



Town of Fairfield

Office of the First Selectman
Fairfield, Connecticut 06824

Kenneth A. Flatto
First Selectman

Sullivan Independence Hall
725 Old Post Road

Testimony to the Banks Committee of the State Legislature
February 27, 2009

Submitted by Kenneth A. Flatto, First Selectman, Town of Fairfield

Dear Legislators,

It is a pleasure to appear before you today to discuss concerns regarding the ability of communities and citizens to safeguard investments and assets managed by professional investment organizations and advisors.

As, you know, Fairfield has recently been the victim of a major fraud regarding a portion to the Fairfield Pension assets invested with funds under the management of professional investment companies known as Tremont Broad Market fund Investments and Maxam Absolute Return Investment Partnership. Each of those funds had general partners, managers and accountants responsible for the fiduciary responsibilities of maintaining and investing such assets. In addition, the Fairfield Pension Board comprised of volunteer members who are citizens and town employee representatives, hired and has professional pension investment advisory consultants whose sole job is to provide the Board with oversight and advice regarding what investments and allocations to make.

The Fairfield Pension system and Investment Boards have been in existence for over 30 years. The recent situation involving a fraud of massive proportions has caused the Fairfield Pension Fund and the Town and its citizens much anguish and financial duress. I would like to suggest that there are ways for the State to possibly strengthen rules and regulations regarding advisors and managers who deal with Pension Funds and other citizen investors, especially regarding investments made that are of a fiduciary nature for Pensions.

Attached are proposals for your consideration.

Submitted by

Kenneth A. Flatto
First Selectman
Town of Fairfield

February 27, 2009

The Honorable Bob Duff
The Honorable Ryan Barry
Co-Chairs, Bank Committee
Connecticut General Assembly
Hartford, CT 06106

RE: Testimony submitted by Kenneth A. Flatto, First Selectman

Dear Senator Duff and Representative Barry,

1. CHANGE the period of time that clients and investors can file complaints or commence civil legal action against investment advisory services or managers or brokers from the current 3 years to 5 years.
2. Establish a law prohibiting in-state investment advisors and/or securities companies to have any financial ownership, or interest in, or fees received from any fund managers or securities recommended to pension or trust clients or customers (Note: this is partially why Fairfield got sucked in, as the original pension advisory consultants sold the then pension board on buying a fund managed by another division of the same investment firm the advisors worked for.
3. Require certain standards for the hiring of investment consultants by pension and trust funds, including requiring a bid/RFP process prior to hiring companies licensed for such endeavors.
4. Required all investment advisors desiring to provide fiduciary investment advisory services to undergo training in portfolio diversification and asset allocation.
5. Establish a small CT investment protection monitoring bureau within the State Treasurer or Attorney General's office, with powers to review citizen or business complaints regarding investment services.

I hope these ideas may help you in considering legislation this year and since I am becoming somewhat expert now in these issues as they relate to how fraud can affect investors and governments.