

State Treasurer's Fiduciary Responsibilities and Selection Process in Other States

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Issue

What are the State Treasurer's fiduciary responsibilities? Do other states elect or appoint a state treasurer?

Summary

State law makes the State Treasurer the sole fiduciary of the state's retirement plans and other trust funds but establishes certain oversight requirements and parameters for those investments ([CGS §§ 3-11](#) through [3-76t](#)). The 12-member Investment Advisory Council (IAC), as well as a chief investment officer and other investment professionals approved by the IAC, advise the treasurer on the investments. By law, the treasurer must recommend to the IAC a state investment policy that (1) sets standards for the investments, including investment objectives and risk tolerance, and (2) is subject to certain statutory constraints. The law also allows the governor to direct the treasurer to change any of the treasurer's investments if, in IAC's judgment, it is in the state's best interest to do so.

In addition to these statutory requirements, certain aspects of the treasurer's authority to manage and invest State Employee Retirement System (SERS) funds are specified in the state's collective bargaining agreement with the State Employees Bargaining Agent Coalition (SEBAC). OLR Report [2018-R-0246](#) describes these requirements.

In most states (38, including Connecticut), the state treasurer (or a comparable state official that performs state treasurer functions) is elected by voters. The position is elected by the legislature in four states, appointed by the governor in seven states, and appointed by a different authority in one state.

State Treasurer’s Fiduciary Responsibilities

Constitutional and Statutory Authority

The state constitution establishes the state treasurer’s position and requires the treasurer to “receive all moneys belonging to the state, and disburse the same only as he may be directed by law” (Conn. Const. art IV, § 22). The treasurer’s investment authority, however, is established in state statutes ([CGS §§ 3-11](#) through [3-76t](#)). The statutes authorize the state treasurer to invest any portion of the state’s trust funds that are not required for current disbursements ([CGS § 3-13d](#)). This authority extends to the State Employees Retirement Fund; Teachers’ Pension Fund; Connecticut Municipal Employees’ Retirement Fund; Judge’s Retirement Fund; Family and Medical Leave Insurance Trust Fund; and all other trust funds the State Treasurer administers, holds, or invests ([CGS §§ 3-13c](#), [5-156](#), [10-183m](#), [31-49k](#) & [51-49e](#)).

Investment Advisory Council’s Role

Oversight of the treasurer’s investment authority is largely codified in [CGS § 3-13b](#). This law establishes the IAC, a 12-member council with 10 members appointed by the governor and legislative leaders, plus the treasurer and the Office of Policy and Management secretary, who both serve as ex-officio members. Of the 10 appointed members, five must be members of the public with investment experience, three must be members of a teachers’ union, and two must be members of a state employees’ union.

The law requires the treasurer to recommend to IAC a draft investment policy statement that sets standards for investing state trust funds, including, for each fund, investment objectives; asset allocation policies; investment performance evaluation guidelines; and risk tolerance. The council must review the draft policy and may recommend changes, which the treasurer may adopt. The treasurer must then adopt a final policy containing any changes he deems appropriate and a majority of the council must approve it. If a majority of the council fails to approve the policy, the treasurer may submit an amended one until it is approved. The treasurer must annually review the policy and consult with IAC about any possible revisions to it. All trust fund investments must be made in accordance with the policy statement ([CGS § 3-13d](#)). The current policy is available [here](#).

Under the law, all trust fund investments made by the treasurer must be reviewed by IAC. The treasurer must provide the council with all relevant information regarding the investments and any other information that the council requests. He must also provide a report on the trust funds' status at each regularly scheduled IAC meeting. The council must promptly notify the auditors of public accounts and the state comptroller if it knows about any (1) unauthorized, illegal, irregular, or unsafe trust fund handling or expenditures; (2) breakdowns in trust fund safekeeping; or (3) contemplations of such actions. At the end of each fiscal year, the council must also examine and determine the value of the state's security investments and report them to the governor, legislature, and trust fund beneficiaries. Additional information about IAC is available [here](#).

The law also allows the governor to direct the treasurer to change any of the treasurer's investments if, in IAC's judgment, it is in the state's best interest to do so.

In addition, [CGS § 3-13d](#) requires (1) the investment policy and the treasurer's investments to conform to certain statutory constraints that limit the percentage of state funds invested in common stock and (2) IAC approval for any private equity or real estate investment by a "lame duck" or acting treasurer. Other statutes also limit investments in companies doing business in specified countries ([CGS §§ 3-13g & 3-21e](#)). (Additional information about the treasurer's restricted investments is available [here](#).)

Investment-Related Staff and Service Providers

The law requires the treasurer to appoint a chief investment officer (CIO) to advise him on the state's trust fund investments and perform other duties as the treasurer directs. It also authorizes the treasurer to appoint a deputy CIO and principal investment officers, as well as other investment officers and other personnel, to assist the CIO ([CGS §§ 3-12a & 3-13a](#)). The IAC must approve the treasurer's appointment of the CIO, deputy CIO, and principal investment officers. The administrative services commissioner and OPM secretary must approve the treasurer's appointment of any other investment officers and personnel.

The law prohibits the treasurer from awarding any contract for trust fund investment-related services until the IAC has reviewed his recommendation. The treasurer must notify the council of his recommendation at a council meeting. The IAC then has 45 days to file a written review of the treasurer's selection with the treasurer's office. The review must be available for public inspection. The treasurer may proceed with the contract at the end of the 45-day review period ([CGS § 3-13i](#)).

State Treasurer Selection Process in Other States

As Table 1 shows, the state treasurer (or a comparable state official that performs state treasurer functions) is (1) elected by voters in 38 states, (2) elected by the legislature in four states, (3) appointed by the governor in seven states, and (4) appointed by a different authority in one state.

Table 1: State Treasurers and Other Chief Financial Officers, 2021

Elected			Appointed		
By Voters		By Legislature	By Governor	Other	
Alabama	Kentucky	Oregon	Maine	Alaska	Georgia ³
Arkansas	Louisiana	Pennsylvania	Maryland	Hawaii ²	
Arizona	Massachusetts	Rhode Island	New Hampshire	Michigan	
California	Mississippi	South Carolina	Tennessee	Minnesota ²	
Colorado	Missouri	South Dakota		Montana ²	
Connecticut	Nebraska	Texas ²		New Jersey	
Delaware	Nevada	Utah		Virginia	
Florida ¹	New Mexico	Vermont			
Idaho	New York ²	Washington			
Illinois	North Carolina	West Virginia			
Indiana	North Dakota	Wisconsin			
Iowa	Ohio	Wyoming			
Kansas	Oklahoma				

Source: OLR analysis of Ballotpedia.org and Council of State Governments, *The Book of the States 2021*, p. 169

¹ In Florida, the state treasurer's position has the title of Chief Financial Officer.

² In Hawaii, Minnesota, Montana, New York, and Texas, state treasurer functions are performed by different state officials (e.g., comptroller in New York and Texas and director of finance in Hawaii).

³ Georgia's State Depository Board appoints the State Treasurer.

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