



General Assembly

Raised Bill No. 337

February Session, 2010

LCO No. **1689**

01689_____PD_

Referred to Committee on Planning and Development

Introduced by:
(PD)

AN ACT CONCERNING MUNICIPAL POSTEMPLOYMENT BENEFIT FUNDING BONDS.

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

1 Section 1. (NEW) (*Effective October 1, 2010*) As used in sections 1 to 3,
2 inclusive, of this act:

3 (1) "Actuarial valuation" means a determination certified by an
4 enrolled actuary, in a method and using assumptions meeting the
5 parameters established by generally accepted accounting principles, of
6 the normal cost, actuarial accrued liability, actuarial value of assets and
7 related actuarial present values for a postemployment benefit plan of a
8 municipality as of a valuation date not more than thirty months
9 preceding the date of issue of the postemployment benefit funding
10 bonds.

11 (2) "Actuarially recommended contribution" means the lesser of the
12 annual employer normal cost or the annual required contribution of
13 the municipal employer to the postemployment benefit plan of the
14 municipality, as established by the actuarial valuation and determined
15 by an enrolled actuary in a method and using assumptions meeting the

16 parameters established by generally accepted accounting principles
17 provided such contribution shall be at least equal to the amount
18 actuarially determined necessary to maintain the postemployment
19 benefit plan's funding ratio in substantially the same proportion as the
20 one immediately succeeding the deposit of the proceeds of the
21 postemployment benefit funding bonds in such postemployment
22 benefit plan.

23 (3) "Municipality" has the same meaning as in section 7-369 of the
24 general statutes.

25 (4) "Obligation" means any bond or any other transaction that
26 constitutes debt in accordance with both municipal reporting
27 standards in section 7-394a of the general statutes and the regulations
28 prescribing municipal financial reporting adopted by the Secretary of
29 the Office of Policy and Management pursuant to section 7-394a of the
30 general statutes.

31 (5) "Postemployment benefits" means any and all postemployment
32 benefits other than pensions, including, but not limited to, medical,
33 dental, vision, disability and life insurance provided to individuals
34 who have terminated their service with the municipality, and the
35 beneficiaries of such individuals.

36 (6) "Postemployment benefit board" means any board or
37 commission established by the municipality to administer the assets of
38 the postemployment benefit trust.

39 (7) "Postemployment benefit funding bond" or "bonds" means any
40 obligations issued by a municipality to fund postemployment benefits
41 under sections 1 to 3, inclusive, of this act.

42 (8) "Treasurer" means the State Treasurer or the Treasurer's
43 designee.

44 (9) "Unfunded past benefit obligation" means the unfunded
45 actuarial accrued liability of the postemployment benefit plan

46 determined in a method and using assumptions meeting the
47 parameters established by generally accepted accounting principles.

48 (10) "Weighted average maturity" means (A) the sum of the
49 products, determined separately for each maturity or sinking fund
50 payment date and taking into account any mandatory redemptions of
51 the obligation, of (i) with respect to a serial obligation, the principal
52 amount of each serial maturity of such obligation and the number of
53 years to such maturity, or (ii) with respect to a term obligation, the
54 dollar amount of each mandatory sinking fund payment with respect
55 to such obligation and the number of years to such payment, divided
56 by (B) the aggregate principal amount of such obligation.

57 Sec. 2. (NEW) (*Effective October 1, 2010*) (a) Any municipality may,
58 by ordinance or by resolution adopted by a majority vote of the
59 members of its legislative body, establish one or more trusts for the
60 purposes of accumulating and investing assets to fund
61 postemployment benefit systems for its officers and employees and
62 their beneficiaries, as described in subsection (a) of section 7-450 of the
63 general statutes.

64 (b) Notwithstanding any provision of the general statutes or of any
65 special act, charter, special act charter, home-rule ordinance, local
66 ordinance or other local law, any municipality that establishes a trust
67 for postemployment benefits pursuant to this section may provide for
68 the management and investment of such system and any such trust,
69 including the designation of an existing postemployment benefit board
70 for such purposes or the establishment of a postemployment benefit
71 board. Any postemployment benefit board serving as trustee of such a
72 trust shall manage and invest the assets of that trust and may retain
73 the services of an investment manager. Notwithstanding any
74 limitations on the investment of municipal funds set forth in section 7-
75 400 of the general statutes, funds held in any such trust may be
76 invested in accordance with the terms of the postemployment benefit
77 plan, as such terms may be amended from time to time. The

78 investment and management of the assets of any such trust shall be in
79 compliance with the prudent investor rule as set forth in sections 45a-
80 541 to 45a-541l, inclusive, of the general statutes.

