



## MUNICIPAL PENSION OBLIGATIONS

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### WHAT ARE PENSION OBLIGATION BONDS?

Pension obligation bonds are taxable bonds that states and municipalities may issue to fund the unfunded portion of their pension liabilities. Governments issue these bonds on the assumption that the bond proceeds, when invested with pension assets in high-yielding investments, will be able to achieve a rate of return that is greater than the interest rate owed over the term of the bonds.

(Government Finance Officers Association, [Pension Obligation Bonds](#), January 2015.)

### ISSUE

Which municipalities have issued pension obligation bonds? What is the funding status for pension plans in Connecticut's large municipalities (i.e., those with 50,000 or more residents)?

### SUMMARY

Seven municipalities (Bridgeport, Hamden, Naugatuck, New Britain, Stratford, Waterbury, and West Haven) have issued pension obligation bonds. The bond issuances range from \$49 million in Naugatuck to \$350 million in Bridgeport.

There is a wide variation in the funding status of pension plans in Connecticut's large municipalities. Based on data collected by the Office of Policy and Management (OPM), the

funded ratios for these pension plans range from 0% for Bridgeport's Janitors and Engineers Retirement Fund and Hartford's pre May 1, 1947 Plan to 244.1% for Bristol's Firefighter's Benefit Fund.

### PENSION OBLIGATION BONDS

As Table 1 shows, seven municipalities have issued pension obligation bonds. New Britain and Stratford were the first to do so. Hamden was the most recent. Bridgeport and Waterbury had the largest issuances at \$350 million and \$313 million, respectively. Naugatuck and West Haven had the smallest at \$49 million and \$67 million, respectively.



**Table 1: Municipalities Issuing Pension Obligation Bonds**

<i><b>Municipality</b></i>	<i><b>Plan Name</b></i>	<i><b>Date of Bond Issuance</b></i>	<i><b>Amount Issued</b></i>
Bridgeport	Public Safety Plan A	August 2000	\$350,000,000
Hamden	Retirement Plan of the Town of Hamden	March 2015	125,000,000
Naugatuck	Employee Plan, Fire Plan	October 2003	49,000,000
New Britain	Policemen's Fund, Firemen's Fund	February 1998	105,000,000
Stratford	Stratford Employees Retirement Plan	August 1998	95,000,000
		October 2013	162,690,000
Waterbury	Waterbury Retirement Fund	September 2009	313,000,000
West Haven	West Haven Police Pension Fund	September 2002	67,000,000

Source: OPM and [www.munios.com](http://www.munios.com)

## **PENSION FUNDING STATUS IN LARGE MUNICIPALITIES**

Table 2 provides funding status data for defined benefit pension plans in the 19 municipalities that have 50,000 or more residents according to the Department of Public Health's most recent annual population estimates on July 1, 2014.

Specifically, the table shows each plan's actuarial accrued liability (AAL) (i.e., the estimated present value of the benefits promised to employees based on service already rendered) and the percent of AAL funded (i.e., funded ratio). The funded ratios range from 0% for Bridgeport's Janitors and Engineers Retirement Fund and Hartford's pre May 1, 1947 Plan to 244.1% for Bristol's Firefighter's Benefit Fund.

Attachment 1 provides more detailed pension funding information on each of these plans, including whether they are accepting new entrants, the number of members and employee groups covered, the municipality's annual required contribution in FY 13 to fund the plan, and the percent of the contribution made.

**Table 2: Pension Funding Information for Defined Benefit Pension Plans in Large Municipalities**

<i><b>Municipality</b></i>	<i><b>Plan Name</b></i>	<i><b>AAL</b></i>	<i><b>% of AAL Funded</b></i>
Bridgeport	Public Safety Plan A	\$336,963,000	43.8%
	Police Retirement Plan B - post 6/3/81 employees	165,561,000	78.4
	Firefighters' Retirement Plan B - post 12/31/83 employees	41,988,000	177.0
	Janitors and Engineers Retirement Fund	7,386,000	0.0
Bristol	City of Bristol Retirement System	170,641,000	116.1
	City of Bristol Police Benefit Fund	95,527,000	184.6
	City of Bristol Firefighter's Benefit Fund	65,874,000	244.1

Table 2 (continued)

<b>Municipality</b>	<b>Plan Name</b>	<b>AAL</b>	<b>% of AAL Funded</b>
Danbury	General Employees' Pension Plan	117,668,661	94.2
	Post 1967 Fire Pension Plan	75,975,052	88.5
	Post 1967 Police Pension Plan	58,317,746	87.2
	Post 1983 Police Pension Plan	32,286,786	66.1
	Pre 1967 Police Pension Plan	9,509,978	51.5
	Pre 1967 Fire Pension Plan	8,000,590	57.5
East Hartford	East Hartford Employees' Retirement Plan	293,268,000	63.9
Fairfield	Town of Fairfield Town Employees Retirement Plan	169,315,000	89.3
	Town of Fairfield Police and Fire Retirement Plan	161,511,000	90.7
Greenwich	Retirement System of the Town of Greenwich	420,978,858	76.8
Hamden	Retirement Plan of the Town of Hamden	419,266,994	14.0
Hartford	City MERF	1,237,136,000	79.0
	RAF/PBF/FRF pre 5/1/1947 Plan	6,030,000	0.0
Manchester	Town of Manchester Retirement Plan	183,751,000	77.2
Meriden	Meriden Employees' Retirement Plan	150,068,846	98.4
	Meriden Police Pension Plan	103,632,267	62.6
	Meriden Firemen's Pension Plan	79,799,856	66.8
Milford	City of Milford Retirement System	321,477,000	110.1
New Britain	New Britain Firemen's Pension Fund	85,558,000	89.2
	New Britain Policemen's Pension Fund	82,500,000	82.1
New Haven	Pension Fund For New Haven Policemen And Firemen	594,979,800	47.5
	City Employees' Retirement Fund of New Haven	398,562,100	42.5
Norwalk	Employees' Pension Plan	191,985,282	88.0
	Police Benefit Fund	121,114,987	75.0
	Fire Benefit Fund	102,110,071	85.6
	Food Service Employees' Plan	2,442,179	69.9
Stamford	Classified Employees Retirement Trust Fund	219,465,000	85.9
	Police Pension Trust Fund	204,563,000	85.4
	Firefighter's Pension Trust Fund	147,783,000	92.8
	Custodian And Mechanics Retirement Trust Fund	54,525,000	88.2
Stratford	Town of Stratford Employees' Retirement Plan	259,719,000	43.9

Table 2 (continued)

<b><i>Municipality</i></b>	<b><i>Plan Name</i></b>	<b><i>AAL</i></b>	<b><i>% of AAL Funded</i></b>
Waterbury	City of Waterbury Retirement Fund	563,275,000	70.8
West Hartford	Town of West Hartford Pension Fund	308,852,000	48.2
West Haven	City of West Haven Police Pension Fund	120,389,438	91.8
	City of West Haven Allingtown Fire District Plan	22,738,356	19.3

Source: OPM, Municipal Fiscal Indicators, 2009-2013 Edition

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