



General Assembly

Substitute Bill No. 881

January Session, 2011

* SB00881HS 040811 *

AN ACT CONCERNING THE POWERS OF THE STATE TREASURER, DIVESTMENT OF STATE FUNDS INVESTED IN COMPANIES DOING BUSINESS IN IRAN AND SUDAN, AND THE MEMBERSHIP OF THE TEACHERS' RETIREMENT BOARD AND THE CONNECTICUT STATE EMPLOYEES RETIREMENT COMMISSION.

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

1 Section 1. (NEW) (*Effective October 1, 2011*) In addition to the powers
2 granted to the Treasurer by any provision of the general statutes and
3 any public or special act, the Treasurer may appoint, as the Treasurer
4 determines is necessary, investment personnel to carry out the
5 provisions of chapter 32 of the general statutes. Such investment
6 personnel shall serve at the pleasure of the Treasurer.

7 Sec. 2. Subsection (a) of section 3-13a of the general statutes is
8 repealed and the following is substituted in lieu thereof (*Effective*
9 *October 1, 2011*):

10 (a) The Treasurer, [shall,] with the advice and consent of the
11 Investment Advisory Council, shall appoint a chief investment officer
12 and may appoint a deputy chief investment officer to assist the chief
13 investment officer, for the Connecticut retirement pension and trust
14 funds, who shall serve at the pleasure of the Treasurer and whose
15 compensation shall be determined by the Treasurer within [a] salary
16 [range] ranges established by the Treasurer in consultation with the

17 Investment Advisory Council. The provisions of section 4-40 shall not
18 apply to the compensation of said [officer. Said] officers. The chief
19 investment officer shall be sworn to the faithful discharge of duties
20 under law [. Said officer] and shall, under the direction of the
21 Treasurer and subject to the provisions of sections 3-13 to 3-13d,
22 inclusive, and 3-31b, advise the Treasurer on investing the trust funds
23 of the state. Said officer shall also perform such other duties as the
24 Treasurer may direct. In addition to said [officer] officers, the
25 Treasurer may [, with the advice and consent of the Investment
26 Advisory Council, appoint a deputy chief investment officer, whose
27 compensation shall be determined by the Treasurer within salary
28 ranges established by the Treasurer in consultation with the
29 Investment Advisory Council and that shall not be subject to the
30 provisions of section 4-40,] appoint principal investment officers,
31 investment officers and other personnel to assist said chief investment
32 officer, which officers and other personnel shall serve at the pleasure of
33 the Treasurer.

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

36 (a) For the purposes of this section:

37 (1) "Company" means any corporation, utility, partnership, joint
38 venture, franchisor, franchisee, trust, entity investment vehicle,
39 financial institution or other entity or business association, including
40 all wholly-owned subsidiaries, majority-owned subsidiaries, parent
41 companies or affiliates of such entities or business associations that
42 exist for the purpose of making profit;

43 (2) "Doing business in Iran" means engaging in commerce in any
44 form in Iran, including maintaining equipment, facilities, personnel or
45 other apparatus of business or commerce in Iran, including, but not
46 limited to, the lease or ownership of real or personal property in Iran
47 or engaging in any business activity with the government of Iran;

48 (3) "Invest" means the commitment of funds or other assets to a

49 company, including, but not limited to, the ownership or control of a
50 share or interest in the company, and the ownership or control of a
51 bond or other debt instrument by the company;

52 (4) "Iran" means the Islamic Republic of Iran, including its
53 government and any of its agencies, instrumentalities or political
54 subdivisions;

55 (5) "Mineral extraction activities" include (A) activities such as
56 exploring, extracting, processing, transporting, or wholesale selling or
57 trading of elemental minerals or associated metal alloys or oxides
58 (ore), including gold, copper, chromium, chromite, diamonds, iron,
59 silver, tungsten, uranium and zinc, and (B) facilitating such activities,
60 including providing supplies or services in support of such activities;

61 (6) "Oil-related activities" include, but are not limited to, activities
62 such as (A) owning rights to oil blocks, (B) exporting, extracting,
63 producing, refining, processing, exploring for, transporting, selling or
64 trading of oil, (C) constructing, maintaining or operating a pipeline,
65 refinery or other oil field infrastructure, and (D) facilitating such
66 activities, including providing supplies and services in support of such
67 activities, but does not include the selling of retail gasoline and related
68 consumer products; and

69 (7) "Petroleum resources" means petroleum, petroleum byproducts
70 and natural gas.

71 (b) The State Treasurer shall review the major investment [policies]
72 holdings of the state for [purposes of ensuring that state funds are not
73 invested in any corporation engaged in any form of business in Iran
74 which could be considered to be contrary to the foreign policy or
75 national interests of the United States, particularly in respect to the
76 release of all American hostages held in Iran.] the purpose of
77 determining the extent to which state funds are invested in companies
78 doing business in Iran. Whenever feasible and consistent with the
79 fiduciary duties of the State Treasurer, the State Treasurer shall
80 encourage companies in which state funds are invested and that are

81 doing business in Iran, as identified by the United States Department
82 of Treasury's Office of Foreign Assets Control or the State Treasurer, to
83 act responsibly and not take actions that promote or otherwise enable
84 Iran's development of nuclear weaponry or its support of terrorism.

