AN ACT STABILIZING THE TEACHERS’ RETIREMENT FUND.

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

Section 1. (NEW) (Effective from passage) (a) There is established the Connecticut Teachers’ Retirement Fund Bonds Special Capital Reserve Fund, which shall contain any moneys required by law to be deposited in the fund, including, but not limited to, deposits from the Connecticut Lottery Corporation in accordance with section 12-812 of the general statutes, as amended by this act. The purpose of the fund shall be to provide, and it is determined that such fund does provide, adequate provision for the protection of the holders of bonds of the state issued pursuant to section 10-183qq of the general statutes and any bonds refunding such bonds. The fund shall secure the payment of the principal of and interest on such bonds and shall be held in trust for the benefit of the holders of the bonds secured thereby, separate and apart from other funds of the state. During any period when any bonds secured by the fund remain outstanding, amounts on deposit in the fund shall not be commingled with other state funds and the state shall have no claim to or against, or interest in, the fund, except as hereinafter provided. Amounts in such fund shall be deposited in a separate account or accounts in a trust company or bank having the powers of a trust company within the state, which shall serve as the trustee of the fund. The Treasurer shall enter into an agreement with such trust company or bank in accordance with the provisions of sections 1, 7 and 8 of this act and sections 10-183b, 10-183z, 12-801, 12-806 and 12-812 of the general statutes, as amended by this act.
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(b) The moneys held in the Connecticut Teachers' Retirement Fund Bonds Special Capital Reserve Fund, except as provided in this section, shall be pledged to payment on bonds secured by the fund and shall be used solely for the payment of the principal of bonds secured by the fund as such bonds become due by reason of maturity or sinking fund redemption, the purchase of such bonds, the payment of interest on such bonds and the payment of any redemption premium required to be paid when such bonds are redeemed prior to maturity. In the event the state has not otherwise timely made available moneys to pay principal or interest due on such bonds, the Treasurer shall direct the trustee of the fund to transfer from the fund to the paying agent for such bonds the amount necessary to timely pay such principal or interest then due. Except for the payment of the principal of bonds secured by the fund as such bonds become due and the payment of interest on such bonds, no moneys shall be withdrawn from the fund in such amount as would reduce the amount on deposit in the fund to less than the required minimum capital reserve. The pledge made by the state pursuant to this section shall be valid and binding from the time when the pledge is made. The lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the state, irrespective of whether the parties have notice of the claims. Notwithstanding any provision of the Uniform Commercial Code, no instrument by which such pledge is created need be recorded or filed. Any moneys so pledged and later received by the state shall be subject immediately to the lien of the pledge without any physical delivery thereof or further act and such lien shall have priority over all other liens. For the purpose of evaluation of such fund, obligations acquired as an investment shall be valued at market. For purposes of this section, "required minimum capital reserve" means the maximum amount of principal and interest becoming due on bonds of the state issued pursuant to section 10-183qq of the general statutes, and any bonds refunding such bonds then outstanding, by reason of maturity or a required sinking fund installment in any succeeding fiscal year.

(c) The amounts payable from the Connecticut Lottery Corporation
into such fund as provided in section 12-812 of the general statutes, as
amended by this act, shall be sufficient for the payment of the principal
of and interest on the bonds secured by the Connecticut Teachers'
Retirement Fund Bonds Special Capital Reserve Fund when due,
whether at maturity or by mandatory sinking fund installments.

(d) The Treasurer shall certify to the Governor, the Teachers'
Retirement Board and the president of the Connecticut Lottery
Corporation the amount on deposit in the Connecticut Teachers'
Retirement Fund Bonds Special Capital Reserve Fund when such
amount first equals or exceeds the required minimum capital reserve.
Whenever the amount on deposit in the fund is in excess of the
required minimum capital reserve, the Treasurer may direct the trustee
for the fund to remit to the Treasurer for deposit into the General Fund
any amount in excess of the required minimum capital reserve.

