



General Assembly

**Amendment**

February Session, 2010

LCO No. 3700

**\*SB0044303700SR0\***

Offered by:

SEN. MCKINNEY, 28<sup>th</sup> Dist.

SEN. FASANO, 34<sup>th</sup> Dist.

SEN. RORABACK, 30<sup>th</sup> Dist.

To: Senate Bill No. 443

File No. 519

Cal. No. 339

**"AN ACT CONCERNING THE CANCELLATION OF UNISSUED  
BOND FUND AUTHORIZATIONS."**

1 After the last section, add the following and renumber sections and  
2 internal references accordingly:

3 "Sec. 501. (NEW) (Effective January 1, 2011) (a) There is created a  
4 board of trustees of the Connecticut retirement and trust funds defined  
5 in section 3-13c of the general statutes, which shall be composed of the  
6 following members: one member appointed by the Governor to a term  
7 of six years which term shall commence July 1, 2010; one member  
8 appointed by the speaker of the House of Representatives to a term of  
9 six years which term shall commence July 1, 2010; one by the president  
10 pro tempore of the Senate for a term of six years which term shall  
11 commence July 1, 2010; one by the minority leader of the House of  
12 Representatives to a term of four years which term shall commence  
13 July 1, 2010; one by the minority leader of the Senate to a term of four  
14 years, which term shall commence July 1, 2010; one member appointed

15 by the leaders of the teachers' unions to a term of two years which  
16 term shall commence July 1, 2010; and, one member appointed by the  
17 leaders of the state employees' unions to a term of two years which  
18 term shall commence July 1, 2010. Each subsequent appointment shall  
19 be made for a term of six years. Each member of the board shall serve  
20 until a successor is appointed and has been qualified. Each member,  
21 except those members who represent the teachers' and state  
22 employees' unions, shall have a minimum of fifteen years experience  
23 in direct management, analysis or supervision of the investment of  
24 financial assets, of which five years of such experience shall be at a  
25 senior level with assets of a minimum of one billion dollars. No two  
26 members of the board may be employed by the same firm or business.  
27 For the purposes of this section, "teachers' union" means a  
28 representative organization for certified professional employees, as  
29 defined in section 10-153b of the general statutes, and "state  
30 employees' union" means an organization certified to represent state  
31 employees, pursuant to section 5-275 of the general statutes.

32 (b) Each member of the board shall be a fiduciary of the trust funds  
33 as defined in section 3-13c of the general statutes and shall discharge  
34 any duties with respect to such trust funds (1) solely in the interests of  
35 the beneficiaries of the trust funds and the participants in the systems  
36 whose funds comprise the trust funds, (2) for the exclusive purpose of  
37 providing benefits to participants and beneficiaries and defraying  
38 reasonable expenses of administering the trust funds, (3) with the care,  
39 skill, prudence and diligence under the circumstances then prevailing  
40 that a prudent person acting in a like capacity and familiar with such  
41 matters would use in the conduct of an enterprise of like character and  
42 with like purposes, and (4) by diversifying the investments of the trust  
43 funds so as to minimize the risk of large losses, unless under the  
44 circumstances it is clearly not prudent to do so.

45 (c) No member of the board whose actions comply with the  
46 standard of care required by subsection (b) of this section shall be held  
47 personally liable for losses suffered by the trust funds as a result of  
48 investment decisions made pursuant to chapter 32 of the general

49 statutes. Members of the board shall be deemed to be public officials  
50 for purposes of the code of ethics as contained in sections 1-79 to 1-90,  
51 inclusive, of the general statutes.

52 (d) No member, any organization or business with which such  
53 member is associated, or any corporate affiliate of such business or  
54 organization shall directly or indirectly contract with or provide  
55 services involving the investment of trust funds of the state of  
56 Connecticut during such member's service on the board of trustees or  
57 for two years thereafter.

58 (e) The board shall select a chairperson from among the members  
59 who shall serve as chairperson at the pleasure of the majority of the  
60 board. A majority of the members of the board shall constitute a  
61 quorum for the transaction of business, provided that no decision may  
62 be made with respect to investment of state funds with fewer than four  
63 affirmative votes. Votes by members on investment decisions and  
64 investment policies shall be recorded in the minutes of each meeting.  
65 Members of the board shall receive an allowance of five hundred  
66 dollars per board meeting attended, provided that no member shall  
67 receive more than a total of five hundred dollars for meetings on any  
68 one day. Members shall also receive reimbursement for all expenses  
69 incurred in the performance of duties as members of the board. The  
70 board shall meet at least once in each calendar quarter and at such  
71 other times as the chairperson deems necessary or upon request of a  
72 majority of the board members.

