

Pension Sustainability Commission

MEETING MINUTES

Friday, September 21, 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, Justice C. Ian McLachlan, Michael Imber, Ted Murphy, Erin Choquette (for Shane Mallory), Greg Messner, Tara Downes, Treasurer Denise Nappier

Absent were:

Carmen Roda, Joseph Rubin

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 while also validating some of the member's assumptions concerning their charge- monetizing state-owned assets to generate money for pensions. It is his plan to structure future meetings around "drilling down" on the charge of the commission once the context and background information has been provided. He also pointed out that the groups is receiving recognition from outside of the commission and he is hopeful that this work can serve as model for other government entities to consider.

He thanked the speakers for taking time out of their busy schedules to share their research and experiences as they relate to the commission. He specifically commented on all of the great work and progress Commissioner Smith has made over her tenure at DECD in creating a more business and economically friendly Connecticut which he believes will be realized in the future once the current administration is gone.

III. PRESENTATION BY CATHERINE SMITH, COMMISSIONER, DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT, DISCUSSING KEY ELEMENTS OF THE DEPARTMENT'S ECONOMIC DEVELOPMENT AGENDA:

A copy of Commissioner Smith's presentation can be found by following the below link:

http://cga.ct.gov/fin/tfs/20180710_Pension%20Sustainability%20Commission/20180921/DECD%20Presentation.pdf

Commissioner Smith's presentation focused on DECD's economic strategy, their business support, incentives, and results to date, and also her department's recommendations going forward.

Following the presentations a question/answer and discussion period took place amongst Commissioner Smith and commission members- a summary is below:

Rep. Steinberg and Commissioner Smith both commented on the need to create a more positive attitude towards the business conditions in the state as they both pointed out the constant negative business attitude that seems to be highlighted all too often in Connecticut. Commissioner Smith stated that providing incentives to businesses in CT is key to continued economic growth, yet we must also make sure the state is getting proper returns on their investments. Rep. Steinberg went on to point out that the concept this commission is considering would create another "tool in our tool box" that DECD can utilize to attract businesses to the state.

Rep. Steinberg then questioned if the DECD has performed a "deep dive" on assessing inventory/property that can be used for economic growth? Commissioner Smith, answered that yes, the department has in the past sold state property to investors to benefit the state and in turn foster economic growth. As an example she described the sale of a New Haven bus station, which was cleaned up and used for far different purposes by a private investor.

Rep. Wilms questioned how the business community is receiving the upcoming budget deficits which loom over the state budget? Commissioner Smith answered that she believes that the business community does not particularly know all the details concerning the deficit as they are busy running their respective companies yet she does think that it is important to make them aware that the government realizes these negative forecasts and is working to improve them.

Ted Murphy and Commissioner Smith engaged in a conversation concerning the need to continue to improve the transportation infrastructure in CT as a way to attract new businesses and continue to grow the state's economy.

Michael Imber discussed the effectiveness/ineffectiveness of Enterprise and Opportunity Zones and the idea of using this information in the commissions study.

IV. PRESENTATION BY MICHAEL PRESS, PRESIDENT, SCOUT ECONOMICS, DISCUSSING ENVIRONMENTS AND INCENTIVES THAT HIS CORPORATE CLIENTS SEEK FROM GOVERNMENTS WHEN CONSIDERING EXPANSION:

A copy of Mr. Press's presentation can be found by following the below link:

http://cga.ct.gov/fin/tfs/20180710_Pension%20Sustainability%20Commission/20180921/SCOUT%20Economics%20Presentation.pdf

Throughout his presentation Mr. Press made the case that Connecticut's state-owned assets can be put to better use than they currently are. Within his presentation he points out that CT ranks in the bottom third of the states as a business location and that neighboring states offer higher value economic development incentives. He goes on to explain that turning the tide is not impossible sighting NYC as an example of a region that turned its economic standpoint around in the 1980's in part through establishing strategic and effective government policies.

