



House Bill No. 7296

Public Act No. 17-107

AN ACT AUTHORIZING THE FUNDING OF UNFUNDED ACCRUED MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM LIABILITIES BY MUNICIPALITIES.

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

Section 1. Section 7-441 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2017*):

(a) For purposes of this section:

(1) "General obligation" means an obligation issued by a municipality and secured by the full faith and credit and taxing power of such municipality;

(2) "Municipal employees' retirement system pension funding bond" means an obligation issued by a municipality to fund, in whole or in part, an outstanding unfunded accrued liability to the system;

(3) "Obligation" means any bond or any other transaction which constitutes debt in accordance with both municipal reporting standards in section 7-394a and the regulations prescribing municipal financing reporting adopted by the secretary pursuant to section 7-394a;

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(4) "Unfunded accrued liability to the system" means the amount necessary for the payment of future pensions based upon the service of members rendered prior to their becoming members of the system, less any amount transferred to the fund from any other retirement fund on account of such members, as determined by the Retirement Commission upon sound actuarial principles consistently applied; and

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

[(a)] (b) Each participating municipality shall be liable to the fund for an amount determined by the Retirement Commission on sound actuarial principles to be necessary for the payment of future pensions based upon the service of members rendered prior to their becoming members, less any amount transferred to the fund from any other retirement fund on account of such members, and for any increases in future benefits provided by amendments to this chapter to the extent that such increases are based on service prior to the effective date of such amendments; and in the case of a transfer of service credit between two participating municipalities under the provisions of section 7-442a where an increase in benefits results, the municipality to which the employee is transferred shall be liable to the fund for an amount so determined to be necessary for the payment of the increase in future pensions, based upon the service of the transferred member rendered subsequent to the commencement of his membership and prior to the effective date of transfer. The municipality shall pay

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annually to the Retirement Commission to be credited to the fund such amounts fixed by said commission as shall discharge such liability over a period not exceeding thirty years from the earliest effective date of participation as to any department in the Connecticut Municipal Employees' Retirement Fund, or a period not exceeding twenty years from the date of such transfer or increase in benefits, or entrance of a member into membership, whichever period shall be longer, except that the Retirement Commission may approve one consolidated amortized payment for the discharge of two or more separate liabilities running for different periods, such payments to be made over a period terminating not later than the latest date prescribed for the discharge of any one of such liabilities.

[(b)] (c) All participating municipalities shall pay monthly to the Retirement Commission to be credited to the fund such proportion of the pay of all members employed by such municipality as is determined from time to time by the Retirement Commission on sound actuarial principles to be necessary in addition to the contributions by members to provide future pensions based on service rendered by members subsequent to the effective date of participation as defined in section 7-427 other than the excess pensions referred to in subsection [(a)] (b) of this section. In the case of members serving with the armed forces of the United States in time of war or hostilities or national emergency, whether declared or undeclared, or any acts incident thereto, as provided in section 7-434, the municipality shall forward to the Retirement Commission to be credited to the fund a like contribution based on the pay of such member at the time of entering such service, in addition to paying the member's contribution as provided in section 7-440. If such member is not reemployed within six months following the termination of such service, unless this period is further extended by reason of disability incurred in such service, the municipality shall be entitled to receive from the fund, on application to the Retirement Commission, the amount of such contributions. If the

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Retirement Commission should find that the payments made to it under this subsection by any municipality have been more than sufficient because such municipality has elected to provide Social Security coverage for its employees, the commission, using sound actuarial principles, shall determine a refund, or a credit which shall be applied to the payments required of the same municipality under subsection [(a)] (b) of this section in a manner to be determined by the commission.

[(c)] (d) All municipalities shall contribute on account of retirement allowances for disability an additional proportion of the pay of members employed in such municipality to be determined by the Retirement Commission upon sound actuarial principles.

[(d)] (e) Each municipality shall also pay to the Retirement Commission annually a proportionate share of the cost of the administration of the fund or funds in which it participates, as determined by the commission on the basis of the number of members employed by such municipality and the number of members retired from employment with such municipality, or their beneficiaries, who are currently receiving benefits from the retirement system established by this part.

[(e)] (f) The rates of contribution provided in subsections [(b)] (c) and [(c)] (d) of this section shall be varied among policemen and firemen in fund B participating in the Old Age and Survivors Insurance System, other members of fund B so participating, policemen and firemen in fund B not so participating and other members of fund B not so participating, but each rate shall be uniform within each such class.

[(f)] (g) If any payment due under this section is not paid within two months from the date when due, interest shall be added to such payment at the prevailing rate of interest as determined by the

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Retirement Commission. Such interest shall be paid by the municipality.

[(g)] (h) A municipality shall pay annually to the Retirement Commission, to be credited to fund B, such amounts fixed by the commission as shall discharge said municipality's liabilities for its contributions under this subsection and section 7-436 over a period not exceeding twenty years, provided no such payments shall be due until July 1, 1974.

