



# The Legacy Obligation Trust

A new approach to funding pension & OPEB liabilities

Connecticut Pension Sustainability  
Commission

September 7, 2018

# Executive Summary

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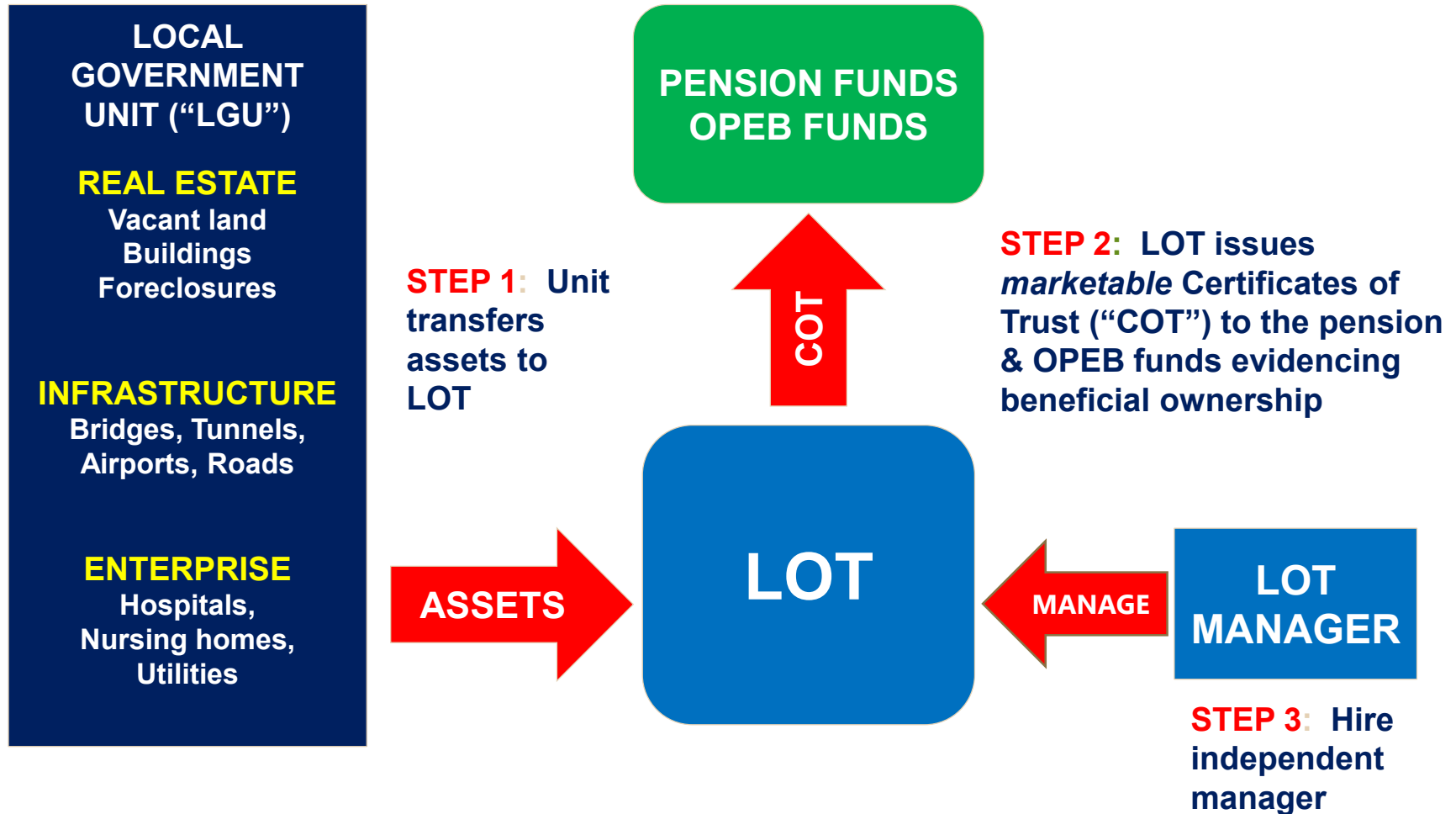
- **The Legacy Obligation Trust (“LOT”) concept is a new approach to solving the underfunded municipal pension and retiree healthcare problem in the United States.**
- A government unit makes an **in-kind contribution of real assets** – like land, buildings, infrastructure, enterprises
  - **to a professionally and independently managed trust**
  - **for the benefit of one or more underfunded municipal pensions and retiree health plans.**
- The trust issues **Certificates of Trust (“COTs”)** much like shares of stock, and divides them among the various pension & OPEB funds the government unit sponsors.

