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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2013

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A N A C T

RELATING TO PUBLIC FINANCE - STATE INVESTMENT COMMISSION

Introduced By: Representative Spencer E. Dickinson

Date Introduced: May 16, 2013

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Sections 35-10-1, 35-10-6 and 35-10-14 of the General Laws in Chapter 35-
2 10 entitled "State Investment Commission" are hereby amended to read as follows:

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

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

1 and three (3) members of the general public to be appointed by the governor, one of whom shall
2 serve for an initial term of three (3) years, one of whom shall serve for an initial term of two (2)
3 years, and one of whom shall serve for an initial term of one year and until his or her successor is
4 appointed and qualified. Thereafter, the general public members shall serve for three (3) year
5 terms and until his or her successor is appointed and qualified. The members of the general public
6 appointed by the governor ~~and the general treasurer~~ shall be qualified by training or experience in
7 the field of investment or finance.

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

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

15 Newly appointed and qualified public members shall, within six (6) months of their
16 appointment, attend a training course that shall be developed and provided by the office of the
17 general treasurer and shall include instruction in the following areas: the provisions of chapters
18 35-10, 42-46, 36-14 and 38-2 of the Rhode Island general laws; and the board's rules and
19 regulations. The director of the department of administration shall, within ninety (90) days of the
20 effective date of this act ~~{July 4, 2006}~~ prepare and disseminate training materials relating to the
21 provisions of chapters 42-46, 36-14 and 38-2.

22 Any member of the general public who was appointed by the governor ~~or general~~
23 ~~treasurer~~ prior to the effective date of this act ~~{July 4, 2006}~~ shall continue to serve until such time
24 as a successor is appointed and qualified.

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

28 (c) A majority of all the members of the commission shall be necessary to constitute a
29 quorum thereof. The approval of a majority of the commission shall be required prior to the
30 purchase or sale of any investment, excepting those investments made by investment managers
31 engaged by the commission and invested in accordance with the commission's statement of
32 investment objectives and policies, day to day cash investments by the ~~general treasurer~~ governor,
33 and, because of the importance of speedy action, investments in obligations of the United States
34 government or certificates of deposit maturing within one year. These investments may be made

1 within the framework of a policy established by the commission without prior approval of each
2 transaction. The commission shall be empowered to engage one or more fund managers and to
3 delegate to the manager or managers the authority to carry out the investment of the funds within
4 the commission's control, or any portion thereof, in accordance with the objectives of the
5 commission as set forth in its statement of investment objectives and policies.

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

11 (e) Within ninety (90) days after the end of each fiscal year during which the board has
12 conducted business, the commission shall submit an annual report to the governor, the speaker of
13 the house of representatives, the president of the senate, and the secretary of state of its activities
14 during that fiscal year. The report shall provide: an operating statement summarizing meetings or
15 hearings held, meeting minutes if requested, subjects addressed, decisions rendered, rules or
16 regulations promulgated, studies conducted, policies and plans developed, approved, or modified,
17 and programs administered or initiated; a consolidated financial statement of all the funds
18 received and expended including the source of funds, a listing of any staff supported by these
19 funds, and a summary of any clerical, administrative or technical support received; a summary of
20 performance during the previous fiscal year including accomplishments, shortcomings and
21 remedies; a synopsis of hearings, complaints, suspensions, or other legal matters related to the
22 authority of the board; a summary of any training courses held pursuant to section 35-10-1; a
23 briefing on anticipated activities in the upcoming fiscal year; and findings and recommendations
24 for improvements. The report shall be posted electronically on the general assembly and the
25 secretary of state's website as prescribed in section 42-20-8.2 of the Rhode Island general laws.
26 The director of the department of administration shall be responsible for the enforcement of this
27 provision.

28 **35-10-6. Investment of funds not immediately required.** -- (a) Except as otherwise
29 provided in this chapter, any money not immediately required shall be invested for the benefit of
30 the several funds in any security or investment in which deposits of savings banks and
31 participation deposits in banks and trust companies may be legally invested; provided, that
32 investments shall be made in securities as would be acquired by prudent persons of discretion and
33 intelligence in these matters, who are seeking a reasonable income and the preservation of their
34 capital.

