



General Assembly

January Session, 2017

Raised Bill No. 7296

LCO No. 5381



Referred to Committee on PLANNING AND DEVELOPMENT

Introduced by:
(PD)

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:

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 Section 7-441 of the general statutes is repealed and the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

3 (a) For purposes of this section:

4 (1) "General obligation", "obligation" and "weighted average
5 maturity" have the same meanings as provided in section 7-425;

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

9 (3) "Unfunded accrued liability to the system" means the amount
10 necessary for the payment of future pensions based upon the service of
11 members rendered prior to their becoming members of the system, less
12 any amount transferred to the fund from any other retirement fund on

13 account of such members, as determined by the Retirement
14 Commission upon sound actuarial principles consistently applied.

15 [(a)] (b) Each participating municipality shall be liable to the fund
16 for an amount determined by the Retirement Commission on sound
17 actuarial principles to be necessary for the payment of future pensions
18 based upon the service of members rendered prior to their becoming
19 members, less any amount transferred to the fund from any other
20 retirement fund on account of such members, and for any increases in
21 future benefits provided by amendments to this chapter to the extent
22 that such increases are based on service prior to the effective date of
23 such amendments; and in the case of a transfer of service credit
24 between two participating municipalities under the provisions of
25 section 7-442a where an increase in benefits results, the municipality to
26 which the employee is transferred shall be liable to the fund for an
27 amount so determined to be necessary for the payment of the increase
28 in future pensions, based upon the service of the transferred member
29 rendered subsequent to the commencement of his membership and
30 prior to the effective date of transfer. The municipality shall pay
31 annually to the Retirement Commission to be credited to the fund such
32 amounts fixed by said commission as shall discharge such liability
33 over a period not exceeding thirty years from the earliest effective date
34 of participation as to any department in the Connecticut Municipal
35 Employees' Retirement Fund, or a period not exceeding twenty years
36 from the date of such transfer or increase in benefits, or entrance of a
37 member into membership, whichever period shall be longer, except
38 that the Retirement Commission may approve one consolidated
39 amortized payment for the discharge of two or more separate liabilities
40 running for different periods, such payments to be made over a period
41 terminating not later than the latest date prescribed for the discharge
42 of any one of such liabilities.

43 [(b)] (c) All participating municipalities shall pay monthly to the
44 Retirement Commission to be credited to the fund such proportion of
45 the pay of all members employed by such municipality as is

46 determined from time to time by the Retirement Commission on sound
47 actuarial principles to be necessary in addition to the contributions by
48 members to provide future pensions based on service rendered by
49 members subsequent to the effective date of participation as defined in
50 section 7-427 other than the excess pensions referred to in subsection
51 [(a)] (b) of this section. In the case of members serving with the armed
52 forces of the United States in time of war or hostilities or national
53 emergency, whether declared or undeclared, or any acts incident
54 thereto, as provided in section 7-434, the municipality shall forward to
55 the Retirement Commission to be credited to the fund a like
56 contribution based on the pay of such member at the time of entering
57 such service, in addition to paying the member's contribution as
58 provided in section 7-440. If such member is not reemployed within six
59 months following the termination of such service, unless this period is
60 further extended by reason of disability incurred in such service, the
61 municipality shall be entitled to receive from the fund, on application
62 to the Retirement Commission, the amount of such contributions. If the
63 Retirement Commission should find that the payments made to it
64 under this subsection by any municipality have been more than
65 sufficient because such municipality has elected to provide Social
66 Security coverage for its employees, the commission, using sound
67 actuarial principles, shall determine a refund, or a credit which shall be
68 applied to the payments required of the same municipality under
69 subsection [(a)] (b) of this section in a manner to be determined by the
70 commission.

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

75 [(d)] (e) Each municipality shall also pay to the Retirement
76 Commission annually a proportionate share of the cost of the
77 administration of the fund or funds in which it participates, as
78 determined by the commission on the basis of the number of members

79 employed by such municipality and the number of members retired
80 from employment with such municipality, or their beneficiaries, who
81 are currently receiving benefits from the retirement system established
82 by this part.

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

90 [(f)] (g) If any payment due under this section is not paid within two
91 months from the date when due, interest shall be added to such
92 payment at the prevailing rate of interest as determined by the
93 Retirement Commission. Such interest shall be paid by the
94 municipality.

