



General Assembly

February Session, 2016

Raised Bill No. 5418

LCO No. 1595



Referred to Committee on APPROPRIATIONS

Introduced by:
(APP)

AN ACT CONCERNING ESTABLISHING THE ANTICIPATED RATE OF RETURN FOR INVESTMENTS IN STATE RETIREMENT PLANS.

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

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 Section 3-13b of the general statutes is repealed and the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

3 (a) There is created an Investment Advisory Council which shall
4 consist of the following: (1) The Secretary of the Office of Policy and
5 Management who shall serve as an ex-officio member of said council;
6 (2) the State Treasurer who shall serve as an ex-officio member of said
7 council; (3) five public members all of whom shall be experienced in
8 matters relating to investments. The Governor, the president pro
9 tempore of the Senate, the Senate minority leader, the speaker of the
10 House of Representatives and the minority leader of the House of
11 Representatives shall each appoint one such public member to serve
12 for a term of four years. No such public member or such member's
13 business organization or affiliate shall directly or indirectly contract
14 with or provide any services for the investment of trust funds of the
15 state of Connecticut during the time of such member's service on said

16 council and for one year thereafter. The term of each public member in
17 office on June 30, 1983, shall end on July 1, 1983. The appointing
18 authority shall fill all vacancies of the public members; (4) three
19 representatives of the teachers' unions, and two representatives of the
20 state employees' unions. On or before July 15, 1983, the teachers'
21 unions shall jointly submit to the State Treasurer a list of three
22 nominees, and the state employees' unions or a majority thereof who
23 represent a majority of state employees shall jointly submit to the
24 Treasurer a list of two nominees. On or before July 30, 1983, the
25 Governor shall appoint five members of the council from such lists, for
26 terms of two years. Any person appointed to fill a vacancy or to be a
27 new member at the expiration of a given term, whose predecessor in
28 that position was either a representative of one of the teachers' unions
29 or one of the state employees' unions, shall also be a representative of
30 such respective union group. Any such appointee shall be appointed
31 by the Governor from a list of nominees submitted to the Treasurer by
32 the teachers' unions or state employees' unions or such majority
33 thereof, as the case may be, within thirty days of notification by the
34 Treasurer of the existence of a vacancy or a prospective vacancy, or the
35 expiration or prospective expiration of a term. All members of the
36 council shall serve until their respective successors are appointed and
37 have qualified. No public member of the council shall serve more than
38 two consecutive terms which commence on or after July 1, 1983.

39 (b) The Governor shall designate one of the members to be
40 chairperson of the council to serve as such at the Governor's pleasure.
41 The Treasurer shall serve as secretary of said council. A majority of the
42 members of the council then in office shall constitute a quorum for the
43 transaction of any business, and action shall be by the vote of a
44 majority of the members present at a meeting. Votes by members on
45 investment policies shall be recorded in the minutes of each meeting.
46 Members of said council shall not be compensated for their services
47 but shall be reimbursed for all necessary expenses incurred in the
48 performance of their duties as members of said council. The council

49 shall meet at least once during each calendar quarter and at such other
50 times as the chairperson deems necessary or upon the request of a
51 majority of the members in office. Special meetings shall be held at the
52 request of such majority after notice in accordance with the provisions
53 of section 1-225. Any member who fails to attend three consecutive
54 meetings or who fails to attend fifty per cent of all meetings held
55 during any calendar year shall be deemed to have resigned from office.

56 (c) (1) The Treasurer shall recommend to the Investment Advisory
57 Council an investment policy statement which shall set forth the
58 standards governing investment of trust funds by the Treasurer. Such
59 statement shall include, with respect to each trust fund, without
60 limitation, (A) investment objectives; (B) asset allocation policy and
61 risk tolerance; (C) asset class definitions, including specific types of
62 permissible investments within each asset class and any specific
63 limitations or other considerations governing the investment of any
64 funds; (D) investment manager guidelines; (E) investment
65 performance evaluation guidelines; (F) guidelines for the selection and
66 termination of providers of investment-related services who shall
67 include, but not be limited to, investment advisors, external money
68 managers, investment consultants, custodians, broker-dealers, legal
69 counsel, and similar investment industry professionals; and (G) proxy
70 voting guidelines. A draft of the statement shall be submitted to the
71 Investment Advisory Council at a meeting of said council and shall be
72 made available to the public. Notice of such availability shall be
73 published in at least one newspaper having a general circulation in
74 each municipality in the state which publication shall be not less than
75 two weeks prior to such meeting. Said council shall review the draft
76 statement and shall publish any recommendations it may have for
77 changes to such statement in the manner provided for publication of
78 the statement by the Treasurer. The Treasurer shall thereafter adopt
79 the statement, including any such changes the Treasurer deems
80 appropriate, with the approval of a majority of the members appointed
81 to said council. If a majority of the members appointed to said council

82 fail to approve such statement, said majority shall provide the reasons
83 for its failure to approve to the Treasurer who may submit an
84 amended proposed statement at a subsequent regular or special
85 meeting of said council. Such revised proposed statement shall be
86 made available to the public in accordance with the provisions of the
87 Freedom of Information Act, as defined in section 1-200. Any revisions
88 or additions to the investment policy statement shall be made in
89 accordance with the procedures set forth in this subdivision for the
90 adoption of the statement. The Treasurer shall annually review the
91 investment policy statement and shall consult with the Investment
92 Advisory Council regarding possible revisions to such statement.

93 (2) All trust fund investments by the State Treasurer shall be
94 reviewed by said Investment Advisory Council. The Treasurer shall
95 provide to the council all information regarding such investments
96 which the Treasurer deems relevant to the council's review and such
97 other information as may be requested by the council. The Treasurer
98 shall provide a report at each regularly scheduled meeting of the
99 Investment Advisory Council as to the status of the trust funds and
100 any significant changes which may have occurred or which may be
101 pending with regard to the funds. The council shall promptly notify
102 the Auditors of Public Accounts and the Comptroller of any
103 unauthorized, illegal, irregular or unsafe handling or expenditure of
104 trust funds or breakdowns in the safekeeping of trust funds or
105 contemplated action to do the same within their knowledge. The
106 Governor may direct the Treasurer to change any investments made
107 by the Treasurer when in the judgment of said council such action is
108 for the best interest of the state. Said council shall, at the close of the
109 fiscal year, make a complete examination of the security investments of
110 the state and determine as of June thirtieth, the value of such
111 investments in the custody of the Treasurer and report thereon to the
112 Governor, the General Assembly and beneficiaries of trust funds
113 administered, held or invested by the Treasurer. With the approval of
114 the Treasurer and the council, said report may be included in the

115 Treasurer's annual report.

116 (d) The Investment Advisory Council shall be within the office of
117 the State Treasurer for administrative purposes only.

118 (e) Notwithstanding any provision of chapter 66, the Investment
119 Advisory Council shall establish the anticipated rate of return for
120 investments in the state employees retirement system, the municipal
121 employees' retirement system established by part II of chapter 113, the
122 teachers' retirement system and all other state retirement and pension
123 plans. Such established rate shall be used for the purpose of
124 conducting actuarial analyses for the valuation of such retirement
125 systems and plans, including, but not limited to, as required in section
126 5-156a.

127 [(e)] (f) For the purposes of this section, "teachers' union" means a
128 representative organization for certified professional employees, as
129 defined in section 10-153b, and "state employees' union" means an
130 organization certified to represent state employees, pursuant to section
131 5-275.

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

Statement of Purpose:

To require the Investment Advisory Council to establish the anticipated rate of return for investments in state retirement plans.

[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.]