1 (b) Notwithstanding subsection (a), the commission is authorized and empowered to
2 execute the disposition and investment of the funds which are within its control in accordance
3 with the prudent person standard as defined in this subsection. The commission shall adopt a
4 statement of investment objectives and policies consistent with the prudent person standard.
5 Management and professional expenses incurred by the commission in the furtherance of this
6 section shall be paid from the funds in an amount required for these expenses. For purposes of
7 this subsection, the prudent person standard shall be that standard of care employed solely in the
8 interest of the participants and beneficiaries of the funds and:

9 (1) For the exclusive purpose of:

10 (i) Providing benefits to participants and their beneficiaries; and

11 (ii) Defraying reasonable expenses of administering the funds;

12 (2) With the care, skill, prudence, and diligence under the circumstances then prevailing
13 that a prudent person acting in a like capacity and familiar with these matters would use in the
14 conduct of an enterprise of a like character and with like aims; and

15 (3) By diversifying the investments of the fund so as to minimize the risk of large losses,
16 unless under the circumstances it is clearly prudent not to do so.

17 (c) The state controller is authorized and directed to draw his or her orders upon the
18 ~~general treasurer~~ [governor](#) for the purchase of investments, upon receipt by him or her of properly
19 authenticated vouchers signed by the chairperson, or ~~a deputy treasurer~~ [his or her designee](#) in the
20 event of the chairperson's absence or illness, and by the secretary of the commission. The
21 proceeds from the sale of investments shall be paid to the ~~general treasurer~~ [governor](#) for the
22 benefit of the several funds on the forms prescribed and duly signed by the chairperson and
23 secretary of the commission.

24 **35-10-14. Investment in corporations doing business in Northern Ireland.** -- (a)

25 Notwithstanding any general or special law or regulation to the contrary, the general treasurer,
26 acting as the treasurer/custodian of the state employees' retirement system and the teachers'
27 retirement system, and as the chairperson of the state investment commission, is authorized and
28 directed to monitor, by reference to reports of the investor responsibility research center or such
29 other sources as he or she may deem useful and appropriate, the extent to which corporations
30 organized under the laws of the United States or the several states and operating in Northern
31 Ireland, in which the assets of the retirement systems or of the pension reserves investment trust
32 fund are invested, adhere to principals of nondiscrimination in employment and freedom of
33 workplace opportunity. In conducting the survey, the general treasurer may utilize any
34 information presently available relative to similar pension plans. In making this determination,

1 the general treasurer shall consider, without limitation, the following standards for corporate
2 activity:

3 (1) Equal access to employment, promotion, and job-preservation without regard to
4 religious affiliation or other minority status;

5 (2) The promotion of religious tolerance within the workplace, and the eradication of any
6 manifestations of religious and other illegal discrimination;

7 (3) Adherence to other legal and regulatory guidelines for nondiscrimination and
8 equality of opportunity existing in Northern Ireland; and

9 (4) Adherence to the MacBride Principles for Northern Ireland, so-called.

10 (b) The ~~general treasurer~~ governor shall set forth the results of the investigation by filing
11 a report with the clerks of the house of representatives and of the senate not later than December
12 31 of each year. The report shall include, but not be limited to, the names and addresses of all
13 United States corporations operating in Northern Ireland in which the assets of the retirement
14 systems or trust fund are invested, and the findings of the general treasurer relative to these
15 corporations' adherence to the standards for corporate activity as set forth in subsection (a). The
16 ~~general treasurer~~ governor shall also report his or her recommendations, if any, consistent with
17 prudent fiduciary practice, based upon the findings of the investigation. The report shall be
18 available for public inspection in the offices of the clerks of the house of representatives and of
19 the senate, and in the office of the ~~general treasurer~~ governor.

20 (c) The ~~general treasurer~~ governor, subject to the approval of the commission, shall,
21 where necessary, appropriate, and consistent with prudent standards for fiduciary practice,
22 support shareholder petitions or initiatives requiring corporate action in compliance with the
23 standards for nondiscrimination set forth in this section.

24 (d) It is not the intent of this section to diminish the present portfolio and it is not the
25 intent of this section to injure the fragile economy of Northern Ireland. The ~~general treasurer~~
26 governor, in accordance with sound investment criteria, is encouraged to make future pension
27 fund investments in United States firms which conduct business in Northern Ireland and which
28 abide by the MacBride Principles of fair employment. Should all or any of the United States firms
29 in which Rhode Island state pension funds are invested refuse to comply with the MacBride
30 Principles, the ~~general treasurer~~ governor, in accordance with sound investment criteria, does
31 have the option and is encouraged to remove these funds and invest them in United States firms
32 which conduct business in Northern Ireland and which abide by the MacBride Principles of fair
33 employment.

1 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

1 This act would transfer the state investment commission from the office of the general
2 treasurer to the office of the governor, remove the general treasurer as a member of the
3 commission, reduce the commission membership from twelve (12) to ten (10) members and
4 transfer all duties of the general treasurer relating to investment of commission assets to the
5 governor.

6 This act would take effect upon passage.

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