

ORDINANCE ESTABLISHING A GENERAL OBLIGATION PENSION BONDS RESERVE FUND

WHEREAS, the Town Council has authorized the issuance of general obligation pension bonds; and

WHEREAS, the proceeds from the issuance of such bonds shall be appropriated to the Pension Fund to fund all or a portion of the unfunded actuarial accrued liability; and

WHEREAS, due to historically low interest rates for municipal debt, it is anticipated that the proceeds from such bonds, when invested as part of pension assets in higher yielding asset classes, should achieve a long-term rate of return that is greater than the interest rate owed over the term of such bonds; and

WHEREAS, such savings should stabilize and reduce the cost of the Pension Plan; and

WHEREAS, the Town Council wishes to establish a reserve fund for the purpose of mitigating potential increases in the required annual actuarially determined contribution to the Pension Fund in the event of significantly adverse market performance of pension assets.

NOW THEREFORE BE IT ORDAINED BY THE TOWN COUNCIL OF WEST HARTFORD:

Section One. *Chapter 18 of the Code of the Town of West Hartford is amended by the addition of the following article.*

Article V. General Obligation Pension Bonds Reserve Fund.

§ 18-57 Establishment. There is hereby established the General Obligation Pension Bonds Reserve Fund. The purpose of the General Obligation Pension Bonds Reserve Fund shall be to mitigate potential increases in the annual appropriation required by § 30-29 to the Pension Plan (the “Actuarially Determined Employer Contribution”) due to less than expected asset growth. Earnings on the investment of funds in the General Obligation Pension Bonds Reserve Fund shall be credited and retained in such fund.

§ 18-58 Expenditures. The Town Council may only authorize an appropriation from the General Obligation Pension Bonds Reserve Fund for the following purposes:

- A. To offset any Actuarially Determined Employer Contribution amount above a year over year increase of five percent.
- B. In the fiscal year following the issuance of general obligation pension bonds, to offset any pension liability amount above a year over year increase of two and one half percent. For the purposes of this subsection, “pension liability” shall mean the sum in any given fiscal year of the debt service for any outstanding general obligation pension bonds and the Actuarially Determined Employer Contribution.
- C. To pay debt service on any outstanding general obligation pension bonds if stochastic analysis conducted by the actuary appointed by the Pension Board shows that, following such appropriation

from the General Obligation Pension Bonds Reserve Fund to pay debt service on the bonds, there is less than a five percent chance that the funded ratio of the Pension Plan will be less than one hundred percent at any time during the term of such bonds. The funded ratio of the Pension Plan shall be measured based on the actuarial methods and assumptions used for purposes of determining the Actuarially Determined Employer Contribution for the fiscal year in which the appropriation from said General Obligation Pension Bonds Reserve Fund occurs.

§ 18-59 Appropriation of surplus funds upon retirement of debt. Whenever there are no general obligation pension bonds or any bond refunding such bonds authorized or outstanding, the Town Council may make appropriations from the General Obligation Pension Bonds Reserve Fund for any purpose.

Section Two. *Section 30-29 of article II of chapter 30 of the Code of the Town of West Hartford is hereby repealed and the following is substituted in lieu thereof.*

§ 30-29 Appropriation of funds.

The Town Council shall annually determine the appropriation, if any, to the Pension Fund. Such determination shall be made by consideration of the amounts required to fund the benefits set forth in this plan as determined by the Pension Board on the basis of the actuary's reports, which shall be based on sound actuarial funding methods, assumptions and principles. Notwithstanding the foregoing, for any fiscal year in which the Town shall issue general obligation pension bonds, such appropriation shall be reallocated to the General Obligation Pension Bonds Reserve Fund established under article V of chapter 18.

(HART)

January 12, 2021