



General Assembly

Amendment

January Session, 2007

LCO No. 9015

HB0614109015HDO

Offered by:

REP. MERRILL, 54th Dist.

REP. STAPLES, 96th Dist.

To: Subst. House Bill No. 6141

File No. 696

Cal. No. 539

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

1 Strike everything after the enacting clause and substitute the
2 following in lieu thereof:

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

11 Sec. 2. (NEW) (*Effective July 1, 2007*) The proceeds of the sale of such
12 bonds, to the extent hereinafter stated, shall be used for the purpose of:
13 (1) Reducing the unfunded liability, as such term is defined in section
14 10-183b of the general statutes, of the Connecticut teachers' retirement

15 system, and (2) paying or providing for the costs related to the
16 issuance of the bonds, including the initial costs of agreements and
17 contracts permitted under section 3-20a of the general statutes with
18 respect to such bonds, and up to two years of interest on such bonds.

19 Sec. 3. (NEW) (*Effective July 1, 2007*) Except as provided in section 5
20 of this act, all provisions of section 3-20 of the general statutes or the
21 exercise of any right or power granted thereby which are not
22 inconsistent with the provisions of sections 1 to 8, inclusive, of this act
23 are hereby adopted and shall apply to all bonds authorized by the
24 State Bond Commission pursuant to sections 1 to 8, inclusive, of this
25 act, and temporary notes issued in anticipation of the money to be
26 derived from the sale of any such bonds so authorized may be issued
27 in accordance with said section 3-20 and from time to time renewed.
28 Such bonds shall mature at such time or times not exceeding thirty
29 years from their respective dates as may be provided in or pursuant to
30 the resolution or resolutions of the State Bond Commission authorizing
31 such bonds.

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

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

48 provided in section 3-13d of the general statutes for trust funds.

49 Sec. 6. (NEW) (*Effective July 1, 2007*) Said bonds issued pursuant to
50 sections 1 to 8, inclusive, of this act, shall be general obligations of the
51 state and the full faith and credit of the State of Connecticut are
52 pledged for the payment of the principal of and interest on said bonds
53 as the same become due, and accordingly and as part of the contract of
54 the state with the holders of said bonds, appropriation of all amounts
55 necessary for punctual payment of such principal and interest is
56 hereby made, and the State Treasurer shall pay such principal and
57 interest as the same become due. Any net premium realized from the
58 sale of said bonds shall be deemed appropriated to the payment of
59 debt service on any bonds issued under this act, and the State
60 Treasurer may apply such net premium to payment of such debt
61 service.

62 Sec. 7. (NEW) (*Effective July 1, 2007*) Notwithstanding any provision
63 of section 3-21 of the general statutes to the contrary, bonds authorized
64 and bonds issued under sections 1 to 8, inclusive, of this act and any
65 refunding bonds shall not be subject to the debt limitation in section 3-
66 21 of the general statutes and shall not be included in indebtedness of
67 the state for purposes of calculating the amount of indebtedness of the
68 state which is subject to the debt limitation of section 3-21 of the
69 general statutes, and sections 1 to 8, inclusive, of this act and action of
70 the State Bond Commission shall not require any certification of the
71 State Treasurer under section 3-21 of the general statutes.

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

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

116 diminution result in a reduction of the funded ratio of the Connecticut
117 teachers' retirement system by more than five per cent from the funded
118 ratio which would otherwise have resulted had the state funded the
119 full annual required contribution, or the funded ratio immediately
120 after the sale of the bonds, whichever is greater. For purposes of this
121 section, the "funded ratio" shall be measured as the actuarial value of
122 assets over the actuarial value of liabilities. The actuarial value of
123 assets and the actuarial value of liabilities will be projected from the
124 most recent actuarial valuation to the end of the fiscal year in which
125 said annual required contribution is due. For purposes of this section,
126 the "existence of extraordinary circumstances" may mean a change in
127 the actuarial methods or accounting standards used to value the fund
128 that would result in a significant increase in the state's annual required
129 contribution. The State Treasurer is authorized to include this pledge
130 and undertaking for the state in such bonds.