(e) The Connecticut Teachers' Retirement Fund Bonds Special
Capital Reserve Fund shall terminate and, upon direction of the
Treasurer, any moneys remaining therein shall be transferred to the
Budget Reserve Fund, established in section 4-30a of the general
statutes: (1) Upon payment in full of the principal and interest on all
bonds secured by the fund; (2) if there has been deposited in an
irrevocable trust for the benefit of the holders of the bonds secured by
the fund either (A) moneys in an amount that shall be sufficient to pay,
when due, the principal of and interest on such bonds, and any
redemption premium required to be paid when such bonds are
redeemed prior to maturity, or (B) noncallable and nonprepayable
direct obligations of, or obligations the timely payment of principal of
and interest on which are unconditionally guaranteed by, the United
States of America, the principal of and the interest on which when due,
without reinvestment, will provide moneys that together with the
moneys, if any, deposited with the trustee at the same time, shall be
sufficient to pay when due the principal of and interest on such bonds,
and any redemption premium required to be paid when such bonds
are redeemed prior to maturity; (3) if the amount of the annual
required contribution to the fund for the Connecticut teachers'
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93 retirement system is determined in accordance with the provisions of
94 subsection (b) of section 10-183l of the general statutes and section 10-
95 183z of the general statutes, as such sections were in effect on April 30,
96 2008; or (4) if the Teachers' Retirement Board fails to approve the
97 credited interest percentage for member accounts and return
98 assumption in accordance with subsection (a) of section 7 of this act.

99 (f) Pending the use or application of amounts in the fund, moneys in
100 the fund may be invested and reinvested at the direction of the
101 Treasurer in such obligations, securities and investments as are set
102 forth in subsection (f) of section 3-20 of the general statutes and in
103 participation certificates in the Short Term Investment Fund created
104 under section 3-27a of the general statutes.

105 (g) The state pledges to the holders of the bonds of the state issued
106 pursuant to section 10-183qq of the general statutes, and any bonds
107 refunding such bonds, that the state shall not limit or alter the rights of
108 such holders under this section or reduce the transfer or deposit of
109 moneys into the fund pursuant to section 12-812 of the general
110 statutes, as amended by this act, or section 7 of this act until all such
111 bonds are fully paid or until provision for the payment of such bonds
112 has been made as provided in subdivision (3) of subsection (e) of this
113 section, provided nothing contained in this section shall preclude such
114 limitation, alteration or reduction if adequate provision is made by law
115 for the protection of the holders of such bonds.

116 Sec. 2. Subdivision (6) of section 12-801 of the general statutes is
117 repealed and the following is substituted in lieu thereof (Effective from
118 passage):

119 (6) "Lottery fund" means a fund or funds established by, and under
120 the management and control of, the corporation, into which all lottery
121 revenues of the corporation are deposited, from which all payments
122 and expenses of the corporation are paid and from which transfers to
123 the General Fund or the Connecticut Teachers' Retirement Fund Bonds
124 Special Capital Reserve Fund, established in section 1 of this act, are
125 made pursuant to section 12-812, as amended by this act; and
Sec. 3. Subsection (a) of section 12-806 of the general statutes is repealed and the following is substituted in lieu thereof (Effective from passage):

(a) The purposes of the corporation shall be to: (1) Operate and manage the lottery in an entrepreneurial and business-like manner free from the budgetary and other constraints that affect state agencies; (2) provide continuing and increased revenue to the people of the state through the lottery by being responsive to market forces and acting generally as a corporation engaged in entrepreneurial pursuits; (3) pay to the trustee of the Connecticut Teachers' Retirement Fund Bonds Special Capital Reserve Fund, established in section 1 of this act, the amounts, if any, required pursuant to subsection (c) of section 12-812, as amended by this act; and [3] ensure that the lottery continues to be operated with integrity and for the public good.

Sec. 4. Subsection (c) of section 12-812 of the general statutes is repealed and the following is substituted in lieu thereof (Effective from passage):

(c) (1) On a weekly basis, the president shall estimate, and certify to the State Treasurer, that portion of the balance in the lottery fund which exceeds the current needs of the corporation for the payment of prizes, the payment of current operating expenses and funding of approved reserves of the corporation. The corporation shall transfer the amount so certified from the lottery fund of the corporation to the General Fund [ ] upon notification of receipt of such certification by the Treasurer, except if the amount on deposit in the Connecticut Teachers' Retirement Fund Bonds Special Capital Reserve Fund, established in section 1 of this act, is less than the required minimum capital reserve, as defined in subsection (b) of said section, the corporation shall pay such amount so certified to the trustee of the fund for deposit in the fund. If the corporation transfers any moneys to the General Fund at any time when the amount on deposit in said capital reserve fund is less than the required minimum capital reserve, the amount of such transfer shall be deemed appropriated from the General Fund to the
Sec. 5. Subdivision (2) of section 10-183b of the general statutes is repealed and the following is substituted in lieu thereof (Effective on the date the Treasurer certifies, pursuant to section 1 of this act, that the amount on deposit in the Connecticut Teachers' Retirement Fund Bonds Special Capital Reserve Fund equals or exceeds the required minimum capital reserve, as defined in said section):

(2) "Amortization of unfunded liabilities" means: (A) For fiscal years ending on or before June 30, 2019, a systematic program of annual payments determined as a level per cent of expected member annual salaries in lieu of a lump sum payment; and (B) for fiscal years ending on or after June 30, 2020, a systematic program of annual payments, transitioning equally over five consecutive fiscal years from a level per cent of expected annual member salaries to a level payment, in lieu of a lump sum payment.

