be calculated by using the percentage cost of living adjustment granted by the Social Security Administration for the applicable year,

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computed on the basis of the retirement benefits to which such retired member or successor beneficiary was entitled on the last day of the preceding December or June except benefits based upon one per cent or voluntary contributions, provided no cost of living allowance shall exceed six per cent and provided further, if the total return earned by the trustees on the market value of the pension assets for the preceding fiscal year is less than eight and one-half per cent, any cost of living allowance granted shall not exceed one and one-half per cent.

(2) A member entering the retirement system commencing on or after July 1, 2007, or such member's successor beneficiary, except a person receiving survivor's benefits, shall, beginning the first day of January or July that follows nine months in retirement, be eligible for an annual cost of living allowance as follows: The cost of living allowance shall be calculated by using the percentage cost of living adjustment granted by the Social Security Administration for the applicable year, computed on the basis of the retirement benefits to which such retired member or successor beneficiary was entitled on the last day of the preceding December or June, as applicable, except benefits based upon one per cent of voluntary contributions, provided (A) no cost of living allowance shall exceed five per cent, and (B) if the total return earned by the trustees on the market value of the pension assets for the preceding fiscal year is less than eight and one-half per cent, any cost of living allowance granted shall not exceed one per cent, if such total return for the preceding fiscal year is greater than eight and one-half per cent but less than eleven and one-half per cent, any cost of living allowance granted shall not exceed three per cent, and if such return exceeds eleven and one-half per cent, any cost of living allowance granted shall not exceed five per cent.

Sec. 11. Section 10-183r of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2007*):

The system shall be funded as follows:

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(1) All expenses of the administration of the system, exclusive of payment of benefits, shall be paid for out of amounts appropriated by the General Assembly on certifications and recommendations submitted by the board.

(2) The cost of all benefits payable from the system shall be paid out of the retirement fund which shall consist of contributions paid by members, appropriations by the General Assembly based upon certifications and recommendations submitted by the board, the proceeds of bonds held by the system under section 10-183m, the proceeds of bonds issued pursuant to sections 1 to 8, inclusive, of this act, and earnings of the system.

Sec. 12. (NEW) (*Effective July 1, 2007*) Effective July 1, 2007, the cost of living adjustment reserve account created by subsection (n) of section 10-183g of the general statutes shall cease, and all funds credited to such account shall be credited to, and remain within, the Teachers' Retirement Fund.

Sec. 13. (*Effective July 1, 2007*) Effective July 1, 2007, through June 30, 2009, inclusive, any premium received by the state from the sale of general obligation bonds shall be deemed appropriated for the payment of debt service on general obligation bonds, in addition to any budgeted appropriations for debt service, and any such appropriation of premiums shall not lapse at the end of any fiscal year but may be spent on debt service, unless the Treasurer determines that all or any portion of such premium is not needed for debt service.

Sec. 14. Subsections (m) and (n) of section 10-183g of the general statutes are repealed. (*Effective July 1, 2007*)

Approved July 10, 2007