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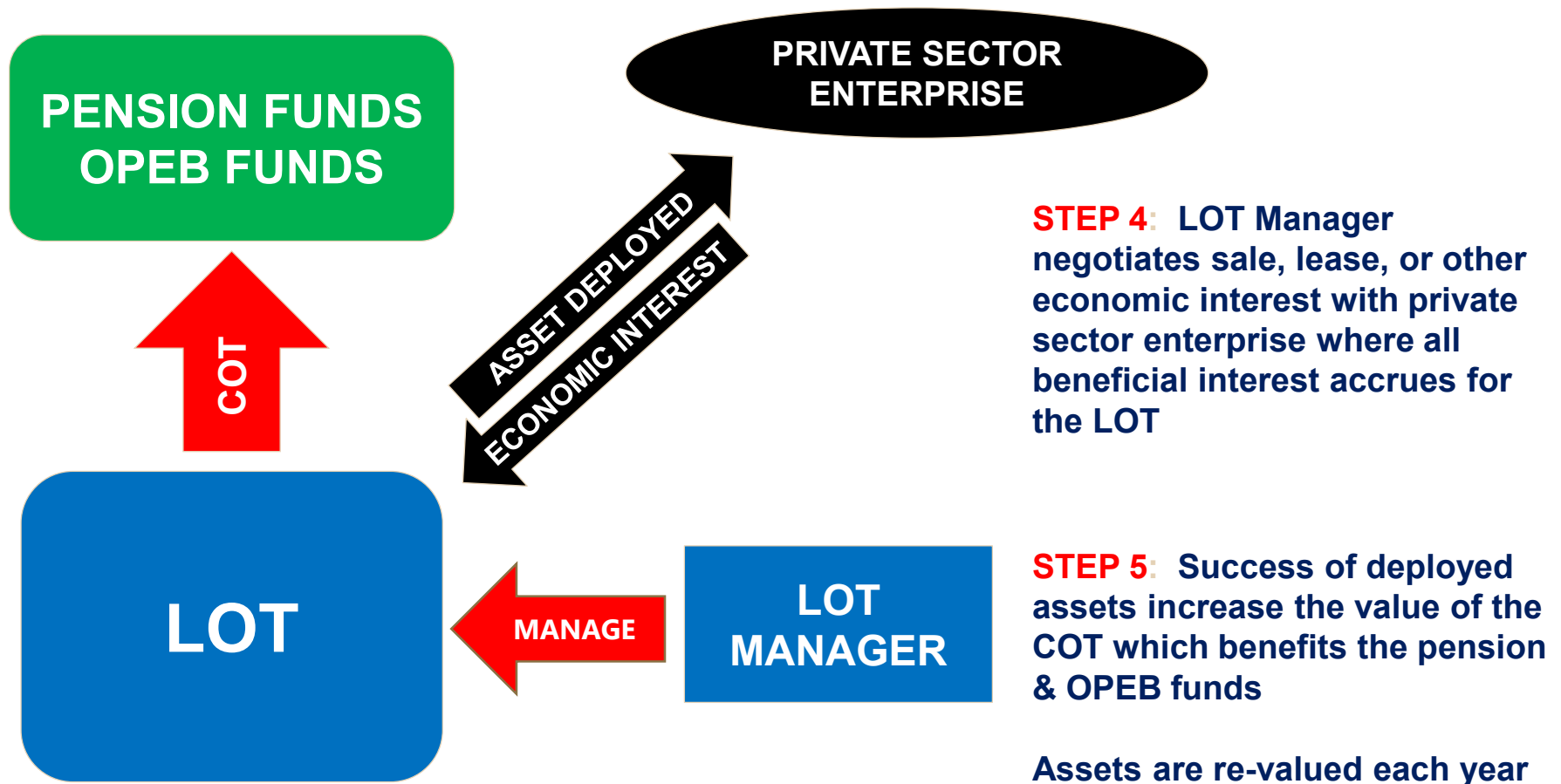
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- The government unit's designed benefits include:
  - **an immediate credit against its unfunded liability based on the fair market valuation of the assets contributed to the trust**
  - the pension & OPEB funded ratios increase, which **may improve the credit rating agencies' assessment of the government unit**
  - **an immediate, positive cash flow impact on the unit's budget** as the "catch-up" payment for the underfunding goes down
  - the independent, **professional manager is incited to create additional value** to further increase the pension's funded ratio
- **The LOT concept is a new idea that has not been previously implemented in the U.S.**
- **In-kind contributions to pensions have, however, been utilized in the U.S. and internationally.**

# Legacy Obligation Trust Model



# The LOT Manager maximizes economic value



# Further thoughts on Capital Asset Universe

- **Undeveloped assets** can be converted to cash generating, unlocking new value
- **Developed assets** need to be assessed for highest and best use and potential for profitable turnaround

UNDEVELOPED	DEVELOPED ENTERPRISE ASSETS	
No \$	Making \$	Losing \$
<ul style="list-style-type: none"><li>• Raw Land</li><li>• Government occupied buildings</li></ul>	<ul style="list-style-type: none"><li>• Stadiums</li><li>• Golf Courses</li><li>• Utilities</li></ul>	<ul style="list-style-type: none"><li>• Hospitals</li><li>• Skilled Nursing Facilities</li></ul>