



General Assembly

January Session, 2023

Raised Bill No. 1235

LCO No. 4291



Referred to Committee on FINANCE, REVENUE AND BONDING

Introduced by:
(FIN)

AN ACT IMPLEMENTING THE TREASURER'S RECOMMENDATIONS CONCERNING THE INVESTMENT ADVISORY COUNCIL AND RELATED STATUTES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 3-13a of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective from passage*):

3 (a) The Treasurer, with the advice and consent of the Investment
4 Advisory Council, shall appoint a chief investment officer and may
5 appoint a deputy chief investment officer, [and] principal investment
6 officers, investment officers and other personnel to assist the chief
7 investment officer, for the Connecticut retirement pension and trust
8 funds, who shall serve at the pleasure of the Treasurer and whose
9 compensation shall be determined by the Treasurer within salary ranges
10 established by the Treasurer in consultation with the Investment
11 Advisory Council. The provisions of section 4-40 shall not apply to the
12 compensation of [said] such officers and personnel. The chief
13 investment officer shall be sworn to the faithful discharge of duties
14 under law and shall, under the direction of the Treasurer and subject to

15 the provisions of sections 3-13 to 3-13d, inclusive, and 3-31b, advise the
16 Treasurer on investing the trust funds of the state. [Said] The chief
17 investment officer shall also perform such other duties as the Treasurer
18 may direct. [In addition to said officers, the Treasurer may appoint
19 investment officers and other personnel to assist said chief investment
20 officer, which officers and other personnel shall serve at the pleasure of
21 the Treasurer.]

22 (b) The Treasurer may retain professional investment counsel to
23 evaluate and recommend to the Treasurer changes in the portfolio of the
24 state's trust and other funds. [Said] Such counsel shall inform the
25 Treasurer of suitable investment opportunities and shall investigate the
26 investment merit of any security or group of securities.

27 (c) The cost of operating the investment department including the
28 cost of personnel and professional investment counsel retained under
29 sections 3-13 to 3-13d, inclusive, and 3-31b shall be paid by the Treasurer
30 charging the income derived from the trust funds.

31 Sec. 2. Section 3-13b of the general statutes is repealed and the
32 following is substituted in lieu thereof (*Effective from passage*):

33 (a) (1) There is created an Investment Advisory Council [which] that
34 shall consist of the following:

35 [(1)] (A) The Secretary of the Office of Policy and Management who
36 shall serve as an ex-officio member of said council; [(2) the State]

37 (B) The Treasurer who shall serve as an ex-officio member of said
38 council; [(3) five]

39 (C) (i) Five public members all of whom shall be experienced in
40 matters relating to investments. The Governor, the president pro
41 tempore of the Senate, the Senate minority leader, the speaker of the
42 House of Representatives and the minority leader of the House of
43 Representatives shall each appoint one such public member to serve for
44 a term of four years. [No such public member or such member's business

45 organization or affiliate shall directly or indirectly contract with or
46 provide any services for the investment of trust funds of the state of
47 Connecticut during the time of such member's service on said council
48 and for one year thereafter. The term of each public member in office on
49 June 30, 1983, shall end on July 1, 1983.] The appointing authority shall
50 fill all vacancies of the public members; [(4) three]

51 (ii) Such public members shall recuse themselves from discussions or
52 votes related to any direct or indirect contract with such public member
53 or such member's business organization or affiliate for the provision of
54 any services for the investment of trust funds of the state;

55 (D) Three representatives of the teachers' unions, and two
56 representatives of the state employees' unions. On or before July 15,
57 1983, the teachers' unions shall jointly submit to the [State] Treasurer a
58 list of three nominees, and the state employees' unions or a majority
59 thereof who represent a majority of state employees shall jointly submit
60 to the Treasurer a list of two nominees. On or before July 30, 1983, the
61 Governor shall appoint five members of the council from such lists, for
62 terms of two years. Any person appointed to fill a vacancy or to be a
63 new member at the expiration of a given term, whose predecessor in
64 that position was either a representative of one of the teachers' unions
65 or one of the state employees' unions, shall also be a representative of
66 such respective union group. Any such appointee shall be appointed by
67 the Governor from a list of nominees submitted to the Treasurer by the
68 teachers' unions or state employees' unions or such majority thereof, as
69 the case may be, within thirty days of notification by the Treasurer of
70 the existence of a vacancy or a prospective vacancy, or the expiration or
71 prospective expiration of a term.

72 (2) All members of the council shall serve until their respective
73 successors are appointed and have qualified. No public member of the
74 council shall serve more than two consecutive terms, [which commence
75 on or after July 1, 1983.]

76 (b) The Governor shall designate one of the members to be

77 chairperson of the council to serve as such at the Governor's pleasure.
78 The Treasurer shall serve as secretary of said council. A majority of the
79 members of the council then in office shall constitute a quorum for the
80 transaction of any business, and action shall be by the vote of a majority
81 of the members present at a meeting. Votes by members on investment
82 policies shall be recorded in the minutes of each meeting. Members of
83 said council shall not be compensated for their services but shall be
84 reimbursed for all necessary expenses incurred in the performance of
85 their duties as members of said council. The council shall meet at least
86 once during each calendar quarter and at such other times as the
87 chairperson deems necessary or upon the request of a majority of the
88 members in office. Special meetings shall be held at the request of such
89 majority after notice in accordance with the provisions of section 1-225.
90 Any member who fails to attend three consecutive meetings or who fails
91 to attend fifty per cent of all meetings held during any calendar year
92 shall be deemed to have resigned from office.

