

2019 -- H 5589

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2019

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A N A C T

RELATING TO PUBLIC FINANCE - STATE INVESTMENT COMMISSION

Introduced By: Representatives Filippi, Price, Roberts, Place, and Newberry

Date Introduced: February 27, 2019

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 35-10-1 of the General Laws in Chapter 35-10 entitled "State  
2 Investment Commission" is hereby amended to read as follows:

3 **35-10-1. Establishment -- Membership -- Officers -- Quorum -- Investment votes --**  
4 **Fund managers.**

5 (a) There is hereby authorized, created and established in the office of the general  
6 treasurer a state investment commission, the membership of which shall consist of the general  
7 treasurer, ex officio, or a deputy general treasurer as his or her designee, who shall act as  
8 chairperson, the director of administration, ex officio, or any assistant director of administration  
9 as his or her designee, who shall act as secretary, an active or retired teacher, state, or municipal  
10 employee member of the retirement system or official from the teacher, state, or municipal  
11 employee unions to be appointed by the general treasurer for a term of three (3) years, the  
12 executive director of the state retirement board, who shall be a nonvoting member, three (3)  
13 members of the general public to be appointed by the general treasurer, one of whom shall serve  
14 for an initial term of one year, and one of whom shall serve for an initial term of two (2) years  
15 and until his or her successor is appointed and qualified and three (3) members of the general  
16 public to be appointed by the governor, one of whom shall serve for an initial term of three (3)  
17 years, one of whom shall serve for an initial term of two (2) years, and one of whom shall serve  
18 for an initial term of one year and until his or her successor is appointed and qualified. Thereafter,  
19 the general public members shall serve for three (3) year terms and until his or her successor is

1 appointed and qualified. The members of the general public appointed by the governor and the  
2 general treasurer shall be qualified by training or experience in the field of investment or finance.

3 The commission may elect from among its own members such other officers as they  
4 deem necessary. All general treasurer and gubernatorial appointments made under this section  
5 after the effective date of this act [July 4, 2006] shall be subject to the advice and consent of the  
6 senate. No one shall be eligible for appointment unless he or she is a resident of this state.

7 Public members of the board shall be removable by the chair for cause only, and removal  
8 solely for partisan or personal reasons unrelated to capacity or fitness for the office shall be  
9 unlawful.

10 Newly appointed and qualified public members shall, within six (6) months of their  
11 appointment, attend a training course that shall be developed and provided by the office of the  
12 general treasurer and shall include instruction in the following areas: the provisions of chapter 10  
13 of title 35, chapter 46 of title 42, chapter 14 of title 36 and chapter 2 of title 38 of the Rhode  
14 Island general laws; and the board's rules and regulations. The director of the department of  
15 administration shall, within ninety (90) days of the effective date of this act [July 4, 2006],  
16 prepare and disseminate training materials relating to the provisions of chapter 46 of title 42,  
17 chapter 14 of title 36 and chapter 2 of title 38.

18 Any member of the general public who was appointed by the governor or general  
19 treasurer prior to the effective date of this act [July 4, 2006] shall continue to serve until such  
20 time as a successor is appointed and qualified.

21 (b) A member shall be eligible to succeed himself or herself. In the event of a vacancy in  
22 the office of an appointive member, the vacancy shall be filled by the appointing authority for the  
23 unexpired term.

24 (c) A majority of all the members of the commission shall be necessary to constitute a  
25 quorum thereof. The approval of a majority of the commission shall be required prior to the  
26 purchase or sale of any investment, excepting those investments made by investment managers  
27 engaged by the commission and invested in accordance with the commission's statement of  
28 investment objectives and policies, day to day cash investments by the general treasurer, and,  
29 because of the importance of speedy action, investments in obligations of the United States  
30 government or certificates of deposit maturing within one year. These investments may be made  
31 within the framework of a policy established by the commission without prior approval of each  
32 transaction. The commission shall be empowered to engage one or more fund managers and to  
33 delegate to the manager or managers the authority to carry out the investment of the funds within  
34 the commission's control, or any portion thereof, in accordance with the objectives of the

1 commission as set forth in its statement of investment objectives and policies.

2 (d) The day-to-day administration of the commission, including the voting of proxies and  
3 the execution of investment acquisitions and dispositions of the commission's assets, shall be  
4 carried out by the office of the general treasurer; provided, that the costs and expenses incurred in  
5 the management of the funds within the commission's control shall remain the obligation of those  
6 funds and not that of the general treasurer.

7 (e)(1) Within ninety (90) days after the end of each fiscal year during which the board has  
8 conducted business, the commission shall submit an annual report to the governor, the speaker of  
9 the house of representatives, the president of the senate, and the secretary of state of its activities  
10 during that fiscal year. The report shall provide: an operating statement summarizing meetings or  
11 hearings held, meeting minutes if requested, subjects addressed, decisions rendered, rules or  
12 regulations promulgated, studies conducted, policies and plans developed, approved, or modified,  
13 and programs administered or initiated; a consolidated financial statement of all the funds  
14 received and expended including the source of funds, a listing of any staff supported by these  
15 funds, and a summary of any clerical, administrative or technical support received; a summary of  
16 performance during the previous fiscal year including accomplishments, shortcomings and  
17 remedies; a synopsis of hearings, complaints, suspensions, or other legal matters related to the  
18 authority of the board; a summary of any training courses held pursuant to § 35-10-1; a briefing  
19 on anticipated activities in the upcoming fiscal year; and findings and recommendations for  
20 improvements.

21 (2) The report shall include a section providing information and supporting documents  
22 related to the hiring of the pension fund's alternative investment consultant(s), the due diligence  
23 reports reviewed when investments in alternatives were considered, the performance regarding all  
24 alternative investments and all confidentiality agreements entered into with alternative investment  
25 consultant(s).

26 (3) ~~The report~~ These reports and supporting documents shall be posted electronically on  
27 the general assembly and the secretary of state's website as prescribed in § 42-20-8.2 of the  
28 Rhode Island general laws. The director of the department of administration shall be responsible  
29 for the enforcement of this provision.

30 SECTION 2. This act shall take effect upon passage.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF

A N A C T  
RELATING TO PUBLIC FINANCE - STATE INVESTMENT COMMISSION

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1           This act would require the state investment commission to include in its annual report a  
2 separate section devoted to alternative pension fund investments providing information and  
3 supporting documents relating to the hiring of alternative investment consultant(s), alternative  
4 investments performance and confidentiality agreements with the consultant(s).

5           This act would take effect upon passage.

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