



General Assembly

Amendment

February Session, 2000

LCO No. 3495

Offered by:

SEN. SULLIVAN, 5th Dist.
SEN. JEPSEN, 27th Dist.
SEN. LOONEY, 11th Dist.
SEN. GAFFEY, 13th Dist.
SEN. KISSEL, 7th Dist

REP. LYONS, 146th Dist.
REP. PUDLIN, 24th Dist.
REP. MCDONALD, 148th Dist.
REP. KNOPP, 137th Dist.

To: Subst. House Bill No. 5884

File No. 470

Cal. No. 336

***"An Act Concerning Powers And Duties Of The
Treasurer And The Investment Advisory Council."***

1 Strike out section 2 in its entirety and insert the following in lieu
2 thereof:

3 "Sec. 2. Subsection (a) of section 3-13d of the general statutes is
4 repealed and the following is substituted in lieu thereof:

5 (a) Notwithstanding any other provision in the general statutes or
6 elsewhere to the contrary, the Treasurer shall invest as much of the
7 state's trust funds as are not required for current disbursements in
8 accordance with the provisions of section 45a-203 or the provisions of
9 this part. Notwithstanding the provisions of this section or any other
10 provision in the general statutes or elsewhere to the contrary, the
11 Treasurer shall not invest more than [fifty-five] sixty per cent of the
12 market value of each such trust fund in common stock, except in the

13 event of a stock market fluctuation that causes the common stock
14 percentage to increase and the Treasurer deems it in the best interest of
15 such trust fund to maintain a higher percentage of equities, provided
16 the Treasurer shall not allow the market value of each such trust fund
17 in common stock to exceed [fifty-five] sixty-five per cent for more than
18 six months after such fluctuation occurs. Investments in real estate
19 investment trusts (REITS) shall be considered alternative investments
20 and not common stock investments under this section. On and after
21 January 1, 2001, or on and after the first adoption of an Investment
22 Policy Statement under section 3-13b, as amended by this act,
23 whichever is later, all trust fund investments shall be made in
24 accordance with the Investment Policy Statement adopted under
25 section 3-13b, as amended by this act. In order to increase the income
26 for each such combined investment fund established pursuant to
27 section 3-31b, the Treasurer may enter into repurchase agreements or
28 lend securities from each such fund, provided that at the time of the
29 execution of the repurchase agreement or the loan at least one hundred
30 per cent of the market value of the security sold or lent shall be
31 received as consideration in the form of cash or securities guaranteed
32 by the United States government or any agency of the United States
33 government in the case of a repurchase agreement or secured by cash
34 or such securities in the case of a loan. At all times during the term of
35 each such repurchase agreement or the term of each such loan the
36 consideration received or the collateral shall be equal to not less than
37 ninety-five per cent of the full market value of the security and said
38 consideration received or said collateral shall not be more than one
39 hundred thousand dollars less than the full market value of the
40 security. The Treasurer may sell call options which would give the
41 holders of such options the right to purchase securities held by the
42 Treasurer at the date the call is sold for investment purposes, under
43 such terms and conditions as the Treasurer may determine. Among the
44 factors to be considered by the Treasurer with respect to all securities
45 may be the social, economic and environmental implications of
46 investments of trust funds in particular securities or types of securities.
47 In the investment of the state's trust funds the Treasurer shall consider

48 the implications of any particular investment in relation to the foreign
49 policy and national interests of the United States."

50 Strike out section 7 in its entirety and insert the following in lieu
51 thereof:

52 "Sec. 7. (NEW) (a) No person may, directly or indirectly, pay a
53 finder's fee to any person in connection with any investment
54 transaction involving the state, any quasi-public agency, as defined in
55 section 1-120 of the general statutes, or any political subdivision of the
56 state. No person may, directly or indirectly, receive a finder's fee in
57 connection with any investment transaction involving the state, any
58 quasi-public agency, as defined in section 1-120 of the general statutes,
59 or any political subdivision of the state.

60 (b) For purposes of this section:

61 (1) "Finder's fee" means compensation in the form of cash, cash
62 equivalents or other things of value paid to or received by a third party
63 in connection with an investment transaction to which the state, any
64 political subdivision of the state or any quasi-public agency, as defined
65 in section 1-120 of the general statutes, is a party for any services, and
66 includes, but is not limited to, any fee paid for lobbying, as defined in
67 subsection (k) of section 1-91 of the general statutes, and as defined by
68 the Ethics Commission, in consultation with the Treasurer, in the
69 regulations adopted under subparagraph (C)(ii) of subdivision (3) of
70 this subsection or as prescribed by the Treasurer until such regulations
71 are adopted.