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

133 (a) The Connecticut teachers' retirement system is established to
134 provide retirement and other benefits for teachers, their survivors and
135 beneficiaries. On or after a member vests in the system by becoming
136 eligible to receive a retirement benefit pursuant to section 10-183f, or
137 accumulates ten years of credited service in the system, as defined in
138 subsection (a) of section 10-183e, whichever is later, the member's
139 benefit under sections 10-183e, 10-183f, 10-183g, 10-183h and 10-183aa
140 is contractual in nature and no public or special act of the General
141 Assembly shall diminish such benefit, provided this section shall apply
142 only to an active member who is vested on October 1, 2003, or to a
143 member who vests or accumulates ten years of credited service on or
144 after October 1, 2003, and shall apply to the member's benefit in
145 existence on October 1, 2003, or to the member's benefit in existence on
146 the date the member vests or accumulates ten years of credited service,
147 respectively, whichever is later. [Nothing in this section shall affect the
148 provisions of section 10-183t or 10-183z. On or after October 1, 2003,
149 any public or special act enhancing the benefits of the system shall be

150 subject to the provisions of this section.]

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

162 (c) Nothing in this section shall affect the provisions of section 10-
163 183t or 10-183z, as amended by this act.

164 Sec. 10. Subsection (l) of section 10-183g of the general statutes is
165 repealed and the following is substituted in lieu thereof (*Effective July*
166 *1, 2007*):

167 (l) (1) Beginning the first day of January or July which follows nine
168 months in retirement, a retired member who retired on or after
169 September 1, 1992, or a member's successor beneficiary, except a
170 person receiving survivor's benefits, shall be eligible for an annual cost
171 of living allowance, [for each year in which the plan actuaries have
172 certified under the provisions of subsection (n) of this section that
173 sufficient funds are available.] The cost of living allowance shall be
174 calculated by using the percentage cost of living adjustment granted
175 by the Social Security Administration for the applicable year,
176 computed on the basis of the retirement benefits to which such retired
177 member or successor beneficiary was entitled on the last day of the
178 preceding December or June except benefits based upon one per cent
179 or voluntary contributions, provided no cost of living allowance shall
180 exceed six per cent and provided further, if the total return earned by
181 the trustees on the market value of the pension assets for the preceding

182 fiscal year is less than eight and one-half per cent, any cost of living
183 allowance granted shall not exceed one and one-half per cent.

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

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

206 The system shall be funded as follows:

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

211 (2) The cost of all benefits payable from the system shall be paid out
212 of the retirement fund which shall consist of contributions paid by
213 members, appropriations by the General Assembly based upon

214 certifications and recommendations submitted by the board, the
 215 proceeds of bonds held by the system under section 10-183m, the
 216 proceeds of bonds issued pursuant to sections 1 to 8, inclusive, of this
 217 act, and earnings of the system.

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

223 Sec. 13. (*Effective July 1, 2007*) Effective July 1, 2007, through June 30,
 224 2009, inclusive, any premium received by the state from the sale of
 225 general obligation bonds shall be deemed appropriated for the
 226 payment of debt service on general obligation bonds, in addition to
 227 any budgeted appropriations for debt service, and any such
 228 appropriation of premiums shall not lapse at the end of any fiscal year
 229 but may be spent on debt service, unless the Treasurer determines that
 230 all or any portion of such premium is not needed for debt service.

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

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2007</i>	New section
Sec. 2	<i>July 1, 2007</i>	New section
Sec. 3	<i>July 1, 2007</i>	New section
Sec. 4	<i>July 1, 2007</i>	New section
Sec. 5	<i>July 1, 2007</i>	New section
Sec. 6	<i>July 1, 2007</i>	New section
Sec. 7	<i>July 1, 2007</i>	New section
Sec. 8	<i>July 1, 2007</i>	New section
Sec. 9	<i>July 1, 2007</i>	10-183c
Sec. 10	<i>July 1, 2007</i>	10-183g(l)
Sec. 11	<i>July 1, 2007</i>	10-183r
Sec. 12	<i>July 1, 2007</i>	New section

Sec. 13	<i>July 1, 2007</i>	New section
Sec. 14	<i>July 1, 2007</i>	Repealer section