



General Assembly

January Session, 2013

Raised Bill No. 6611

LCO No. 4027



Referred to Committee on INSURANCE AND REAL ESTATE

Introduced by:
(INS)

AN ACT CONCERNING STATE EMPLOYEES' PENSIONS SOLVENCY.

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

1 Section 1. (*Effective from passage*) (a) Not later than October 1, 2013,
2 the Treasurer shall, in cooperation with the Insurance Department,
3 develop and issue a request for information to solicit ways the state
4 can improve the level of funding for state retirement and pension
5 benefits, including, but not limited to, state-owned life insurance
6 policies issued on state employees or state retirees or both, special
7 purpose trusts or other investment vehicles, based on either a required
8 initial investment by the state to be specified by the responder or on no
9 initial investment by the state.

10 (b) Not later than October 1, 2013, the Connecticut State Employees
11 Retirement Commission established under section 5-155a of the
12 general statutes shall collect and make available to potential
13 responders to the request for information (1) de-identified data of the
14 number, ages and marital status of state employees and state retirees,
15 (2) if available, the ages at death of state employees and state retirees
16 for the past twenty years, (3) the history of annual state pension

17 contributions for the past twenty years and the unfunded accrued
18 actuarial state liabilities for pensions and for other retirement benefits,
19 and (4) any other information the Treasurer or a responder deems
20 critical for the request for information, provided any such information
21 is not confidential.

22 (c) Not later than October 1, 2013, the Insurance Department shall
23 provide written guidance to the Retirement Commission on (1) what
24 constitutes an insurable interest for purposes of state-owned life
25 insurance policies, and (2) the impact, if any, a state program that uses
26 life insurance on its state employees or state retirees, or both, as an
27 investment vehicle may have on an individual state employee or state
28 retiree's ability to purchase life insurance.

29 (d) Not later than October 1, 2013, the Labor Department and the
30 office of the Attorney General shall provide written guidance to the
31 Retirement Commission on whether, for purposes of
32 nondiscrimination laws, the state may offer inducements to some but
33 not all state employees or state retirees, or both, to agree to
34 participation in a state-owned life insurance program.

35 (e) Not later than December 15, 2013, the Treasurer, the Retirement
36 Commission and the Insurance Commissioner, or said commissioner's
37 designee, shall evaluate each response to the request for information.
38 All responses shall be evaluated using the same assumptions about the
39 cost of money, expected investment returns from traditional equities
40 and bonds, Government Accounting Standards Board's standards and
41 rulings, current levels of unfunded state liabilities for pensions and for
42 other retirement benefits and any other relevant information. Each
43 such evaluation shall take into consideration, at a minimum, the
44 following:

45 (1) The reputation and historical success of the responder, including
46 financial ratings of its instruments by auditors, rating agencies and
47 other disinterested parties, and the reputation of any insurer that

48 would be included in the implementation of any program or
49 investment vehicle recommended by the responder;

50 (2) The track records, if any, in other states, municipalities or
51 businesses, of any program or investment vehicle recommended by the
52 responder;

53 (3) The impact of any program or investment vehicle recommended
54 by the responder on the unfunded state liabilities for pensions and for
55 other retirement benefits, as determined by the Governmental
56 Accounting Standards Board's current accounting standards;

57 (4) The impact of any program or investment vehicle recommended
58 by the responder on the state's credit rating from Moody's, Standard &
59 Poor's, Fitch Ratings and A.M. Best and the subsequent impact of any
60 credit rating change on borrowing costs to the state;

61 (5) The return, stated in net present value, of investment yield over
62 the lifetime of the instrument for any program or investment vehicle
63 recommended by the responder and compared with the return of
64 investment yield of alternative investment vehicles, including an
65 option for the Treasurer to borrow up to an equal amount of any
66 required initial investment by the state and invest such amount in
67 traditional equities and bonds;

68 (6) The impact of any program or investment vehicle recommended
69 by the responder on future levels of unfunded accrued actuarial state
70 liabilities for pensions and for other retirement benefits and on the
71 required annual state pension contributions;

72 (7) The reasonableness of any actuarial assumptions or predictions
73 made in the response, as reviewed by an actuary of the Insurance
74 Department or by an actuary designated by said department;

75 (8) The feasibility of locating or generating the amount of any
76 required initial investment by the state; and

77 (9) The risks and likelihood of achieving the expected return of
78 investment yield.

79 (f) Not later than January 1, 2014, the Treasurer shall submit the
80 findings of the evaluations required under subsection (e) of this section
81 to the General Assembly, with recommendations for legislative action
82 to implement the response evaluated to be the most likely to be
83 effective in reducing the unfunded state liabilities for pensions and for
84 other retirement benefits.

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| This act shall take effect as follows and shall amend the following sections: | | |
| Section 1 | <i>from passage</i> | New section |

Statement of Purpose:

To require a request for information to gather data and evaluate ways the state can improve the level of funding for state retirement and pension benefits, including, but not limited to, state-owned life insurance policies issued on state employees or state retirees or both, special purpose trusts or other investment vehicles.

[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.]