72 (2) "Finder's fee" does not mean compensation (A) (i) earned for the
73 rendering of investment services as defined in subsection (f) of section
74 9-333n of the general statutes, or for acting as a licensed real estate
75 broker or real estate sales person under the provisions of section 20-312
76 of the general statutes, or under a comparable statute of the
77 jurisdiction in which the subject property is located, or (ii) marketing
78 fees or due diligence fees earned by the payee in connection with the
79 offer, sale or purchase of any security or investment interest, in

80 accordance with criteria prescribed under subparagraph (ii) of
81 subparagraph (C) of subdivision (3) of this subsection, and (B) paid to
82 (i) persons who are investment professionals engaged in the ongoing
83 business of representing investment services providers, or (ii) paid to
84 third parties for services connected to the issuance of debt by the state,
85 any political subdivision of the state or any quasi-public agency, as
86 defined in section 1-120 of the general statutes, and as defined by the
87 regulations adopted under subparagraph (C)(ii) of subdivision (3) of
88 this subsection, or meets criteria prescribed by the Treasurer until such
89 regulations are adopted. As used in this section, "offer" and "sale" have
90 the meaning provided in section 36b-3 of the general statutes.

91 (3) "Investment professional" means an individual or firm whose
92 primary business is bringing together institutional funds and
93 investment opportunities and who (A) is a broker-dealer or investment
94 adviser agent licensed or registered (i) under the Connecticut Uniform
95 Securities Act; (ii) in the case of an investment adviser agent, with the
96 Securities and Exchange Commission, in accordance with the
97 Investment Advisors' Act of 1940; or (iii) in the case of a broker-dealer,
98 with the National Association of Securities Dealers in accordance with
99 the Securities Exchange Act of 1934, or (B) is licensed under section 20-
100 312 of the general statutes, or under a comparable statute of the
101 jurisdiction in which the subject property is located, or (C) (i) furnishes
102 an investment manager with marketing services including, but not
103 limited to, developing an overall marketing strategy focusing on more
104 than one institutional fund, designing or publishing marketing
105 brochures or other presentation material such as logos and brands for
106 investment products, responding to requests for proposals, completing
107 due diligence questionnaires, identifying a range of potential investors,
108 or such other services as may be identified in regulations adopted
109 under subparagraph (ii) of this subparagraph and (ii) meets criteria
110 prescribed (I) by the Treasurer until regulations are adopted under this
111 subparagraph or (II) by the Ethics Commission, in consultation with
112 the Treasurer, in regulations adopted in accordance with the
113 provisions of chapter 54 of the general statutes. Prior to adopting such

114 regulations, the Ethics Commission shall transmit the proposed
115 regulations to the Treasurer not later than one hundred twenty days
116 before any period for public comment on such regulations commences
117 and shall consider any comments or recommendations the Treasurer
118 may have regarding such regulations. In developing such regulations,
119 the commission shall ensure that the state will not be competitively
120 disadvantaged by such regulations relative to any legitimate financial
121 market.

122 (c) Any person who violates any provision of this section shall be
123 liable for a civil penalty of not less than the amount of the fee paid or
124 received in violation of this section and not more than three times said
125 amount.

126 (1) The Attorney General, upon complaint of the Treasurer or the
127 Ethics Commission, may bring an action in the superior court for the
128 judicial district of Hartford to recover such penalty for a violation of
129 this section which affects a fund of the state. Any penalty imposed
130 under this section for a violation which affects any such fund shall be
131 paid to the Treasurer who shall deposit such moneys in such fund.

132 (2) Any political subdivision of the state may bring an action in the
133 superior court to recover such penalty for a violation of this section
134 which affects any fund under the control of such subdivision. Any
135 penalty imposed under this section for a violation which affects any
136 such fund shall be paid to such subdivision which shall deposit such
137 moneys in such fund.

138 (3) Any quasi-public agency, as defined in section 1-120 of the
139 general statutes, may bring an action in the superior court to recover
140 such penalty for a violation of this section which affects any fund
141 under the control of such agency. Any penalty imposed under this
142 section for a violation which affects any such fund shall be paid to such
143 agency which shall deposit such moneys in such fund."

144 In line 526, after the comma, insert "the Deputy Treasurer,"

145 After line 543, insert the following:

146 "(5) No individual who is an owner of a firm which provides
147 investment services and to which the Treasurer pays compensation,
148 expenses or fees or issues a contract, and no individual who is
149 employed by such a firm as a manager, officer, director, partner or
150 employee with managerial or discretionary responsibilities to invest,
151 manage funds or provide investment services for brokerage,
152 underwriting and financial advisory activities which are in the
153 statutory and constitutional purview of the Treasurer, may make a
154 contribution to, or solicit contributions on behalf of, an exploratory
155 committee or candidate committee established by a candidate for
156 nomination or election to any public office."