Following his presentation a question/answer and discussion period took place amongst Mr. Press and commission members- a summary is below:

Rep. Steinberg pointed out that this presentation provides commission members with a broader understanding of economic development. He went on to explain that we as a state need to consider value enhancement strategies as suggested by Mr. Press, which will in turn create a positive ripple effect throughout the state's economy.

Rep. Wilms discussed the rankings that Mr. Press quoted in his presentation while focusing on the idea that if CT had a more vibrant ecosystem in place maybe the state would not have to provide as much business incentives as they currently do. Rep. Steinberg explained that CT's poor rankings are in part due to the state having no economic plan prior to Governor Malloy's administration.

Mr. Imber questioned if CT is positioned to potentially attract people from outside the state looking for lower property taxes which could result in such people also bringing or starting their businesses in the state? Mr. Press answered that the state needs to market their positives more effectively in order to attract such people/businesses.

V. PRESENTATION BY MICHAEL IMBER, MANAGING DIRECTOR, EISNER AMPER LLP AND PENSION SUSTAINABILITY COMMISSION MEMBER, DISCUSSING THE LEGACY OBLIGATION TRUST CONCEPT:

A copy of Mr. Imber's presentation can be found by following the below link:

http://cga.ct.gov/fin/tfs/20180710_Pension%20Sustainability%20Commission/20180921/Michael%20Imber%20Presentation-The%20Legacy%20Obligation%20Trust.pdf

Mr. Imber's presentation provided an executive summary of the Legacy Obligation Trust ("LOT") concept while also providing a background on LOT concept development. He also touched upon the LOT model specifically its design, examples, benefits, reforms, and working groups.

Following his presentation a question/answer and discussion period took place amongst Mr. Imber and the other commission members- a summary is below:

Rep. Steinberg explained that it is important not to view this concept as a 'silver bullet' for remedying the state's economy- yet it could help. He went on to describe the importance of the

working groups within the commission and the need for those groups to gather useful information for the commission to consider as they deliberate for their final recommendations.

Rep. Steinberg and Mr. Imber then discussed the importance of developing a valuation system within the group so that their recommendations can be strategic and deliberate- a fire sale of state assets is not needed.

Robyn Kaplan-Cho questioned how Mr. Imber's suggestions would affect the structure, i.e. current employees of the property/institutions which may be considered for the asset transactions. Mr. Imber answered that this is a good question and definitely something that needs to be considered throughout the commissions deliberations.

Mr. Imber and several commission members discussed how the Connecticut Lottery may be involved in this proposal. Mr. Imber explained that the lottery he believes is out of the scope of a trust and thus may be a bad example for his suggested process.

Rep. Wilms and Mr. Imber engaged in a dialogue concerning the trust certificates and how they would be handled/issued. Rep. Wilms explained that he is open to this concept and is eager to learn more of the specifics about it.

Treasurer Nappier expressed concern with how the LOT will be managed if it is established- i.e. how will it be funded, who will manage it? Mr. Imber agreed with the Treasurer that the last thing we need is to have a large administrative cost associated with managing the LOT.

Ted Murphy, Greg Messner and Michael Imber engaged in a discussion regarding the valuation process for the assets in question. Mr. Imber explained that the state would have to higher an appraiser who would set a value for the asset and then also issue the certificates.

Justice McLachlan questioned the tax consequences for this proposal- hopefully we are not creating a tax burden for the state.

Rep. Steinberg recommended that the Department of Transportation be a part of this proposal since we can't compete as a state unless we improve our state's transportation infrastructure.

VI. CLOSING REMARKS:

Rep. Steinberg closed the meeting by discussing the possibility of utilizing outside consulting services as well as having the Connecticut Lottery present at the next meeting.

The meeting was adjourned at 12:52 P.M. by Chairman Rep. Steinberg.

Tom Spinella

Administrator