85 (c) The State Treasurer (1) may divest, decide to not further invest
86 state funds or not enter into any future investment in any company
87 doing business in Iran; and (2) shall divest and not further invest in
88 any security or instrument issued by Iran. In determining whether to
89 divest state funds in accordance with the provisions of subdivision (1)
90 of this subsection, the factors that the Treasurer shall consider shall
91 include, but not be limited to, the following: (A) Revenues paid by
92 such company directly to the government of Iran; (B) whether the
93 company is doing business in Iran that involves contracts with or
94 provision of supplies or services to (i) the government of Iran, (ii)
95 companies in which the government of Iran has any direct or indirect
96 equity share, (iii) consortia or projects commissioned by the
97 government of Iran, or (iv) companies involved in consortia or projects
98 commissioned by the government of Iran where such business
99 involves oil-related activities, mineral extraction activities, investments
100 that directly and significantly contribute to the development of Iran's
101 petroleum resources or any other business activity that has been made
102 the subject of economic sanctions imposed by the United States
103 government; (C) whether the company has demonstrated complicity
104 with an Iranian organization that has been identified as a terrorist
105 organization by the United States government; (D) whether such
106 company knowingly obstructs lawful inquiries into its operations and
107 investments in Iran; (E) whether such company attempts to circumvent
108 any applicable sanctions of the United States; (F) the extent of any
109 humanitarian activities undertaken by such company in Iran; (G)
110 whether such company is authorized by the federal government of the
111 United States to do business in Iran; and (H) any other factor that the
112 Treasurer deems prudent. In the event that the Treasurer determines
113 that divestment of state funds is warranted from a company in which
114 state funds are invested due to such company doing business in Iran,

115 the Treasurer shall give notice to such company that such funds shall
116 be divested from such company for as long as such company does
117 business in Iran.

118 (d) The State Treasurer shall, at least once per fiscal year, provide a
119 report to the Investment Advisory Council on actions taken by the
120 Treasurer pursuant to the provisions of this section.

121 (e) The provisions of this section shall no longer be effective if both
122 of the following occur: (1) Iran is no longer designated by the United
123 States Department of State as a country that is a state sponsor of
124 terrorism due to said department's determination that the country
125 repeatedly provides support for acts of international terrorism; and (2)
126 the President of the United States certifies to the appropriate
127 committee of Congress, pursuant to P.L. 104-172, as amended from
128 time to time, that Iran has ceased its efforts to design, develop,
129 manufacture or acquire a nuclear explosive device or related materials
130 and technology.

131 Sec. 4. Subsection (a) of section 3-21e of the general statutes is
132 repealed and the following is substituted in lieu thereof (*Effective from*
133 *passage*):

134 (a) For the purposes of this section and subsection (a) of section 3-
135 37:

136 (1) "Company" means any corporation, utility, partnership, joint
137 venture, franchisor, franchisee, trust, entity investment vehicle,
138 financial institution or [any wholly-owned subsidiary of such
139 corporation] other entity or business association, including all wholly-
140 owned subsidiaries, majority-owned subsidiaries, parent companies or
141 affiliates of such entities or business associations, that exist for the
142 purpose of making profit;

143 (2) "Doing business in Sudan" means engaging in commerce in any
144 form in Sudan, including maintaining equipment, facilities, personnel
145 or other apparatus of business or commerce in Sudan, including, but

146 not limited to, the lease or ownership of real or personal property in
147 Sudan, or engaging in any business activity with the government of
148 Sudan;

149 (3) "Invest" means the commitment of funds or other assets to a
150 company, including, but not limited to, the ownership or control of a
151 share or interest in the company, and the ownership or control of a
152 bond or other debt instrument by the company; and

153 (4) "Sudan" means the Republic of Sudan, including its government,
154 and any of its agencies, instrumentalities or political subdivisions.

