

Senate, April 6, 1998. The Committee on Finance, Revenue and Bonding reported through SEN. LOONEY, 11th DIST., Chairman of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CLASSIFYING REITS AS AN ALTERNATIVE INVESTMENT IN THE STATE'S TRUST FUNDS WITHOUT AFFECTING THE EQUITY CAP AND CHANGING THE VALUATION ON EQUITIES FROM BOOK TO MARKET.

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

1 Subsection (a) of section 3-13d of the
2 general statutes is repealed and the following is
3 substituted in lieu thereof:

4 (a) Notwithstanding any other provision in
5 the general statutes or elsewhere to the contrary,
6 the Treasurer shall invest as much of the state's
7 trust funds as are not required for current
8 disbursements in accordance with the provisions of
9 section 45a-203 or the provisions of this part.
10 Notwithstanding the provisions of this section or
11 any other provision in the general statutes or
12 elsewhere to the contrary, the Treasurer shall not
13 invest more than fifty-five per cent of the [book]
14 MARKET value of each such trust fund in common
15 stock, except in the event of a stock market
16 fluctuation that causes the common stock
17 percentage to increase and the Treasurer deems it
18 in the best interest of such trust fund to
19 maintain a higher percentage of equities, provided
20 the Treasurer shall not allow the [book] MARKET

21 value of each such trust fund in common stock to
22 exceed fifty-five per cent for more than six
23 months after such fluctuation occurs. INVESTMENTS
24 IN REAL ESTATE INVESTMENT TRUSTS (REITS) SHALL BE
25 CONSIDERED ALTERNATIVE INVESTMENTS AND NOT COMMON
26 STOCK INVESTMENTS UNDER THIS SECTION. In order to
27 increase the income for each such combined
28 investment fund established pursuant to section
29 3-31b, the Treasurer may enter into repurchase
30 agreements or lend securities from each such fund,
31 provided that at the time of the execution of the
32 repurchase agreement or the loan at least one
33 hundred per cent of the market value of the
34 security sold or lent shall be received as
35 consideration in the form of cash or securities
36 guaranteed by the United States government or any
37 agency of the United States government in the case
38 of a repurchase agreement or secured by cash or
39 such securities in the case of a loan. At all
40 times during the term of each such repurchase
41 agreement or the term of each such loan the
42 consideration received or the collateral shall be
43 equal to not less than ninety-five per cent of the
44 full market value of the security and said
45 consideration received or said collateral shall
46 not be more than one hundred thousand dollars less
47 than the full market value of the security. The
48 Treasurer may sell call options which would give
49 the holders of such options the right to purchase
50 securities held by the Treasurer at the date the
51 call is sold for investment purposes, under such
52 terms and conditions as the Treasurer may
53 determine. Among the factors to be considered by
54 the Treasurer with respect to all securities may
55 be the social, economic and environmental
56 implications of investments of trust funds in
57 particular securities or types of securities. In
58 the investment of the state's trust funds the
59 Treasurer shall consider the implications of any
60 particular investment in relation to the foreign
61 policy and national interests of the United
62 States.

63 FIN COMMITTEE VOTE: YEA 43 NAY 0 JF

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"THE FOLLOWING FISCAL IMPACT STATEMENT AND BILL ANALYSIS ARE PREPARED FOR THE BENEFIT OF MEMBERS OF THE GENERAL ASSEMBLY, SOLELY FOR PURPOSES OF INFORMATION, SUMMARIZATION AND EXPLANATION AND DO NOT REPRESENT THE INTENT OF THE GENERAL ASSEMBLY OR EITHER HOUSE THEREOF FOR ANY PURPOSE."

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FISCAL IMPACT STATEMENT - BILL NUMBER SB 536

STATE IMPACT None, see explanation below

MUNICIPAL IMPACT None

STATE AGENCY(S) Office of the State Treasurer

EXPLANATION OF ESTIMATES:

STATE IMPACT: Changing book to market value will not change the annual rate of return on pension funds.

Removing REITS from the category of common stock excludes them from the 55% common stock cap for the Combined Investment Fund. Since the State does not currently hold any REITs, exempting REITS from the 55% stock cap has no fiscal impact.

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OFA BILL ANALYSIS

SB 536

AN ACT CLASSIFYING REITS AS AN ALTERNATIVE INVESTMENT IN THE STATE'S TRUST FUNDS WITHOUT AFFECTING THE EQUITY CAP AND CHANGING THE VALUATION ON EQUITIES FROM BOOK TO MARKET

SUMMARY: The bill changes the valuation basis of the Combined Investment Fund from book value to market value. It also removes Real Estate Investment Trusts (REITS) from the category of common stock and classifies them as alternative investments.

EFFECTIVE DATE: Upon Passage

FURTHER EXPLANATION: The book value of The Combined Investment Fund is the amount paid for the assets in Fund. Book value does not change because it is fixed at the time the assets are purchased. Market value is based on a daily quotation for each of the assets in the Fund. Market value changes as market conditions fluctuate.

Removing REITS from the category of common stock excludes them from the 55% common stock cap for the Combined Investment Fund.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Report
Yea 43 Nay 0