73 (f) The State Treasurer shall present suitable investment  
74 opportunities including opportunities to contract with investment  
75 managers to the board of trustees for their consideration and approval.  
76 No member of the board shall present an investment proposal to the  
77 board. The board may retain professional investment counsel to  
78 evaluate proposals made by the Treasurer, provided that any  
79 investment counsel so retained shall be deemed to be a state employee  
80 for purposes of the code of ethics as contained in sections 1-79 to 1-90,  
81 inclusive, of the general statutes.

82 (g) Upon approval of the board of trustees of an investment  
83 opportunity or investment manager recommended by the State  
84 Treasurer, the board shall direct the Treasurer or such other person as  
85 the board deems appropriate to effectuate such investment of state  
86 funds. Such investment shall be deemed to be in the custody of the  
87 state treasurer for administrative purposes. The board shall approve all  
88 such investments prior to the investment of any of the state's trust or  
89 other funds, provided that board approval shall not be required for  
90 investments made by an investment manager who has been approved  
91 by the board.

92 Sec. 502. Section 3-13a of the 2010 supplement to the general statutes  
93 is repealed and the following is substituted in lieu thereof (*Effective*  
94 *January 1, 2011*):

95 (a) The Treasurer shall [, with the advice and consent of the  
96 Investment Advisory Council,] appoint a chief investment officer for  
97 the Connecticut retirement pension and trust funds, who shall serve at  
98 the pleasure of the Treasurer and whose compensation shall be  
99 determined by the Treasurer within a salary range established by the  
100 Treasurer in consultation with the Investment Advisory Council. The  
101 provisions of section 4-40 shall not apply to the compensation of said  
102 officer. Said officer shall be sworn to the faithful discharge of duties  
103 under law. Said officer shall, under the direction of the Treasurer and  
104 subject to the provisions of sections 3-13 to 3-13d, inclusive, and 3-31b,  
105 advise the Treasurer on [investing] investment opportunities including  
106 opportunities to contract with investment managers for the [trust]  
107 funds of the state and shall assist the Treasurer in presenting  
108 investment opportunities to the board of trustees for approval. Said  
109 officer shall also perform such other duties as the Treasurer may direct.  
110 In addition to said officer, the Treasurer may [, with the advice and  
111 consent of the Investment Advisory Council,] appoint a deputy chief  
112 investment officer, whose compensation shall be determined by the  
113 Treasurer within salary ranges established by the Treasurer in  
114 consultation with the Investment Advisory Council and that shall not  
115 be subject to the provisions of section 4-40, principal investment

116 officers, investment officers and other personnel to assist said chief  
117 investment officer, which officers and other personnel shall serve at  
118 the pleasure of the Treasurer.

119 (b) The Treasurer may retain professional investment counsel to  
120 evaluate and recommend to the Treasurer changes in the portfolio of  
121 the state's trust and other funds. Said counsel shall inform the  
122 Treasurer of suitable investment opportunities and shall investigate  
123 the investment merit of any security or group of securities.

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

128 Sec. 503. (NEW) (*Effective from passage*) (a) The Treasurer shall not  
129 direct the payment of any third party fees to any person other than  
130 third party fees paid in connection with state bond sales or fees  
131 permitted by the Internal Revenue Code in connection with  
132 guaranteed investment contracts related to debt issuance.

133 (b) Neither the Treasurer, nor any agent or employee of the  
134 Treasurer, shall make personal use of any credit or thing of value given  
135 by a broker or firm in connection with the investment of state funds.

136 Sec. 504. (NEW) (*Effective from passage*) (a) No person may, directly  
137 or indirectly, pay a finder's fee to any person in connection with any  
138 investment transaction involving the state or any political subdivision  
139 of the state. No person may, directly or indirectly, receive a finder's fee  
140 in connection with any investment transaction involving the state or  
141 any political subdivision of the state.

142 (b) For purposes of this section:

143 (1) "Finder's fee" means compensation in the form of cash, cash  
144 equivalents or other things of value paid or received in connection  
145 with an investment transaction to which the state, any political

146 subdivision of the state or any quasi-public agency, as defined in  
147 section 1-120 of the general statutes, is a party for any services, and  
148 includes, but is not limited to, any fee paid for lobbying, as defined in  
149 subsection (k) of section 1-91 of the general statutes.

150 (2) "Finder's fee" does not mean (A) compensation earned for the  
151 rendering of investment services as defined in subsection (f) of section  
152 9-333n of the general statutes, (B) marketing fees or due diligence fees  
153 earned by the payee in connection with the offer, sale or purchase of  
154 any security or investment interest, as defined in regulations which  
155 shall be adopted by the Treasurer in accordance with the provisions of  
156 chapter 54 of the general statutes, or (C) paid to persons who are  
157 investment professionals engaged in the ongoing business of  
158 representing investment managers.