81 (c) Any municipality that establishes a trust for postemployment
82 benefits pursuant to this section shall maintain records of all its
83 proceedings, make such records available for inspection and provide
84 the Treasurer and the legislative body that created it an annual report
85 on the fund's performance and financial status.

86 (d) Notwithstanding any provision of the general statutes or of any
87 special act, charter, special act charter, home-rule ordinance, local
88 ordinance or other local law, any trust established to pay
89 postemployment benefits shall be irrevocable and solely used to
90 provide benefits to retirees and beneficiaries in accordance with the
91 terms of the plans or programs providing postemployment benefits.
92 The assets of any trust for postemployment benefits shall be exempt
93 from state and local taxation, and the assets of any such trust shall not
94 be subject to execution, attachment, garnishment or any other process.

95 (e) Any municipality may enter into intergovernmental agreements
96 for the collective administration of any trust established for the
97 purpose of accumulating and investing assets to fund postemployment
98 benefits.

99 (f) The provisions of this section shall not operate to invalidate the
100 establishment by any municipality, pursuant to the provisions of any
101 public or special act, charter, special act charter, home-rule ordinance,
102 local ordinance or local law, of any postemployment benefit system or
103 of any trust duly established prior to the effective date of this section.
104 Any such trust duly established prior to the effective date of this
105 section shall be considered a valid trust for the purposes of funding
106 postemployment benefits under this section.

107 Sec. 3. (NEW) (*Effective October 1, 2010*) (a) Notwithstanding any
108 provision of the general statutes or of any special act, charter, special

109 act charter, home-rule ordinance, local ordinance or other local law,
110 any municipality that has established a trust pursuant to section 2 of
111 this act may, by resolution adopted by majority vote of the members of
112 its legislative body, authorize the issuance of postemployment benefit
113 funding bonds or any series of postemployment benefit funding bonds
114 to fund postemployment benefits, as determined by an actuarial
115 valuation, and the payment of costs related to the issuance of such
116 bonds. Any municipality having an elected board of finance, or an
117 equivalent body exercising the powers of such a board generally, shall
118 require a referral of the bond resolution to such body for its
119 recommendation, provided that a negative recommendation by such
120 board shall require a two-thirds vote of the legislative body for
121 approval of the bond resolution. The issuance of any bonds or series of
122 bonds pursuant to sections 1 to 3, inclusive, of this act shall be subject
123 to the requirements set forth in subsections (b) to (i), inclusive, of this
124 section.

125 (b) The net proceeds of any bonds, after deducting costs of issuance,
126 shall be deposited upon receipt into a trust established pursuant to
127 section 2 of this act.

128 (c) The aggregate principal amount of any bonds and the aggregate
129 stated initial value of any bonds issued pursuant to subsection (a) of
130 this section shall not on a cumulative basis exceed eighty-five per cent
131 of current unfunded actuarial liabilities of such issuing municipality.

132 (d) For purposes of determining the limitation of indebtedness of
133 the municipality under section 7-374 of the general statutes, the
134 aggregate principal amount of any bonds and the aggregate stated
135 initial value of any bonds issued pursuant to sections 1 to 3, inclusive,
136 of this act shall be included in the debt described in subdivision (5) of
137 subsection (b) of section 7-374 of the general statutes.

138 (e) A municipality may authorize and issue refunding bonds to pay,
139 fund or refund prior to maturity any of its postemployment benefit
140 funding bonds or series of bonds in accordance with the provisions of

141 section 7-370c of the general statutes or, with respect to a regional
142 school district, the provisions of section 10-60a of the general statutes,
143 provided the weighted average maturity of such refunding bonds shall
144 not exceed the weighted average maturity of the outstanding
145 postemployment benefit funding bonds being paid, funded or
146 refunded by such refunding bonds.

