Pension Sustainability Commission

MEETING MINUTES

Thursday, October 4, 2018

10:00 AM IN ROOM 1E OF THE LOB

I. CONVENE MEETING:

The meeting was called to order at 10:00 AM by Chairman Rep. Steinberg.

The following commission members were present:

Representative Jonathan Steinberg, Robyn Kaplan-Cho, Representative Fred Wilms, Joseph Rubin, Michael Imber, Ted Murphy, Erin Choquette (for Shane Mallory), Greg Messner, Tara Downes, Laurie Martin (for Treasurer Denise Nappier)

Absent were:

Carmen Roda, Justice C. Ian McLachlan

One vacancy at time of meeting: Governor’s appointment

II. OPENING REMARKS:

Chairman Rep. Steinberg opened the meeting by expressing his pleasure with all the progress the commission has made thus far in gathering contextual information via presentations and other methods as the group begins to deliberate on their recommendations concerning their charge-monetizing state-owned assets to generate money for pensions.

Rep. Steinberg went on to explain that John Garrett will not be presenting at today’s meeting due to a family emergency which prohibited him from being in Connecticut. He noted that the Treasurer’s office is working on securing the use of consultants for the commission which among other things will validate the feasibility of the concept being considered by the commission.

III. PRESENTATION BY JOHN GARRETT, PRINCIPAL AND CONSULTING ACTUARY, CAVANAUGH MACDONALD CONSULTING, LLC, DISCUSSING THE REPORT OF THE VIABILITY COMMISSION AND UPDATING ACTUARIAL MODELING THAT WAS PERFORMED SUBSEQUENT TO THE REPORT:

This presentation was cancelled and will take place at a future meeting.

IV. BRIEF UPDATES FROM WORKING GROUPS:
Capital Asset Selection Working Group

Rep. Wilms explained that the group recently met and began to discuss what assets might be eligible for consideration. He noted that the group created a ‘capital asset selection criteria’ list to be used for the selection of state owned real property for the potential “in-kind” donation from the state to a Pension Trust. He explained that the following criteria will allow the Pension Sustainability Commission to determine which state owned properties within the Real Property Inventory Database meet these criteria and may be considered for selection for possible donation to the trust:

DRAFT CAPITAL ASSET SELECTION CRITERIA MEMO
Adopted by Capital Asset Selection Work Group - September 21, 2018

1) Properties that are not currently being utilized for government functions
2) Properties that clear a Phase I environmental study and requires no further remediation action
3) Only properties currently owned by the State of CT and the component unit authorities
4) Properties not classified as state park or forest land
5) Properties surplus to State of CT needs; this would require state agency approval to transfer from the agency with custody and control of each particular property or via a legislative mandate
6) Properties that have been determined to be eligible for transfer legally (certain statutes may prohibit particular properties from being conveyed from state ownership)
7) Properties that have not been designated as historic
8) No DOT Rights of Way properties as FHWA, under 23 Code of Federal Regulations (CFR) 710.403 requires that the proceeds from the sale of any excess property by DOT must be deposited in the State Transportation Fund to be utilized as the State’s match for future transportation projects

Rep. Steinberg commented that the selection process will be complex as certain properties may not meet all the criteria but still may be eligible. He also noted that this list is a great start!

Erin Choquette explained that properties that are considered open space or agricultural land need to be flagged as they need to be closely examined before possible selection.

Mr. Rubin expressed that there are complex legal issues to consider when examining any property- each property is unique and the list may not satisfy all concerns with any given property.

Laurie Martin pointed out that it is important that the group not lose sight of the tax exempt financing aspect of this proposal which is very important.

Legal Working Group
Erin Choquette explained that there is no way to identify all the legal issues for all the properties at this point - each property will need to be analyzed independently as each one is unique. She also noted that any discussion of a trust would require outside legal expert assistance as it is far too complex of an issue for this group given their backgrounds.

*Accounting/Actuarial Working Group*

Greg Messner explained that this group has not met yet as the members feel that their work will be done closer to the end of the process.

*Economic Development Working Group*

This group has not met yet.

Rep. Steinberg encouraged all groups to continue to meet throughout the life of this commission as each group’s work is very important for the final recommendations of the commission as a whole.

**V. BRIEF DISCUSSION OF PROCESS GOING FORWARD:**

The members went on to engage in a discussion concerning next steps and issues/topics to consider going forward. A list of these issues/topics is below:

- Impact on pension fund for each billion dollars of asset donation
- Exercise/discussion on top 30 assets
- Economic development considerations
- Accounting validation with outside consulting (accounting firm)
- Preliminary discussions with rating agencies and other market participants in coordination with Treasurer’s office to engage reaction
- Conversation with GASB
- Structure of trust and cost related to trust manager office
- Legal review of potentiality available properties
- Discussion of COT concept in terms of both liquidity and risk
- Discussion of the transfer/donation of assets relating to fair market valuation and control
- Pension fund governance
- State Lottery – further “drill down”

**VI. CLOSING REMARKS:**

Rep. Steinberg closed the meeting by discussing the great work that all commission members have put forth thus far. He also explained that members should realize that this is an ongoing, fluid process and that this group may be simply offering a starting point for the legislature to consider. He does not know what the legislature will do with this group’s final report but he is hopeful the general assembly will take a close look at their recommendations.
The meeting was adjourned at 11:00 A.M. by Chairman Rep. Steinberg.

Tom Spinella

Administrator