Sec. 6. Subsection (h) of section 10-183g of the general statutes is repealed and the following is substituted in lieu thereof (Effective July 1, 2019):

(h) A benefit computed under subsections (a) to (d), inclusive, of this section and under subsections (a) to (g), inclusive, of section 10-183aa shall continue until the death of the member. [If Notwithstanding the provisions of subsection (a) of section 10-183c, if twenty-five per cent of the aggregate benefits paid to a member before July 1, 2019, and prior to death, plus fifty per cent of the aggregate benefits paid to a member on or after July 1, 2019, and prior to death, are less than such member's accumulated regular contributions, including any one per cent contributions withheld prior to July 1, 1989, and any voluntary contributions plus credited interest, the member's designated beneficiary shall be paid on the death of the member a lump sum amount equal to the difference between such aggregate payments and such accumulated contributions plus credited interest that had been accrued to the date benefits commenced.
Sec. 7. Section 10-183z of the general statutes is repealed and the following is substituted in lieu thereof (Effective on the date the Treasurer certifies, pursuant to section 1 of this act, that the amount on deposit in the Connecticut Teachers' Retirement Fund Bonds Special Capital Reserve Fund equals or exceeds the required minimum capital reserve, as defined in said section):

(a) The retirement system for teachers shall be funded on an actuarial reserve basis. The retirement board shall, on or before December first, annually, certify to the General Assembly the amount necessary, on the basis of an actuarial determination, to establish and maintain the retirement fund on such determined actuarial reserve basis and make such other recommendations with regard to the fund and its administration as the board deems necessary. [For the fiscal year ending June 30, 2020, and each fiscal year thereafter, the retirement board shall, in making such actuarial determination, assume that the amount of contributions required to be withheld under this chapter is six per cent "regular contributions" instead of seven per cent "regular contributions".] On the basis of each evaluation, the retirement board shall redetermine the normal rate of contribution and, until it is amortized, the unfunded past service liability. The General Assembly shall review the board's recommendations and certification and shall appropriate to the retirement fund the amount certified by the retirement board as necessary, provided said certification is in compliance with this section. On and after the effective date of this section, no public or special act of the General Assembly shall reduce such appropriation to an amount below such amount certified unless the Governor declares an emergency or the existence of extraordinary circumstances, in which the provisions of section 4-85 are invoked, and at least three-fifths of the members of each chamber of the General Assembly vote to reduce such appropriation during the biennium for which the emergency or existence of extraordinary circumstances is determined. The amount appropriated by the General Assembly shall be deposited by the Treasurer into the retirement fund in quarterly allotments on July fifteenth, October first, January first and April first.
(b) The board shall determine on an actuarial basis (1) a normal rate of contribution which the state shall be required to make into the retirement fund in order to meet the actuarial cost of current service and (2) the unfunded past service liability. In making such determination the board shall assume that the annual rate of interest earned by the funds of the system invested by the State Treasurer pursuant to section 10-183m equals the total assumed rate of return adopted by the board under the provisions of section 10-183nn. For the first eight years, the funding program for the actuarial reserve basis shall consist of the following percentages of the sum of normal cost and the amount required for a forty-year amortization of unfunded liabilities, provided, if in any such year the amount required to be paid by this section is less than the amount which would be required to fund the system on a terminal basis and to pay the annual cost of benefits payable under subsection (j) of section 10-183g or under other prior legislative adjustments to retirement benefits, the state shall pay the greater amount:

<table>
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<tr>
<th>T1</th>
<th>PERCENTAGE TO BE PAID OF NORMAL COST PLUS FULL FORTY-YEAR AMORTIZATION</th>
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<tbody>
<tr>
<td>T2</td>
<td>FISCAL YEAR FROM THE BEGINNING</td>
</tr>
<tr>
<td>T3</td>
<td>BEGINNING OF SUCH FISCAL YEAR</td>
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<td>T4</td>
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<td>T5</td>
<td>7-1-85</td>
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<td>T11</td>
<td>7-1-91</td>
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<td>T12</td>
<td>7-1-92</td>
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Commencing with the fiscal year [beginning July 1, 1992] ending June 30, 1993, and through the fiscal year ending June 30, 2019, the unfunded liability shall be amortized over a period of forty years. Commencing with the fiscal year ending June 30, 2020, the unfunded
liability as of June 30, 2018, shall be separately amortized over a closed period of thirty years and future actuarial gains and losses shall be amortized over separate closed periods of twenty-five years, beginning the year each separate base is established. The phrase "fund the system on a terminal basis" means contribution by the state of such moneys as are certified by the Teachers' Retirement Board as necessary, according to the mortality table adopted yearly, for the full reserve for pensions for retiring teachers provided under sections 10-183f, 10-183j and 10-183aa, but not such moneys as are necessary to make payments under subsection (j) of section 10-183g or under other prior legislative amendments to retirement benefits.