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

101 (i) Notwithstanding the provisions of the general statutes, any
102 special act, charter, special act charter, home-rule ordinance, local
103 ordinance or local law governing the authorization and issuance of
104 bonds, notes or other obligations and the appropriation of the proceeds
105 thereof, a municipality may authorize and issue municipal employees'
106 retirement system pension funding bonds to fund all or a portion of
107 such municipality's outstanding unfunded accrued liability to the
108 system, as determined by the Retirement Commission upon sound
109 actuarial principles consistently applied, and the payment of costs

110 related to the issuance of such bonds, in accordance with the following
111 requirements:

112 (1) The municipality shall, not later than fifteen days prior to the
113 issuance of municipal employees' retirement system pension funding
114 bonds, notify the Secretary of the Office of Policy and Management,
115 State Treasurer and Retirement Commission of such municipality's
116 intent to issue such bonds, and include with such notice (A) the
117 amount of the outstanding unfunded accrued liability to the system
118 based on the existing schedule of pension amortization payments, as
119 determined by the Retirement Commission based on sound actuarial
120 principles consistently applied; (B) the amount of any remaining
121 annual pension amortization payments scheduled for payment by the
122 municipality for the portion of the outstanding unfunded accrued
123 liability to the system that will not be defrayed by such bonds; (C) a
124 comparison of the anticipated effects of funding the outstanding
125 unfunded accrued liability to the system through the issuance of such
126 bonds with the funding of such liability through the annual payments
127 scheduled for payment as determined by the Retirement Commission
128 pursuant to subsection (b) of this section; (D) documentation of the
129 municipality's authorization of the issuance of such bonds, including,
130 but not limited to, a certified copy of the resolution or ordinance of the
131 municipality authorizing the issuance of such bonds and the opinion
132 of nationally recognized bond counsel as to the due authorization of
133 the issuance of such bonds; and (E) other information and
134 documentation required or requested by the Secretary of the Office of
135 Policy and Management, State Treasurer or Retirement Commission to
136 carry out the provisions of this section; and

137 (2) Not later than ten days after the sale of such bonds, the
138 municipality shall provide the Secretary of the Office of Policy and
139 Management, State Treasurer and Retirement Commission with a final
140 financing summary. Such final financing summary shall include, but
141 not be limited to, (A) the final official statement with respect to the
142 issuance of such bonds, and (B) a comparison of the anticipated effects

143 of funding the outstanding unfunded accrued liability to the system
144 through the issuance of such bonds with the funding of such liability
145 through the annual payments scheduled for payment, as determined
146 by the Retirement Commission pursuant to subsection (b) of this
147 section.

148 (j) Except as otherwise provided by this section, the provisions of
149 this chapter apply to any municipal employees' retirement system
150 pension funding bonds issued pursuant to this section. Such bonds
151 shall be general obligations of the municipality, and shall be serial
152 bonds maturing in annual or semiannual installments of principal or
153 term bonds with mandatory annual or semiannual deposits of sinking
154 fund payments into a sinking fund. Notwithstanding the provisions of
155 the general statutes, any special act, charter, special act charter, home-
156 rule ordinance, local ordinance or local law, (1) the first installment of
157 any series of such bonds shall mature or the first sinking fund payment
158 of any series of such bonds shall be due not later than eighteen months
159 from the date of issuance of such series; (2) any such bonds may be
160 sold at public sale on sealed proposal, by negotiation or private
161 placement in such manner and at such price or prices, at such time or
162 times and on such terms or conditions as the municipality or the
163 officers or board of the municipality delegated the authority to issue
164 such bonds, determines to be in the best interest of the municipality;
165 and (3) no municipality shall issue temporary notes in anticipation of
166 the receipt of proceeds from the sale of such bonds.

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

173 (l) A municipality may, pursuant to section 7-370c, authorize and
174 issue refunding bonds to pay, fund or refund prior to maturity any

175 municipal employees' retirement system pension funding bonds,
176 provided, notwithstanding the provisions of section 7-370c, the
177 weighted average maturity of such refunding bonds shall not exceed
178 the weighted average maturity of the municipal employees' retirement
179 system pension funding bonds being paid, funded or refunded by such
180 refunding bonds. The municipality shall notify the Secretary of the
181 Office of Policy and Management, State Treasurer and Retirement
182 Commission of such municipality's intention to issue refunding bonds
183 pursuant to this subsection not less than ten days prior to the issuance
184 of such bonds, and shall provide said Secretary, State Treasurer and
185 Retirement Commission with copies of the final official statement, if
186 any, prepared for such bonds not later than ten days after the issuance
187 of such bonds.

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

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

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

207 for service rendered after July 1, 1979.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2017</i>	7-441
Sec. 2	<i>July 1, 2017</i>	7-439c

Statement of Purpose:

To permit municipalities to authorize and issue municipal employees' retirement system pension 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.]