

CONNECTICUT GENERAL STATUTES

CHAPTER 112* MUNICIPAL FINANCE

Sec. 7-400. Investment of funds. The treasurer of any municipality, as defined in section 7-359, upon approval by the budget-making authority, as defined in said section, of any metropolitan district, of any regional school district, of any district as defined in section 7-324, and of any other municipal corporation or authority authorized to issue bonds, notes or other obligations under the provisions of the general statutes or any special act may invest the proceeds received from the sale of bonds, notes or other obligations, or other funds, including the general fund, as hereinafter provided:

(1) In (A) the obligations of the United States of America, including the joint and several obligations of the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all the federal home loan banks, all the federal land banks, all the federal intermediate credit banks, the Central Bank for Cooperatives, The Tennessee Valley Authority, or any other agency of the United States government, or (B) shares or other interests in any custodial arrangement, pool or no-load, open-end management-type investment company or investment trust registered or exempt under the Investment Company Act of 1940, 15 USC Section 80a-1 et seq. as from time to time amended, provided (i) the portfolio of such custodial arrangement, pool, investment company or investment trust is limited to obligations described in subparagraph (A) of this subdivision and repurchase agreements fully collateralized by any such obligations; (ii) such custodial arrangement, pool, investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian; (iii) such custodial arrangement or pool is managed to maintain its shares at a constant net asset value or such investment company or investment trust is rated within one of the top two credit rating categories and, for any investment company or investment trust not managed to maintain its shares at a constant net asset value, within one of the top two risk rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner; and (iv) the municipal corporation or authority only purchases and redeems shares or other interests in such investment company or investment trust through the use of, or the custodian of such custodial arrangement or pool is, a bank, as defined in section 36a-2, or an out-of-state bank, as defined in said section, having one or more branches in this state.

(2) In the obligations of any state of the United States or of any political subdivision, authority or agency thereof, provided that at the time of investment such obligations are rated within one of the top two rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner.

(3) In the obligations of the state of Connecticut, or any regional school district, town, city, borough or metropolitan district in the state of Connecticut, provided that at the time of investment the obligations of such government entity are rated within one of the top three rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner.

(1949, 1951, S. 368d; P.A. 83-442; P.A. 86-350, S. 12, 28; P.A. 87-9, S. 2, 3; P.A. 89-211, S. 11; P.A. 90-317, S. 5, 8; P.A. 93-255; 93-435, S. 60, 95; P.A. 94-190, S. 1; P.A. 95-282, S. 10, 11; P.A. 96-244, S. 38, 63; P.A. 01-195, S. 108, 181; P.A. 03-84, S. 6.)

History: P.A. 83-442 allowed for investment in indirect federal government obligations; P.A. 86-350 made a variety of changes for purposes of clarification, updating the statutes to conform to current financial practices and to conform to anticipated changes in federal tax policy; (Revisor's note: Pursuant to P.A. 87-9 "banking commissioner" was changed editorially by the Revisors to "commissioner of banking"); P.A. 89-211 clarified references to the Internal Revenue Code of 1986; P.A. 90-317 amended Subdivs. (2) and (3) to remove the requirement that fund be invested in only those governmental obligations which are exempt from federal taxation; P.A. 93-255 amended Subdiv. (1) by adding Subpara. (B) providing for investment in shares or other interests in any custodial arrangement, pool or no-load, open-end management-type investment company or investment trust and designated existing provision of Subdiv. (1) as Subpara. (A); P.A. 93-435 made technical changes in Subdiv. (1), effective June 28, 1993; P.A. 94-190 deleted "investment company or investment trust" after pool in Subdiv. (1)(B)(iii) and inserted language re the requirement of a nationally recognized top rating for investment companies or investment trusts; P.A. 95-282 amended Subdiv. (1)(B)(iii) to require that the investment company or investment trust is rated within one of the top two "credit" rating categories "and, for any investment company or investment trust not managed to maintain its shares at a constant net asset value, within one of the top two risk rating categories" and made technical changes to Subdiv. (1)(B)(iv), effective July 1, 1995; P.A. 96-244 revised effective date section of P.A. 95-282 but without affecting this section; P.A. 01-195 made a technical change in Subdiv. (2), effective July 11, 2001; P.A. 03-84 changed "Commissioner of Banking" to "Banking Commissioner", effective June 3, 2003.

Sec. 7-403a. Loss and retiree benefits reserve fund. (a) Upon the recommendation of the chief executive officer of a municipality and approval of the budget-making authority of the municipality, the legislative body of any municipality, as defined in section 7-369, may, by a majority vote, create a loss and retiree benefits reserve fund. The provisions of subsection (a) of section 7-450, regarding the establishment of postemployment health and life benefit systems, shall not affect the provisions of this section.

