



Senate

General Assembly

File No. 579

February Session, 2024

Senate Bill No. 453

Senate, April 22, 2024

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CONCERNING INDEPENDENT REVIEW OF THE INVESTMENT PERFORMANCE OF THE STATE'S PENSION FUNDS.

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

1 Section 1. (NEW) (*Effective from passage*) (a) (1) Not later than January
2 1, 2025, the Office of Legislative Management shall issue a request for
3 proposals for the services of a private advisory firm with demonstrated
4 expertise in asset management and financial services, to conduct an
5 annual independent review of the investment performance of the state's
6 pensions funds. Any advisory firm with a conflict of interest shall be
7 disqualified from submitting a proposal. For purposes of this section, a
8 conflict of interest exists if the advisory firm (A) has an existing contract
9 with the office of the Treasurer or for investment management of the
10 state's pension funds, (B) has accepted any fees for work related to the
11 management of the state's pension funds, (C) employs an employee or
12 employees who are affiliated with or connected to the management of
13 the state's pension funds, or (D) is likely to engage in contract work
14 related to the management of the state's pension funds within twelve

15 months of the date a proposal is submitted.

16 (2) The Office of Legislative Management shall contract with an
17 advisory firm not later than January 1, 2026, and shall notify the
18 following of the firm selected: The speaker of the House of
19 Representatives, the president pro tempore of the Senate, the minority
20 leaders of the House of Representatives and the Senate, the chairpersons
21 and ranking members of the joint standing committee of the General
22 Assembly having cognizance of matters relating to finance, revenue and
23 bonding and the office of the Treasurer. If the Office of Legislative
24 Management is unable to enter into a contract by said date, said office
25 shall inform the chairpersons of said committee and shall provide a
26 projected date by which said office expects to enter into such contract.

27 (3) Any such contract shall include a provision that if any of the
28 conditions described under subparagraphs (A) to (D), inclusive, of
29 subdivision (1) of this subsection become applicable to the advisory
30 firm, the contract shall be terminated in accordance with an agreed-
31 upon timeframe. In the event a claim of a conflict of interest is raised
32 against such firm, the joint standing committee of the General Assembly
33 having cognizance of matters relating to finance, revenue and bonding
34 may examine the nature of the condition alleged to give rise to such
35 claim and provide to the Office of Legislative Management said
36 committee's conclusion of whether said committee believes any
37 condition exists that would be likely to unduly influence such advisory
38 firm or give an appearance of impropriety or bias.

39 (4) No advisory firm that contracts with the Office of Legislative
40 Management, or any employee of such firm in a decision-making
41 capacity related to asset management, may enter into a contract with,
42 receive any payments from or perform any work for the office of the
43 Treasurer or the state's pension funds for a period of two years
44 following the termination of a contract under this section with the Office
45 of Legislative Management.

46 (b) The advisory firm shall submit a report annually to the joint
47 standing committee of the General Assembly having cognizance of

48 matters relating to finance, revenue and bonding, in accordance with the
 49 provisions of section 11-4a of the general statutes, for each year such
 50 firm is providing services under the contract executed pursuant to
 51 subsection (a) of this section. Such report shall include, but need not be
 52 limited to, (1) a comparative analysis of the state's investment
 53 performance, benchmarked against the performance of at least fifty peer
 54 state public pension funds across aggregate performance, individual
 55 asset class performance and short-term and long-term time periods, (2)
 56 a comparison of the state's investment performance for each asset class
 57 against commonly accepted financial benchmark indices used by a
 58 majority of other states, and (3) any recommendations for
 59 improvements in the investment management practices and processes
 60 of the state's pension funds.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section

FIN *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 25 \$	FY 26 \$
Legislative Mgmt.	GF - Cost	None	200,000-500,000

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill requires the Office of Legislative Management (OLM) to hire a private advisory firm to conduct an annual review of the state's pension funds resulting in an estimated annual cost of \$200,000 to \$500,000 beginning in FY 26. The final cost is dependent on the responses OLM receives from its Request for Proposals (RFP).

The Out Years

The annualized ongoing fiscal impact identified in FY 26 will continue into the future subject to inflation.

OLR Bill Analysis**SB 453*****AN ACT CONCERNING INDEPENDENT REVIEW OF THE INVESTMENT PERFORMANCE OF THE STATE'S PENSION FUNDS.*****SUMMARY**

This bill requires a private advisory firm to conduct an annual independent review of the investment performance of the state's pension funds. It requires the Office of Legislative Management (OLM), by January 1, 2025, to issue a request for proposals (RFP) for services from a private advisory firm with demonstrated expertise in asset management and financial services and contract with a firm by January 1, 2026.

The bill disqualifies any firm with a conflict of interest, as specified in the bill, from submitting a proposal; specifies the process for handling a conflict of interest that arises during the contract's term; and prohibits contracted firms from conducting certain related business for two years after ending the contract with OLM. It also requires OLM to notify specified individuals what firm it chose and, depending on the circumstances, what date it expects to enter into a contract.

Under the bill, the advisory firm must report annually to the Finance, Revenue and Bonding Committee for each year the firm is providing services under an OLM contract. The report must include the following information, at a minimum:

a comparative analysis of the state's investment performance, benchmarked against the performance of at least 50 peer state public pension funds across aggregate performance, individual asset class performance, and short-term and long-term time periods;

a comparison of the state's investment performance for each asset class

against commonly accepted financial benchmark indices used by a majority of other states; and

any recommendations for improving state pension fund investment management practices and processes.

EFFECTIVE DATE: Upon passage

CONFLICTS OF INTEREST

The bill prohibits a firm from submitting a proposal if there is a conflict of interest. Under the bill, a conflict of interest exists if the advisory firm:

1. has an existing contract with the state treasurer's office or for investment management of the state's pension funds;
2. has accepted money for work related to the state's pension fund management;
3. employs someone who is affiliated with or connected to the state's pension fund management; or
4. is likely to engage in contract work related to the state's pension fund management within 12 months of the proposal's submission date.

Under the bill, if any of these conditions become applicable to the contracted advisory firm, the contract must be terminated within a timeframe agreed upon in the contract. If a conflict of interest claim is raised against the firm, the Finance, Revenue and Bonding Committee may examine the nature of the condition allegedly constituting a conflict of interest and give OLM its conclusion as to whether a condition exists that would be likely to unduly influence the firm or give the appearance of impropriety or bias.

The bill further prohibits any firm that contracts with OLM from entering into a contract with, receiving payments from, or performing work for the state treasurer's office or the state's pension funds for a

two-year period following the end of the contract with OLM. This prohibition extends to employees of the firm in a decision-making capacity related to asset management.

NOTICE REQUIREMENTS

Under the bill, OLM must notify the following of the firm they select to provide services under the bill: (1) the Senate president pro tempore, House speaker, Senate minority leader, and House minority leader; (2) the Finance, Revenue and Bonding Committee chairpersons and ranking members; and (3) the state treasurer’s office. If OLM cannot enter into a contract with a firm by January 1, 2026, it must inform the Finance, Revenue and Bonding Committee chairpersons and give them an estimated date by which it expects to enter into the contract.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 51 Nay 0 (04/03/2024)