

STATE OF CONNECTICUT

Investment Advisory Council



James T. Larkin
Chairman

Denise L. Nappier
State Treasurer

Connecticut Retirement Plans and Trust Funds

Treasury Reform In Connecticut

State Treasurer Denise Nappier, in consultation with the members of the Investment Advisory Council, proposed a comprehensive Treasury Reform agenda to the 2000 session of the General Assembly, following the corruption scandal involving former treasurer Paul Silvester.

The reform agenda was substantially approved by the state legislature and signed into law by the Governor.

The Treasury Reform Law established a series of reforms strengthening the role of the Investment Advisory Council. The law established additional oversight and disclosure requirements for state pension investments, including a prohibition on finders fees. It also placed additional ethics, revolving door, and campaign donation limits on the members of the IAC, as well as the treasurer, candidates for treasurer, and treasury employees and contractors.

Since its approval, Treasurer Nappier and the Investment Advisory Council have proceeded to implement the various components of the law.



MEETINGS & MEMBERSHIP

By state law, members of the Investment Advisory Council include the State Treasurer and Secretary of the Office of Policy and Management (ex-officio members), five public members appointed by the Governor and legislative leadership, all of whom shall be experienced in matters relating to investments, three representatives of the teachers' unions and two representing the state employees' unions. The Chairperson is appointed by the Governor.

Meetings are usually held monthly at the Office of the State Treasurer, and are open to the public.

Currently serving on the IAC:

Hon. Robert L. Genuario
Secretary, Office of Policy and Management

James Larkin
President, Global Strategy Advisors

Michael Freeman
Teacher, Stonington High School

David Himmelreich
Treasurer, Hynes, Himmelreich, Glennon & Company

William Murray
NEA Danbury

Hon. Denise L. Nappier
State Treasurer

Sharon M. Palmer
President, CT Federation of Educational & Professional Employees

David Roth
Principal Managing Director, WLD Enterprises, Inc.

Carol M. Thomas
State Department of Mental Retardation

Peter Thor
Coordinator-Policy & Planning, AFSCME Council 4

Thomas Barnes, Jr.
Branch Manager, Riverside Investment Services

STATE OF CONNECTICUT INVESTMENT ADVISORY COUNCIL

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Connecticut's Investment Advisory Council

The Investment Advisory Council (IAC) was created by the Connecticut General Assembly in 1973, and its membership and responsibilities



have been revised through the years. Its primary mission is to work with the State Treasurer in overseeing the investments of the Connecticut Retirement Plans and Trust Funds.

The Investment Advisory Council approves an asset allocation plan establishing an investment framework which, over a long-term investment horizon, is designed to both preserve and grow the assets of the Funds. Through a disciplined and prudent approach to investments, the cooperative efforts of the IAC and the State Treasurer have increased the value of the retirement assets of pension fund participants and beneficiaries.

The IAC also plays an important oversight role and is required, by statute, to:

- be informed by the State Treasurer of any significant changes that may have occurred or which may be pending regarding the Funds
- promptly notify the Auditors and Comptroller of any unauthorized, illegal, irregular or unsafe handling or expenditure of trust funds
- inform the Governor of its belief that an investment decision of the Treasurer is not in the State's best interest. The Governor may direct the Treasurer to divest.

The Treasurer is required, with IAC approval, to adopt a policy for investing state retirement and benefit funds, and appoint a chief investment officer (CIO) and set the CIO's compensation.

State law also requires IAC approval for certain investments by lame-duck or acting treasurers. Under state law, administrative support for the IAC is provided by the State Treasurer's Office.

With the passage of the Treasury Reform Act of 2000, the role of the Investment Advisory Council, which provides oversight for state pension fund investments, was substantially revised and strengthened.

This pamphlet is designed to inform pension beneficiaries and state residents about the IAC's work, in conjunction with the Office of State Treasurer, to ensure sound management of the retirement funds.



INVESTMENT POLICY STATEMENT

The **Investment Policy Statement** (IPS), established as part of the Treasury Reform Law, is an outline of the pension fund's long-term strategic plan based on an analysis of the capital markets and the pension funds' financial condition.



It is the first such document in the state's history, developed by Treasurer Nappier in consultation with the Investment Advisory Council. Included are:

- Investment objectives
- Asset allocation policy and risk tolerance
- Asset class definitions, including specific types of permissible investments within each asset class and any specific limitations or other considerations governing the investment of funds
- Investment manager guidelines
- Investment performance evaluation guidelines
- Guidelines for the selection and termination of providers of investment-related services, and
- Guidelines for corporate citizenship and proxy voting.

The IPS allows for sufficient flexibility to capture investment opportunities as they occur, while maintaining reasonable parameters to ensure that prudence and care are exercised in the execution of the Fund's investment program.

*The entire **Investment Policy Statement** can be viewed at www.state.ct.us/ott*

STATE ETHICS LAW

State law subjects the IAC's appointed members to the State Ethics Code and requires all IAC members to file annual financial disclosures with the State Ethics Commission. Public members (or member's business organization) cannot directly or indirectly contract with or provide services for the investment of state pension funds while the member serves on the IAC and for one year thereafter. The appointed members also cannot make campaign contributions to, or solicit contributions for, a candidate for treasurer. IAC members cannot solicit campaign contributions from owners and employees of investment services firms doing business with the Treasury.

The Investment Advisory Council plays an essential role, in consultation with the State Treasurer, developing the pension fund's investment policy framework and protecting Connecticut's pension funds.

The Connecticut Retirement Plans and Trust Funds invests assets on behalf of 160,000 participants and beneficiaries.

State Employees' Retirement Fund
Teachers' Retirement Fund
Municipal Employees' Retirement Fund
Probate Court Retirement Fund
State Judges' Retirement Fund
State's Attorney Retirement Fund
Soldiers Sailors & Marines Fund
Policemen & Firemen Survivors' Benefit Fund
Connecticut Arts Endowment Fund
Agricultural College Fund
Ida Eaton Cotton Fund
Andrew Clark Fund
School Fund
Hopemead Fund