(b) Upon the recommendation of the chief executive officer and approval of the budget-making authority and the legislative body, there shall be paid into such reserve fund (1) amounts authorized to be transferred thereto from the general fund cash surplus available at the end of any fiscal year, (2) amounts raised by the annual levy of a tax for the benefit of such fund, and for no other purpose, provided such tax shall be levied and collected in the same manner and at the

same time as the regular annual taxes of the municipality, or (3) with respect to a reserve fund for property or casualty losses, the proceeds of bonds, notes or other obligations issued pursuant to subsection (b) of section 7-374b.

(c) The budget-making authority may, from time to time, direct the treasurer to invest such portion of such reserve fund as in its opinion is advisable, provided: (1) Not more than forty per cent, or with respect to a reserve fund for retiree benefits for which the budget-making authority has adopted an asset allocation and investment policy, fifty per cent, of the total amount of the reserve fund shall be invested in equity securities, and (2) any portion of such reserve fund not so invested may be invested in: (A) Bonds or obligations of, or guaranteed by, the state or the United States, or agencies or instrumentalities of the United States, (B) certificates of deposit, commercial paper, savings accounts and bank acceptances, (C) the obligations of any state of the United States or any political subdivision thereof or the obligations of any instrumentality, authority or agency of any state or political subdivision thereof, provided at the time of investment such obligations are rated within the top rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner, and applicable to such obligations, (D) the obligations of any regional school district in this state, of any municipality in this state or any metropolitan district in this state, provided at the time of investment such obligations of such government entity are rated within one of the top two rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner, and applicable to such obligations, (E) in any fund in which a trustee may invest pursuant to section 36a-353, (F) in investment agreements with financial institutions whose long-term obligations are rated within the top two rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner or whose short-term obligations are rated within the top rating category of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner, or (G) investment agreements fully secured by obligations of, or guaranteed by, the United States or agencies or instrumentalities of the United States.

(d) The treasurer shall submit annually a complete and detailed report of the condition of such fund to the chief executive officer, the budget-making authority and the legislative body and such report shall be made a part of the annual report of the municipality.

(e) Upon the recommendation of the chief executive officer and the budget-making authority and approval by the legislative body, (1) any part or the whole of such fund may be used and appropriated to pay only for property or casualty losses and employee retirement benefits, and expenses related thereto, including court costs and attorneys' fees, incurred by the municipality, or (2) any part or the whole of such fund may be transferred to a trust established to hold and invest the assets of a pension, retirement or other postemployment health and life benefit system of the municipality. Any unexpended portion of such appropriation remaining after such payment, together with all interest accruing on the balance in the fund, shall revert to and be credited to such reserve fund. For the purposes of this section, "property or casualty losses and employee retirement benefits" shall include, but not be limited to, (A) motor vehicle liability, physical damage and collision, (B) loss or damage to, or legal liability for, real or personal property, (C) legal liability for personal injuries or deaths, including but not limited to, workers' compensation and heart and hypertension, and (D) retiree health and life benefits.

(f) Such fund may be discontinued, after recommendation by the chief executive officer and the budget-making authority to the legislative body and upon approval of such body, and to the extent there is any remaining portion of such fund, the fund shall be converted into, or added to, a sinking fund to provide for the retirement of the bonded indebtedness of the municipality. If the municipality has no bonded indebtedness, such fund shall be transferred to the general fund of the municipality.

(P.A. 86-350, S. 25, 28; P.A. 92-172, S. 2; P.A. 93-46, S. 1; P.A. 04-116, S. 1; P.A. 05-202, S. 1; P.A. 06-79, S. 3.)

History: P.A. 92-172 amended Subsec. (a) renaming the fund the “loss and retiree benefits reserve fund” and amended Subsec. (e) to allow payments for employee retirement benefits and to define “property or employee losses and employee retirement benefits” and made technical changes for consistency in Subsecs. (b), (c), (d) and (f); P.A. 93-46 amended Subsec. (c) to clarify the portion of reserve funds which a municipality may invest in equity securities; P.A. 04-116 amended Subsec. (c) to increase portion of funds which a municipality may invest in equity securities from 13% to 40%, effective May 21, 2004; P.A. 05-202 amended Subsec. (a) by providing that section is not affected by Sec. 7-450(a) re establishment of postemployment health and life benefit systems; P.A. 06-79 amended Subsec. (b)(3) to insert reference to reserve fund for property or casualty losses, amended Subsec. (c)(1) to add limit to investment with respect to a reserve fund for retiree benefits and replace “amount invested” with “amount of the reserve fund” and make a technical change and Subsec. (c)(2) to replace former investment options with investment options identified in new Subparas. (A) to (G), inclusive, amended Subsec. (e) to designate existing provision re use of fund as new Subdiv. (1), add new Subdiv. (2) re transfer to a trust and redesignate existing Subdivs. (1) to (4) as Subparas. (A) to (D), and amended Subsec. (f) to insert “to the extent there is any remaining portion of such fund”, effective July 1, 2006.