

## **BILL ANALYSIS**

Senate Research Center  
86R4804 TSR-F

S.B. 423  
By: Huffman  
State Affairs  
3/21/2019  
As Filed

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

Originally, Teacher Retirement System of Texas (TRS) hedge funds were limited by the legislature at five percent. However, the State Auditor's Office released a report in 2010 concluding that TRS should be permitted to continue investing as deemed appropriate by the TRS Board. In 2011, the legislature temporarily increased the cap to 10 percent and included a sunset date of September 1, 2019. Interested parties believe maintaining a permanent cap of 10 percent is necessary in order to fund investment strategies that will reduce drawdown potential and focus on capital preservation. S.B. 423 would remove the September 1, 2019 sunset date and permanently set the hedge fund investment cap at 10 percent.

As proposed, S.B. 423 amends current law relating to the authority of the Teacher Retirement System of Texas to invest in certain hedge funds.

### **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 825.3012(b), Government Code, to increase from five percent to 10 percent the percentage amount of the value of total investment portfolio of the Teacher Retirement System of Texas (TRS) authorized to be invested in hedge funds.

SECTION 2. Repealer: Section 825.3012(b-1) (relating to a limit on the percent value of the total investment portfolio of TRS authorized to be invested in hedge funds), Government Code.

SECTION 3. Effective date: upon passage or on the 91st day after the last day of the legislative session.