April 2, 2018

Council 4 AFSCME Opposes SB 525, AN ACT ESTABLISHING THE CONNECTICUT INVESTMENT BOARD.

Good morning Chairmen Rojas, Fonfara, Frantz, Ranking Member Davis and members of the Judiciary Committee. My name is Brian Anderson. I am a legislative coordinator for Council 4 AFSCME, a union of 32,000 public and private employee members.

Our union strongly opposes SB 525, AN ACT ESTABLISHING THE CONNECTICUT INVESTMENT BOARD. There are many things wrong with this bill. It strips the state treasurer of almost all power. It eliminates important oversight and ethics protections that currently safeguard state and municipal pension funds.

SB 525 would take investment authority away from the state treasurer and give it to a pension investment board. That board would be made up of investment experts who would not have to report their ethical conflicts regarding the investment decisions that they make. It would operate on an honor system, in which members are supposed to recuse themselves in case of conflict, but no one would know if they really did so because of a lack of normally required financial reporting that state appointees normally adhere to. This is almost an enticement to corruption.

Sadly, Connecticut has not been free of corruption. The years of Rowland corruption happened not so long ago. Paul Sylvester, a corrupt state treasurer, caused the loss of tens of millions of dollars of pension wealth by taking payoffs in return for investing funds. This corruption was revealed in no small part because of the oversight mechanisms that were in place. One of these is the Connecticut Pension Advisory Board. This board would be eliminated by SB 525. Union representatives, who directly represent the 212,000 pensioners or future pensioners, would no longer have any oversight over the pension system.

This board would be allowed to skirt current state law, such as divestment with corporations that invest in Iran or Sudan. It would allow for the board to overrule
the law and invest in corporations that have refused to sign the McBride Principals which forbid discrimination against Irish Catholics in Northern Ireland.

This bill fails the test of ensuring the public and pensioners that things are on the up and up. It puts the state at tremendous financial risk. It potentially puts our pension future in the hands of hedge fund managers and investors – the same folks who put our global financial system into a tailspin not so long ago.

I would be happy to answer any questions. Thank you for your consideration.