(i) Notwithstanding the provisions of the general statutes, any special act, charter, special act charter, home-rule ordinance, local ordinance or local law governing the authorization and issuance of bonds, notes or other obligations and the appropriation of the proceeds thereof, a municipality participating in the system that has an unfunded accrued liability to the system as of July 1, 2017, may authorize and issue municipal employees' retirement system pension funding bonds to fund all or a portion of such municipality's outstanding unfunded accrued liability to the system, as determined by the Retirement Commission upon sound actuarial principles consistently applied, and the payment of costs related to the issuance of such bonds, in accordance with the following requirements:

(1) The municipality shall, not later than thirty days prior to the issuance of municipal employees' retirement system pension funding bonds, notify the Secretary of the Office of Policy and Management, State Treasurer and Retirement Commission of such municipality's intent to issue such bonds, and include with such notice (A) the amount of the outstanding unfunded accrued liability to the system based on the existing schedule of pension amortization payments, as determined by the Retirement Commission based on sound actuarial principles consistently applied; (B) the amount of any remaining annual pension amortization payments scheduled for payment by the municipality for the portion of the outstanding unfunded accrued

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liability to the system that will not be defrayed by such bonds; (C) a comparison of the anticipated effects of funding the outstanding unfunded accrued liability to the system through the issuance of such bonds with the funding of such liability through the annual payments scheduled for payment as determined by the Retirement Commission pursuant to subsection (b) of this section; (D) documentation of the municipality's authorization of the issuance of such bonds, including, but not limited to, a certified copy of the resolution or ordinance of the municipality authorizing the issuance of such bonds and the opinion of nationally recognized bond counsel as to the due authorization of the issuance of such bonds; and (E) other information and documentation required or requested by the Secretary of the Office of Policy and Management, State Treasurer or Retirement Commission to carry out the provisions of this section; and

(2) Not later than ten days after the sale of such bonds, the municipality shall provide the Secretary of the Office of Policy and Management, State Treasurer and Retirement Commission with a final financing summary. Such final financing summary shall include, but not be limited to, (A) the final official statement, if any, with respect to the issuance of such bonds, and (B) a comparison of the anticipated effects of funding the outstanding unfunded accrued liability to the system through the issuance of such bonds with the funding of such liability through the annual payments scheduled for payment, as determined by the Retirement Commission pursuant to subsection (b) of this section.

(j) Except as otherwise provided by this section, the provisions of this chapter apply to any municipal employees' retirement system pension funding bonds issued pursuant to this section. Such bonds shall be general obligations of the municipality, and shall be serial bonds maturing in annual or semiannual installments of principal or term bonds with mandatory annual or semiannual deposits of sinking

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fund payments into a sinking fund. Notwithstanding the provisions of the general statutes, any special act, charter, special act charter, home-rule ordinance, local ordinance or local law, (1) the first installment of any series of such bonds shall mature or the first sinking fund payment of any series of such bonds shall be due not later than eighteen months from the date of issuance of such series, and the last installment of any series of such bonds shall mature or the last sinking fund payment of any series of such bonds shall be due not later than thirty years from the date of issuance of such series; (2) any such bonds may be sold at public sale on sealed proposal, by negotiation or private placement in such manner and at such price or prices, at such time or times and on such terms or conditions as the municipality or the officers or board of the municipality delegated the authority to issue such bonds, determines to be in the best interest of the municipality; and (3) no municipality shall issue temporary notes in anticipation of the receipt of proceeds from the sale of such bonds.

(k) Proceeds of municipal employees' retirement system pension funding bonds, to the extent not applied to the payment of costs related to the issuance thereof, shall be paid to the Retirement Commission, not later than thirty days after the date of issuance of such bonds, to fund all or a portion of the outstanding unfunded accrued liability to the system for which such bonds were issued.

(l) A municipality may, pursuant to section 7-370c, authorize and issue refunding bonds to pay, fund or refund prior to maturity any municipal employees' retirement system pension funding bonds, provided, notwithstanding the provisions of section 7-370c, the weighted average maturity of such refunding bonds shall not exceed the weighted average maturity of the municipal employees' retirement system pension funding bonds being paid, funded or refunded by such refunding bonds. The municipality shall notify the Secretary of the Office of Policy and Management, State Treasurer and Retirement

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Commission of such municipality's intention to issue refunding bonds pursuant to this subsection not less than ten days prior to the issuance of such bonds, and shall provide said Secretary, State Treasurer and Retirement Commission with copies of the final official statement, if any, prepared for such bonds not later than ten days after the issuance of such bonds.

(m) The Secretary of the Office of Policy and Management, in consultation with the State Treasurer, may adopt regulations, in accordance with the provisions of chapter 54, to establish guidelines concerning compliance by municipalities with the provisions of this section.

Sec. 2. Section 7-439c of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2017*):

The liability for the increase in benefits provided by sections 7-439b to 7-439d, inclusive, for retirement allowances based on service rendered before July 1, 1979, shall be discharged by extending the period required for the annual amortization payments being made by the municipality under section 7-441, as amended by this act, before July 1, 1977, until the date when the total past service liability shall be discharged. Such date shall not be subject to the limits provided in subsection [(a)] (b) of section 7-441, as amended by this act. The proportion of contributions paid to the Retirement Commission monthly under the terms of subsection [(b)] (c) of said section shall, effective July 1, 1979, include the cost of applying the adjustments of sections 7-439b to 7-439d, inclusive, to retirement allowances credited for service rendered after July 1, 1979.

Approved July 6, 2017