
OLR Bill Analysis

HB 5405

AN ACT IMPLEMENTING THE TREASURER'S RECOMMENDATIONS CONCERNING THE INVESTMENT ADVISORY COUNCIL AND RELATED STATUTES.

SUMMARY

This bill makes the following changes concerning the state treasurer and Investment Advisory Council (IAC):

1. expands the investment-related job titles for which the state treasurer, in consultation with the IAC, may set compensation;
2. eliminates a prohibition against the IAC's public members and their business organizations or affiliates contracting with or providing services for the investment of state trust funds while they serve on the council and for one year after, but requires that they recuse themselves from discussions or votes related to these contracts; and
3. eliminates the requirement that the IAC review contracts for investment-related services before the treasurer may award them but authorizes the IAC to review any of these contracts that deviate from the investment policy statement that sets standards for investing state trust funds.

The bill also makes technical and conforming changes.

EFFECTIVE DATE: Upon passage

INVESTMENT OFFICER AND PERSONNEL SALARIES

Existing law authorizes the treasurer to set the salary ranges for the chief, deputy, and principal investment officers, in consultation with the IAC. The bill additionally authorizes him to do so for investment officers and other personnel that assist the chief investment officer. In doing so,

it exempts these officers and personnel from the requirement that salaries of executive branch employees not set by law be determined by the administrative services commissioner and approved by the Office of Policy and Management secretary.

By law, unchanged by the bill, the cost of operating the investment department, including personnel costs and professional investment counsel, is paid from state trust funds' income.

INVESTMENT-RELATED SERVICE CONTRACTS

The bill eliminates the requirement that all investment-related service contracts be reviewed by the IAC before the treasurer may award them. However, it (1) requires the treasurer to notify the IAC at a council meeting of his recommendation for a provider for any contract that deviates from the investment policy statement and (2) authorizes the IAC to review the treasurer's recommendation.

Under the bill, the council has 45 days within which it may file a written review of the treasurer's recommendation, after which the treasurer may award the contract. The same notification process and 45-day waiting period applies under current law for the IAC's required review of all investment-related service contracts. As under current law, any written review by the IAC must be available for public inspection.

The bill also requires the treasurer to submit quarterly reports to the IAC on investment-related service contracts awarded each quarter. The first report must cover the quarter ending September 30, 2022, and include contracts awarded and in effect on July 1, 2022. Each report must include the name of the contracted service provider and contract's value.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 45 Nay 6 (04/05/2022)