147 (f) Bonds authorized under this section shall be general obligations
148 of the municipality and may be issued as serial bonds maturing in
149 annual or semiannual installments of principal, as term bonds with
150 mandatory annual or semiannual deposits of sinking fund payments
151 into a sinking fund, or as capital appreciation bonds having stated
152 initial values and total maturity amounts in each year.
153 Notwithstanding any provision of the general statutes or of any special
154 act, charter, special act charter, home-rule ordinance, local ordinance
155 or local law, (1) the first installment of any series of bonds shall mature
156 or the first sinking fund payment of any series of bonds or the first
157 maturity amount of any capital appreciation bonds shall be due not
158 later than the date forty-eight months from the date of the issue of such
159 series, and the last installment of such series shall mature or the last
160 sinking fund payment or maturity amount shall be due not later than
161 the date thirty years from the date of issue, and (2) any such series of
162 bonds may be sold at public sale on sealed proposals, by negotiation or
163 by private placement in such manner, at such price or prices, at such
164 time or times and on such terms, details and particulars as the officers
165 or board of the municipality delegated the authority to issue such
166 bonds determine to be in the best interest of the municipality. The
167 amortization schedule of any bonds, the date, interest rates and
168 mandatory or optional redemption provisions shall be determined by
169 the officers or board delegated the authority to issue such bonds.

170 (g) The bonds or any series thereof may be issued and sold as
171 variable rate bonds or as fixed rate bonds. If issued as variable rate
172 bonds, the municipality may obtain standby bond purchase
173 agreements, letters of credit, lines of credit, financial guaranty

174 insurance policies, surety agreements or any similar agreements and
175 remarketing agreements with one or more financial institutions to
176 provide for additional security for and the purchase upon tender of the
177 variable rate bonds. Interest rates on variable rate bonds shall be
178 determined by such remarketing agents, investment banking firms or
179 other financial institutions as the officials or board delegated the
180 authority to issue the bonds shall appoint.

181 (h) Whenever the municipality has authorized the issuance of bonds
182 under the provisions of this section, it may authorize the issuance of
183 temporary notes in anticipation of the receipt of the proceeds from the
184 sale of such bonds. The amount of such notes may equal but not
185 exceed the amount of such bonds. Such notes shall be issued for a
186 period of not more than two years, but notes issued for a shorter
187 period of time may be renewed by the issue of other notes, provided
188 the period from the date of the original notes to the maturity of the last
189 notes issued in renewal thereof shall comply with the requirements of
190 section 7-378a of the general statutes. The officials or board delegated
191 the authority to issue the notes shall determine the date, maturity,
192 interest rate, form, manner of sale and other details of such notes. Such
193 notes may bear interest or be sold at a discount. The interest or
194 discount on such notes, including renewals thereof, and the expense of
195 preparing, issuing and marketing them may be included as a part of
196 the cost of the unfunded past benefit obligation of postemployment
197 benefits being financed and may either be borrowed temporarily
198 under the provisions of this section or permanently funded by the
199 issue of bonds, notes or other obligations under the provisions of this
200 section. Upon the sale of such bonds, the proceeds thereof, to the
201 extent required, shall be applied forthwith to the payment of the
202 principal and interest of all notes issued in anticipation thereof or shall
203 be deposited in trust for such purpose with a bank or trust company,
204 which may be the bank or trust company, if any, at which such notes
205 are payable.

206 (i) In connection with or incidental to the issuance, pursuant to this

207 section, of bonds or any series thereof or temporary notes, the
208 municipality may authorize the execution of reimbursement
209 agreements, remarketing agreements, standby bond purchase
210 agreements, interest rate swap agreements and any other necessary or
211 appropriate agreements pursuant to the requirements of section 7-370b
212 of the general statutes.

213 (j) In addition to the powers specifically granted in this section, a
214 municipality is authorized to do all things necessary to carry out the
215 purposes of this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2010</i>	New section
Sec. 2	<i>October 1, 2010</i>	New section
Sec. 3	<i>October 1, 2010</i>	New section

Statement of Purpose:

To authorize municipalities to issue municipal postemployment benefit funding bonds.

[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.]