93 (c) (1) The Treasurer shall recommend to the Investment Advisory
94 Council an investment policy statement [which] that shall set forth the
95 standards governing investment of trust funds by the Treasurer. Such
96 statement shall include, with respect to each trust fund, without
97 limitation, (A) investment objectives; (B) asset allocation policy and risk
98 tolerance; (C) asset class definitions, including specific types of
99 permissible investments within each asset class and any specific
100 limitations or other considerations governing the investment of any
101 funds; (D) investment manager guidelines; (E) investment performance
102 evaluation guidelines; (F) guidelines for the selection and termination
103 of providers of investment-related services who shall include, but not
104 be limited to, investment advisors, external money managers,
105 investment consultants, custodians, broker-dealers, legal counsel, and
106 similar investment industry professionals; and (G) proxy voting
107 guidelines. A draft of the statement shall be submitted to the Investment
108 Advisory Council at a meeting of said council and shall be made
109 available to the public. Notice of such availability shall be published in
110 at least one newspaper having a general circulation in each municipality

111 in the state which publication shall be not less than two weeks prior to
112 such meeting. Said council shall review the draft statement and shall
113 publish any recommendations it may have for changes to such
114 statement in the manner provided for publication of the statement by
115 the Treasurer. The Treasurer shall thereafter adopt the statement,
116 including any such changes the Treasurer deems appropriate, with the
117 approval of a majority of the members appointed to said council. If a
118 majority of the members appointed to said council fail to approve such
119 statement, [said] such majority shall provide the reasons for its failure
120 to approve to the Treasurer who may submit an amended proposed
121 statement at a subsequent regular or special meeting of said council.
122 Such revised proposed statement shall be made available to the public
123 in accordance with the provisions of the Freedom of Information Act, as
124 defined in section 1-200. Any revisions or additions to the investment
125 policy statement shall be made in accordance with the procedures set
126 forth in this subdivision for the adoption of the statement. The Treasurer
127 shall annually review the investment policy statement and shall consult
128 with the Investment Advisory Council regarding possible revisions to
129 such statement.

130 (2) All trust fund investments by the [State] Treasurer shall be
131 reviewed by [said] the Investment Advisory Council. The Treasurer
132 shall provide to the council all information regarding such investments
133 which the Treasurer deems relevant to the council's review and such
134 other information as may be requested by the council. The Treasurer
135 shall provide a report at each regularly scheduled meeting of the
136 Investment Advisory Council as to the status of the trust funds and any
137 significant changes [which] that may have occurred or [which] that may
138 be pending with regard to the funds. The council shall promptly notify
139 the Auditors of Public Accounts and the Comptroller of any
140 unauthorized, illegal, irregular or unsafe handling or expenditure of
141 trust funds or breakdowns in the safekeeping of trust funds or
142 contemplated action to do the same within [their] said council's
143 knowledge. The Governor may direct the Treasurer to change any
144 investments made by the Treasurer when in the judgment of said

145 council such action is for the best interest of the state. Said council shall,
146 at the close of the fiscal year, make a complete examination of the
147 security investments of the state and determine as of June thirtieth, the
148 value of such investments in the custody of the Treasurer and report
149 thereon to the Governor, the General Assembly and beneficiaries of trust
150 funds administered, held or invested by the Treasurer. With the
151 approval of the Treasurer and the council, [said] such report may be
152 included in the Treasurer's annual report.

153 (d) The Investment Advisory Council shall be within the office of the
154 [State] Treasurer for administrative purposes only.

155 (e) For the purposes of this section, "teachers' union" means a
156 representative organization for certified professional employees, as
157 defined in section 10-153b, and "state employees' union" means an
158 organization certified to represent state employees, pursuant to section
159 5-275.

160 Sec. 3. Section 3-13i of the general statutes is repealed and the
161 following is substituted in lieu thereof (*Effective from passage*):

162 (a) On and after January 1, 2001, or on and after the first adoption of
163 an investment policy statement under section 3-13b, as amended by this
164 act, whichever is later, any contract for services related to the investment
165 of trust funds, as defined in section 3-13c, shall be subject to the
166 investment policy statement adopted under section 3-13b, as amended
167 by this act. [No contract for services related to the investment of such
168 funds shall be awarded to a provider of such services until the
169 Treasurer's recommendation of a provider is reviewed by the
170 Investment Advisory Council. The] If any contract for services related
171 to the investment of trust funds deviates from such investment policy
172 statement, the Treasurer shall provide notice of [such] the Treasurer's
173 recommendation concerning the selection of such provider at a meeting
174 of the council. Not later than forty-five days after such meeting, the
175 council may file a written review of the Treasurer's recommendation
176 [concerning the selection of such provider] with the Office of the

177 Treasurer where it shall be available for public inspection. The Treasurer
178 may proceed to award the contract after such forty-five-day period.

179 (b) Commencing with the calendar quarter ending September 30,
180 2023, and each calendar quarter thereafter, the Treasurer shall submit a
181 report to the Investment Advisory Council regarding contracts awarded
182 during each such calendar quarter for services related to the investment
183 of trust funds. The initial report shall include all such contracts awarded
184 and in effect on July 1, 2023, and each report shall include the name of
185 each provider awarded any such contract and the value of such contract.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	3-13a
Sec. 2	<i>from passage</i>	3-13b
Sec. 3	<i>from passage</i>	3-13i

Statement of Purpose:

To implement the Treasurer's recommendations concerning the Investment Advisory Council and related statutes.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]