(c) No act liberalizing the benefits of the retirement system shall be enacted by the General Assembly until the assembly has requested and received from the retirement board a certification of the unfunded liability created by such change and the cost of such change under the actuarial funding basis adopted by section 10-183b, as amended by this act. Any unfunded liability created by such change shall be amortized over a period consistent with actuarial recommendations approved by the retirement board.

(d) The funds of the teachers' retirement system, except the expense fund, shall not be reduced or used for other than the purposes of said system.

Sec. 8. (NEW) (Effective from passage) (a) Not later than fourteen business days after the last action necessary to make effective a state budget act for the biennium ending June 30, 2021, subject to the approval of the Teachers' Retirement Board, the credited interest percentage for member accounts shall be not more than four per cent per annum and the return assumption shall be six and nine-tenths per cent per annum. Notwithstanding the provisions of section 1 of this act and sections 12-801, 12-806 and 12-812 of the general statutes, as amended by this act, if the board fails to revise such percentage and adopt such return assumption: (1) No moneys shall be deposited in the
Connecticut Teachers' Retirement Fund Bonds Special Capital Reserve Fund, established in section 1 of this act; (2) the Treasurer's duties and obligations under section 1 of this act shall terminate; and (3) the pledges made in section 1 of this act shall not be in effect.

(b) If the board revises such percentage and adopts such return assumption in accordance with subsection (a) of this section, the board shall, on or before July 1, 2019, and notwithstanding the provisions of subsection (a) of section 10-183z of the general statutes, as amended by this act: (1) Request a revised actuarial valuation for the fiscal years ending June 30, 2020, and June 30, 2021, based on changes to the benefit program, amortization period and the systematic program of annual payments applied to determine the amortization of unfunded liabilities of the Connecticut teachers' retirement system as provided in subdivision (2) of section 10-183b of the general statutes, as amended by this act, and section 10-183z, as amended by this act; and (2) certify to the General Assembly for such fiscal years the amount necessary, based on such revised actuarial valuation, to maintain the Teachers' Retirement Fund on an actuarial reserve basis.

Sec. 9. (Effective from passage or upon approval by the Teachers' Retirement Board of the credited interest percentage for member accounts and return assumption in accordance with subsection (a) of section 7 of this act, whichever is later) The sum of $380,901,255 is appropriated to the State Treasurer, for Debt Service, from the General Fund, for the fiscal year ending June 30, 2019, for deposit in the Connecticut Teachers' Retirement Fund Bonds Special Capital Reserve Fund established in section 1 of this act.

<p>| This act shall take effect as follows and shall amend the following sections: |
|-----------------|-----------------|
| Section 1       | from passage    |
| Sec. 2          | from passage    |
| Sec. 3          | from passage    |
| Sec. 4          | from passage    |
| Sec 2           | 12-801(6)       |
| Sec 3           | 12-806(a)       |
| Sec 4           | 12-812(c)       |</p>
<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sec. 5</td>
<td>On the date the Treasurer certifies, pursuant to section 1 of this act, that the amount on deposit in the Connecticut Teachers' Retirement Fund Bonds Special Capital Reserve Fund equals or exceeds the required minimum capital reserve, as defined in said section</td>
<td>10-183b(2)</td>
</tr>
<tr>
<td>Sec. 6</td>
<td>July 1, 2019</td>
<td>10-183g(h)</td>
</tr>
<tr>
<td>Sec. 7</td>
<td>On the date the Treasurer certifies, pursuant to section 1 of this act, that the amount on deposit in the Connecticut Teachers' Retirement Fund Bonds Special Capital Reserve Fund equals or exceeds the required minimum capital reserve, as defined in said section</td>
<td>10-183z</td>
</tr>
<tr>
<td>Sec. 8</td>
<td>From passage</td>
<td>New section</td>
</tr>
<tr>
<td>Sec. 9</td>
<td>From passage or upon approval by the Teachers' Retirement Board of the credited interest percentage for member accounts and return assumption in accordance with subsection (a of section 7 of this act, whichever is later</td>
<td>New section</td>
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</tbody>
</table>