155 Sec. 5. Subsection (a) of section 10-183*l* of the general statutes is
156 repealed and the following is substituted in lieu thereof (*Effective July*
157 *1, 2011*):

158 (a) [On and after July 1, 1991, the] The management of the system
159 shall [continue to] be vested in the Teachers' Retirement Board, which
160 shall consist of twelve members, including the [Commissioner of Social
161 Services] Treasurer and the Commissioner of Education, or their
162 designees, who shall be voting members of the board, ex officio. On or
163 before June 15, 1985, and quadrennially thereafter, the members of the
164 system shall elect from their number, in a manner prescribed by said
165 board, two persons to serve as members of said board for terms of four
166 years beginning July first following such election. Both of such persons
167 shall be active teachers who shall be nominated by the members of the
168 system who are not retired and elected by all the members of the
169 system. On or before July 1, 1991, and quadrennially thereafter, the
170 members of the system shall elect from their number, in a manner
171 prescribed by said board, three persons to serve as members of said
172 board for terms of four years beginning July first following such
173 election. Two of such persons shall be retired teachers who shall be
174 nominated by the retired members of the system and elected by all the
175 members of the system and one shall be an active teacher who shall be
176 nominated by the members of the system who are not retired and
177 elected by all the members of the system. If a vacancy occurs in the

178 positions filled by the members of the system who are not retired, said
179 board shall elect a member of the system who is not retired to fill the
180 unexpired portion of the term. If a vacancy occurs in the positions
181 filled by the retired members of the system, said board shall elect a
182 retired member of the system to fill the unexpired portion of the term.
183 The Governor shall appoint five public members to said board in
184 accordance with the provisions of section 4-9a. The members of the
185 board shall serve without compensation, but shall be reimbursed for
186 any expenditures or loss of salary or wages which they incur through
187 service on the board. All decisions of the board shall require the
188 approval of six members of the board or a majority of the members
189 who are present, whichever is greater.

190 Sec. 6. Subsection (a) of section 5-155a of the general statutes is
191 repealed and the following is substituted in lieu thereof (*Effective July*
192 *1, 2011*):

193 (a) The general administration and responsibility for the proper
194 operation of the state employees retirement system is vested in a single
195 board of trustees to be known as the Connecticut State Employees
196 Retirement Commission. Notwithstanding the provisions of section 4-
197 9a, the Retirement Commission shall consist of the following: (1) [Six]
198 The Treasurer or a designee, who shall be a voting ex-officio member;
199 (2) six trustees representing employees who shall be appointed by the
200 bargaining agents in accordance with the provisions of applicable
201 collective bargaining agreements. The trustees representing employees
202 shall not be members of the same bargaining unit. The trustees
203 representing employees shall serve three-year terms; ~~[(2)]~~ (3) six
204 management trustees who are members of the state employees
205 retirement system, who shall serve three-year terms. The management
206 trustees shall be appointed by the Governor; ~~[(3)]~~ (4) two actuarial
207 trustees who are enrolled actuaries and Fellows of the Society of
208 Actuaries. One actuarial trustee shall be nominated by the
209 management trustees and one shall be nominated by the trustees
210 representing employees. The Governor shall appoint the actuarial
211 trustees for three-year terms; and [(4)] (5) one neutral trustee who shall

212 be chairman of the State Employees Retirement Commission. Such
213 neutral trustee shall be enrolled in the National Academy of
214 Arbitrators and shall be nominated by the employee and management
215 trustees and appointed by the Governor. The neutral trustee shall
216 serve a two-year term. If a vacancy occurs in the office of a trustee, the
217 vacancy shall be filled for the unexpired term in the same manner as
218 the office was previously filled. The trustees, with the exception of the
219 chairman and the actuarial trustees, shall serve without compensation
220 but shall be reimbursed in accordance with the standard travel
221 regulations for all necessary expenses that they may incur through
222 service on the commission. The chairman and the actuarial trustees
223 shall be compensated at their normal and usual per diem fee, plus
224 travel expenses, from the funds of the retirement system for each day
225 of service to the commission. Each trustee shall, within ten days after
226 appointment or election, take an oath of office that so far as it devolves
227 upon the trustee, the trustee will diligently and honestly administer
228 the affairs of the commission, and will not knowingly violate or
229 willingly permit to be violated any of the provisions of law applicable
230 to the state retirement system. Each trustee's term shall begin from the
231 date the trustee takes such an oath. The trustees shall appoint a
232 representative from among the municipalities that have accepted the
233 provisions of part II of chapter 113, who shall serve as a municipal
234 liaison to the commission, at the commission's pleasure and under
235 such terms and conditions as the commission may prescribe. Each
236 trustee shall be entitled to one vote on the commission. A majority of
237 the commission shall constitute a quorum for the transaction of any
238 business, the exercise of any power or the performance of any duty
239 authorized or imposed by law. The Retirement Commission shall be
240 within the Retirement Division of the office of the Comptroller for
241 administrative purposes only. The Comptroller, ex officio, shall be the
242 nonvoting secretary of the commission and shall provide secretariat
243 support to the commission.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>October 1, 2011</i>	New section
Sec. 2	<i>October 1, 2011</i>	3-13a(a)
Sec. 3	<i>from passage</i>	3-13g
Sec. 4	<i>from passage</i>	3-21e(a)
Sec. 5	<i>July 1, 2011</i>	10-1831(a)
Sec. 6	<i>July 1, 2011</i>	5-155a(a)

GAE *Joint Favorable Subst.*

HS *Joint Favorable*