159 (3) "Investment professional" means an individual or firm whose  
160 primary business is bringing together institutional investors and  
161 investment opportunities and who (A) is a broker-dealer or investment  
162 advisor licensed or registered (i) under the Connecticut Uniform  
163 Securities Act; (ii) with the Securities and Exchange Commission, in  
164 accordance with the Investment Advisors' Act of 1940 or the Securities  
165 Exchange Act of 1934; or (iii) with the National Association of  
166 Securities Dealers in accordance with the Securities Exchange Act of  
167 1934, or (B) meets criteria for individuals or firms who may  
168 appropriately receive finder's fees which criteria are established by the  
169 Ethics Commission, in consultation with the Treasurer, in regulations  
170 adopted in accordance with the provisions of chapter 54 of the general  
171 statutes.

172 Sec. 505. (NEW) (*Effective from passage*) (a) Any person who violates  
173 any provision of section 504 of this act shall be assessed a civil penalty  
174 not to exceed ten thousand dollars, to be fixed by the court, for each  
175 violation.

176 (b) The Attorney General, upon complaint of the Treasurer, shall  
177 institute a civil action in the superior court for the judicial district of

178 Hartford to recover any such penalty. In determining the amount of  
179 any penalty assessed under this section, the court may consider the  
180 nature, circumstances, extent and gravity of the violation, the person's  
181 prior history of violations, the economic benefit resulting to the person  
182 from the violation, and such other factors deemed appropriate by the  
183 court.

184 Sec. 506. (NEW) (*Effective from passage*) (a) No Treasurer, during the  
185 term for which such Treasurer was elected, may solicit contributions as  
186 defined in section 9-333b of the general statutes for any candidate for  
187 the office of Governor, Lieutenant Governor, Secretary of the State,  
188 Treasurer, Attorney General, Comptroller, state senator or state  
189 representative from any (1) political committee established by a firm  
190 that provides investment services for brokerage, underwriting and  
191 financial advisory activities which are in the statutory and  
192 constitutional purview of the Treasurer and to which the Treasurer  
193 pays compensation, expenses, or fees or issues a contract; (2)  
194 individual who is an owner of or partner in a firm that provides  
195 investment services for brokerage, underwriting and financial  
196 advisory activities which are in the statutory and constitutional  
197 purview of the Treasurer and to which the Treasurer pays  
198 compensation, expenses or fees or issues a contract; or (3) individual  
199 who is employed by any firm that provides investment services for  
200 brokerage, underwriting and financial advisory activities which are in  
201 the statutory and constitutional purview of the Treasurer and to which  
202 the Treasurer pays compensation, expenses, or fees or issues a contract,  
203 as a manager, officer, director, partner or other employee with  
204 managerial or discretionary responsibilities to invest or manage funds  
205 or provide investment services for brokerage, underwriting and  
206 financial advisory activities.

207 (b) No candidate for the office of Governor, Lieutenant Governor,  
208 Secretary of the State, Treasurer, Attorney General, Comptroller, state  
209 senator or state representative may accept contributions, as defined in  
210 section 9-333b of the general statutes, from any (1) political committee  
211 established by a firm that provides investment services for brokerage,

212 underwriting and financial advisory activities which are in the  
213 statutory and constitutional purview of the Treasurer and to which the  
214 Treasurer pays compensation, expenses, or fees or issues a contract; (2)  
215 individual who is an owner of or partner in a firm that provides  
216 investment services for brokerage, underwriting and financial  
217 advisory activities which are in the statutory and constitutional  
218 purview of the Treasurer and to which the Treasurer pays  
219 compensation, expenses or fees or issues a contract; or (3) individual  
220 who is employed by any firm that provides investment services for  
221 brokerage, underwriting and financial advisory activities which are in  
222 the statutory and constitutional purview of the Treasurer and to which  
223 the Treasurer pays compensation, expenses or fees or issues a contract,  
224 as a manager, officer, director, partner or other employee with  
225 managerial or discretionary responsibilities to invest or manage funds  
226 or provide investment services for brokerage, underwriting and  
227 financial advisory activities if such contribution was solicited by a  
228 State Treasurer during the term for which he was elected.

229 (c) For purposes of this section "investment services" means legal  
230 services, investment banking services, investment advisory services,  
231 underwriting services, financial advisory services or brokerage firm  
232 services.

233 Sec. 507. (NEW) (*Effective from passage*) No Treasurer or former  
234 Treasurer may seek, negotiate for or accept employment with any  
235 party to a contract for investment services valued at more than fifty  
236 thousand dollars if the Treasurer authorized, negotiated, renegotiated  
237 or awarded such contract for a period of two years from the date of the  
238 authorization, negotiation, renegotiation or award of the contract, or  
239 for two years from the expiration of the term for which the Treasurer  
240 was elected, whichever is later."