

Pension Sustainability Commission

MEETING MINUTES

Wednesday, October 17, 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, Salvatore Luciano, Justice C. Ian McLachlan, Michael Imber, Ted Murphy, Erin Choquette (for Shane Mallory), Greg Messner, Joseph Rubin, Tara Downes, Laurie Martin (for Treasurer Denise Nappier)

Absent were:

Representative Fred Wilms

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. He noted that all of the hard work of the group has been recognized in a recent Forbes article (link below):

http://cga.ct.gov/fin/tfs/20180710_Pension%20Sustainability%20Commission/20181017/Forbes%20Article.pdf

Rep. Steinberg also commented on the obstacles that the group faces going forward- mainly lack of time and funds. He also recognized a recent FOI request made by the Connecticut AFL-CIO and he assured the members and the audience that the group will do its best to ensure that it is meeting the state's FOI requirements.

III. PRESENTATION BY GREG SMITH, PRESIDENT & CEO, THE CONNECTICUT LOTTERY CORPORATION:

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

http://cga.ct.gov/fin/tfs/20180710_Pension%20Sustainability%20Commission/20181017/CT%20Lottery%20Testimony.pdf

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

Rep. Steinberg questioned that if the State does decide to monetize the CT lottery to generate money for pensions how risky are the revenue streams that the state would be receiving? Mr. Smith answered that the lottery's sales and profits have gone up for the past nine years and has a solid growth model in place that should continue to yield positive returns- but nothing is guaranteed.

A discussion then took place regarding New Jersey's recent legislation regarding using their lottery to bolster their pensions. Mr. Smith commented that he is familiar with the New Jersey 'case' which Connecticut could look to if they ultimately choose this method.

Mr. Rubin noted that some of the possible courses of action being discussed could change the status of the lottery which is currently quasi-public. He explained that this needs to be considered before any decisions are made by this group and ultimately the state legislature.

Chelsea Turner (staff for the CT Lottery) pointed out how the revenue the lottery generates is currently utilized:

- 60%- reinvested into prizes
- 30%- State's General Fund
- 5%- commission to retailers
- 1%- regulation costs
- 3-4%- operating expenses

Ted Murphy questioned if there are any current models that can be used for determining the valuation of the lottery overall? Mr. Smith answered no, but New Jersey could be examined for possible usage.

IV. DISCUSSION ON FRAMEWORK FROM COMMISSION RECOMMENDATIONS:

Rep. Steinberg explained that the rest of the meeting will be used as a "working session" to determine the framework that the commission and each working group may like to consider as they deliberate and form their final recommendations. He stressed that this is simply a starting point that can and should be edited as the commission continues its work.

A copy of the "*Draft Outline Of Final Report*" can be found by following the below link:

http://cga.ct.gov/fin/tfs/20180710_Pension%20Sustainability%20Commission/20181017/Updated%20Draft%20Outline%20Of%20Final%20Report.pdf

Robyn Kaplan-Cho commented that in the case that it is determined by this commission that the asset contribution method is not a good one for the State should this group be considering other alternatives- is the current scope of the group too narrow? Rep. Steinberg urged the group to in fact broaden their scope of considerations yet he recognized this may increase the time and workload of the group but he is up for the challenge.

Mr. Imber noted that in some instances political utility trumps economic utility. He explained that in some cases when it comes to selling state property elected officials are tentative to approve a deal that involves property that has political benefits for them- i.e. a property that is used as patronage for political jobs.

Justice McLachlan expressed his skepticism that while this idea will improve the actuarial accounting of the state's pensions it will not help the funding of the current underfunded pension system. Mr. Imber replied that while this plan will help cover the underfunding the legislature and the Governor will still have to adequately fund the pension system every year. Rep. Steinberg commented that the legislature will have to remain disciplined to ensure that the proper funding is made.

Erin Choquette commented on section 5.0 and 6.0 of the outline noting that getting into possible design is beyond the scope of the commission as she believes the group should focus on their charge and making their recommendations. She stressed that the legal sub-group does not have the expertise to deal with this particular issue. She also explained that not all of the surplus property that the State has at this time is in great condition or very desirable to potential buyers/investors. Rep. Steinberg noted that the commission will be taking a deeper look at the potential properties at the next meeting.

Justice McLachlan asked that the non-partisan staff's at the legislature do a survey of articles that may provide different solutions for the commission to consider.

Robyn Kaplan-Cho explained that the Viability Commission and Boston College already did examine solutions other states have used to address similar problems- the commission should consider and analyze these reports.

A conversation took place amongst commission members regarding the risks and potential management of the LOT's if that method is chosen.

V. CLOSING REMARKS:

The meeting was adjourned at 12:11 P.M. by Chairman Rep. Steinberg.

Tom Spinella

Administrator