



Senate

General Assembly

File No. 559

January Session, 2021

Substitute Senate Bill No. 971

Senate, April 21, 2021

The Committee on Planning and Development reported through SEN. CASSANO of the 4th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING THE STATE TREASURER AND CLIMATE CHANGE AND COASTAL RESILIENCY RESERVE FUNDS.

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

1 Section 1. Subsection (c) of section 7-159d of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective from*
3 *passage*):

4 (c) The budget-making authority of such municipality may, from
5 time to time, direct the treasurer to invest a portion of such Climate
6 Change and Coastal Resiliency Reserve Fund as in the opinion of such
7 authority is advisable, including in any trust fund administered, held or
8 invested by the State Treasurer pursuant to chapter 32 and for which the
9 State Treasurer may adopt regulations, in accordance with chapter 54,
10 to allow for the investment of moneys held in any such reserve fund,
11 provided: (1) Not more than forty per cent, or with respect to such a
12 reserve fund for which the budget-making authority has adopted an
13 asset allocation and investment policy, fifty per cent, of the total amount

14 of such reserve fund shall be invested in equity securities, and (2) any
15 portion of such reserve fund not invested pursuant to subdivision (1) of
16 this subsection may be invested in: (A) Bonds or obligations of, or
17 guaranteed by, the state or the United States, or agencies or
18 instrumentalities of the United States, (B) certificates of deposit,
19 commercial paper, savings accounts and bank acceptances, (C) the
20 obligations of any state of the United States or any political subdivision
21 thereof or the obligations of any instrumentality, authority or agency of
22 any state or political subdivision thereof, if, at the time of investment,
23 such obligations are rated in the top rating categories of any nationally
24 recognized rating service or of any rating service recognized by the
25 Banking Commissioner, and applicable to such obligations, (D) the
26 obligations of any regional school district in this state, of any
27 municipality in this state or any metropolitan district in this state, if, at
28 the time of investment, such obligations of such government entity are
29 rated in one of the top two rating categories of any nationally recognized
30 rating service or of any rating service recognized by the Banking
31 Commissioner, and applicable to such obligations, (E) in any fund in
32 which a trustee may invest pursuant to section 36a-353, (F) investment
33 agreements with financial institutions whose long-term obligations are
34 rated in the top two rating categories of any nationally recognized rating
35 service or of any rating service recognized by the Banking
36 Commissioner or whose short-term obligations are rated in the top
37 rating category of any nationally recognized rating service or of any
38 rating service recognized by the Banking Commissioner, or (G)
39 investment agreements fully secured by obligations of, or guaranteed
40 by, the United States or agencies or instrumentalities of the United
41 States.

42 Sec. 2. Section 3-13c of the general statutes is repealed and the
43 following is substituted in lieu thereof (*Effective from passage*):

44 Trust funds as used in sections 3-13 to 3-13e, inclusive, and 3-31b shall
45 be construed to include Connecticut Municipal Employees' Retirement
46 Fund A, Connecticut Municipal Employees' Retirement Fund B,
47 Soldiers, Sailors and Marines Fund, Family and Medical Leave

48 Insurance Trust Fund, State's Attorneys' Retirement Fund, Teachers'
 49 Annuity Fund, Teachers' Pension Fund, Teachers' Survivorship and
 50 Dependency Fund, School Fund, State Employees Retirement Fund, the
 51 Hospital Insurance Fund, Policemen and Firemen Survivor's Benefit
 52 Fund, any Climate Change and Coastal Resiliency Reserve Fund created
 53 pursuant to section 7-159d, as amended by this act, that is administered,
 54 held or invested by the State Treasurer and all other trust funds
 55 administered, held or invested by the State Treasurer.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	7-159d(c)
Sec. 2	<i>from passage</i>	3-13c

PD *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None

Municipal Impact: See Below

Explanation

The bill allows municipalities to invest a portion of a Climate Change and Coastal Resiliency Reserve Fund in any trust fund administered by the State Treasurer. Any impact would vary based on the performance of any such trust funds relative to other investment options available to municipalities.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**sSB 971*****AN ACT CONCERNING THE STATE TREASURER AND CLIMATE CHANGE AND COASTAL RESILIENCY RESERVE FUNDS.*****SUMMARY**

This bill expands the options municipalities have to invest climate change and coastal resiliency reserve fund assets by allowing them to invest in any trust fund the state treasurer holds, administers, or invests. As with other investments of reserve fund assets, investments made through the state treasurer may only be in certain financial instruments authorized under existing law.

The bill also (1) authorizes the state treasurer to adopt regulations to allow for the investment of reserve fund assets and (2) makes technical and conforming changes.

EFFECTIVE DATE: Upon passage

AUTHORIZED INVESTMENTS

Under existing law, the municipality's budget-making authority may direct the municipal treasurer to invest a portion of the reserve fund. The bill additionally allows the funds to be invested in trust funds held, administered, or invested by the treasurer. Existing law, unchanged by the bill, caps the amount that can be invested in equity securities at 40% of the total fund amount (50% if there is an asset allocation and investment policy).

Any portion of the reserve fund not invested in equity securities may be invested, for example, in the following (except where noted, references to obligations' ratings means rated by a nationally recognized rating service or a rating service recognized by the state banking commissioner):

1. bonds or obligations of, or guaranteed by, Connecticut, the United States, or U.S. agencies or instrumentalities;
2. obligations of a U.S. state or its political subdivisions or the obligations of an instrumentality, authority, or agency of a state or political subdivision, if the obligations are rated in the top rating categories; and
3. obligations of a Connecticut regional school district, municipality, or metropolitan district, if they are rated in the top two rating categories.

BACKGROUND

Climate Change and Coastal Resiliency Reserve Fund

Municipalities may establish a climate change and coastal resiliency reserve fund upon the recommendation of its chief executive officer, approval of its budget-making authority, and a majority vote of its legislative body.

Reserve funds may only contain (1) funds authorized to be transferred from the municipality's general fund cash surplus at the end of a fiscal year and (2) proceeds of bonds, notes, or other obligations issued to fund property or casualty losses or projects related to the presence of pyrrhotite in residential building concrete foundations.

The funds may be invested in certain financial instruments or used to pay for municipal property losses, capital projects, and studies on mitigating climate change hazards and vulnerabilities, including acquiring land.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute

Yea 26 Nay 0 (03/31/2021)