Pension Sustainability Commission Report

I. Executive Summary/Overview
   • Commission’s charge
   • Unfunded Pension history & implications for future
   • Actions taken to date to address these problems (pension funding reform/research by other commissions)
   • Briefly summarize CPSC’s efforts to fulfill its task (#presenters/#concepts reviewed) and provide synopsis of recommendations that will be further explained in the following report (maybe: some form of lottery transfer coupled with further exploration of capital asset investment by a state-run entity, dependent on further analysis by CPSC).

II. Legacy Obligation Trust
   • Concept summary (management, oversight, certificates of trust, examples of what other government entities have done)
   • Potential benefits (innovation/optimizing state assets for potential benefit of the pension fund/getting fair market value for assets)
   • Potential concerns (preserving retirement systems’ tax-exempt status/costs/untested & unknowns/no assets identified/irrevocably ceding state authority over its assets to a private third-party)
   • Steps necessary to determine feasibility (IRS letter ruling/identifying assets for transfer/consultation with real estate investment experts, bond counsel and accountants)

III. Treasurer-Managed Capital Asset Investment
   • Concept summary (similar to LOT summary, but managed by State Treasurer through contract rather than by independent third party)
   • Potential benefits (innovation/optimizing state assets for potential benefit of the pension fund/preserves state authority over its assets/avoids concerns related to tax-exempt status)
   • Potential concerns (identifying state assets)
   • Steps necessary to determine feasibility (consultation with new Treasurer/consultation with real estate investment experts, bond counsel and accountants)

IV. Capital Asset Inventory
   • Summary of asset inventory value/process
   • Explain proposed criteria that legislature/future body will have to consider before any transfer (DOT property off limits due to federal rules/legal hurdles/new state law and policies regarding transfer of property)
• Value/summary of inventory post-criteria

V. Lottery Transfer (in whole or in part/revenue stream vs. securitizing)
  • Concepts explored & summary (transferring revenue stream vs. securitizing/whole transfer vs. partial transfer)
  • Potential benefits compared
  • Potential concerns compared
  • Steps necessary to determine best course for each lottery concept

VI. Recommendations
  • Lottery transfer (in what form TBD) and further analysis of state-run capital asset transfer to pension fund.
  • Continue the CPSC, with modest funding for consultants, to complete the following necessary additional analysis:
    ➢ Accounting and financial implications of wholesale vs. partial transfer of lottery
    ➢ Accounting and financial implications of securitizing lottery vs. revenue stream transfer
    ➢ Accounting implications of asset transfer to pension fund
    ➢ Real estate expert assessment of potential investment opportunities for properties identified in the capital asset inventory with criteria applied