

BILL ANALYSIS

S.B. 509
By: Huffman
Pensions
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Concerns have been raised regarding the investment practices of certain public retirement systems. S.B. 509 seeks to address these concerns by reforming the law regarding the evaluation and reporting of investment practices and performance of certain public retirement systems.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

S.B. 509 amends the Government Code to require a public retirement system to select an independent firm with substantial experience in evaluating institutional investment practices and performance to evaluate the appropriateness, adequacy, and effectiveness of the retirement system's investment practices and performance and to make recommendations for improving the retirement system's investment policies, procedures, and practices. The bill sets out the required components of each evaluation. The bill authorizes the governing body of a public retirement system to determine additional specific areas to be evaluated and to select particular asset classes on which to focus, but requires the first evaluation to be a comprehensive analysis of the retirement system's investment program that covers all asset classes. The bill requires a report of the first evaluation to be filed with the governing body of the retirement system not later than January 1, 2018. The bill provides for the frequency with which a public retirement system is required to conduct an evaluation of the system's investment practices and performance based on the system's total assets and exempts from the requirement to conduct such an evaluation a public retirement system that has total assets the book value of which, as of the last day of the preceding fiscal year, was less than \$30 million. The bill requires a report of such an evaluation to be filed with the governing body of the public retirement system not later than December 1 of each year in which the retirement system is evaluated and requires the governing body of a public retirement system that receives such a report to submit the report to the State Pension Review Board not later than the 31st day after the date the governing body receives the report. The bill requires a public retirement system to pay the costs of each such evaluation. The bill requires the board, not later than February 1 of each year, to submit an investment performance report to the governor, the lieutenant governor, the speaker of the house of representatives, and the legislative committees having principal jurisdiction over legislation governing public retirement systems and requires the report to compile and summarize the information received under the bill's investment practices and performance report provisions by the board during the preceding calendar year. A report of an evaluation by the Teacher Retirement System of Texas

(TRS) and an investment report that includes TRS under those bill provisions satisfies the requirements of statutory provisions relating to investment practices and performance reports of TRS.

S.B. 509 requires the board for each public retirement system to post on the board's website, or on a publicly available website that is linked to the board's website, the most recent data from reports received under the bill's investment practices and performance report provisions. The bill includes among information required to be included in a public retirement system's annual financial report a listing, by asset class, of all direct and indirect commissions and fees paid by the retirement system during the retirement system's previous fiscal year for the sale, purchase, or management of system assets and the names of investment managers engaged by the retirement system.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2017.