

## **BILL ANALYSIS**

Senate Research Center  
85R5318 LED-D

S.B. 509  
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State Affairs  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Recently, some public retirement systems' investment practices have been scrutinized.

S.B. 509 requires a public retirement system to have an independent firm evaluate the retirement system's investment practices and performance.

S.B. 509 increases transparency, strengthens oversight, and prevents retirement systems from self-inflicted investment catastrophes that jeopardize their members' benefits. Furthermore, by reporting this information to the Pension Review Board (PRB), it enables the PRB to: (1) conduct better investment analysis of systems; (2) provide assistance to systems; (3) provide comparative investment strategy data among peer systems; and (4) help foster informed decision making.

As proposed, S.B. 509 amends current law relating to the evaluation of investment practices and performance of certain public retirement systems.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 802.002(a), Government Code, by exempting the Employees Retirement System of Texas, the Teacher Retirement System of Texas, the Texas County and District Retirement System, the Texas Municipal Retirement System, and the Judicial Retirement System of Texas Plan Two from Section 802.109, Government Code, among certain other sections, except as provided by Subsection (b).

SECTION 2. Amends Subchapter B, Chapter 802, Government Code, by adding Section 802.109, as follows:

Sec. 802.109. INVESTMENT PRACTICES AND PERFORMANCE REPORTS. (a) Requires that a public retirement system (PRS) select an independent firm with substantial experience in evaluating institutional investment practices and performance to evaluate the PRS's investment practices and performance. Requires each evaluation to include certain information.

(b) Requires the governing body of a PRS to determine specific areas to be evaluated, but requires that the first evaluation be a comprehensive analysis of the PRS's investment program.

(c) Requires a PRS to conduct the required evaluation biennially, if the PRS has total assets the total value of which, as of the last day of the last fiscal year considered in an evaluation, was at least \$100 million, and once every five years if the total value of assets was less than \$100 million.

(d) Requires that a report of an evaluation be filed with the governing body of the PRS not later than December 1 of each year in which the PRS is evaluated.

(e) Requires each PRS to pay the costs of each evaluation.

(f) Requires the governing body of the PRS, not later than the 45th day after the first day of a PRS's fiscal year, to submit to the State Pension Review Board (PRB) an annual investment performance report. Requires that the report include certain information.

(g) Requires PRB, not later than February 1 of each year, to submit a comprehensive investment performance report to the governor, lieutenant governor, speaker of the house of representatives, and the legislative committees having principal jurisdiction over legislation governing PRSs. Requires that the report compile the information received under this section by PRB.

SECTION 3. Requires that a report of the first evaluation of a PRS, notwithstanding Section 802.109(c), be filed with the governing body of the PRS not later than December 1, 2018.

SECTION 4. Effective date: September 1, 2017.