

1-1 By: Shapleigh S.B. No. 650
1-2 (In the Senate - Filed February 21, 2003; February 27, 2003,
1-3 read first time and referred to Committee on Government
1-4 Organization; March 24, 2003, reported adversely, with favorable
1-5 Committee Substitute by the following vote: Yeas 6, Nays 0;
1-6 March 24, 2003, sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR S.B. No. 650 By: Armbrister

1-8 A BILL TO BE ENTITLED
1-9 AN ACT

1-10 relating to requiring the disclosure of certain information by
1-11 state investment funds, including requiring state investment funds
1-12 to post certain information on the Internet.

1-13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-14 SECTION 1. Subchapter F, Chapter 2054, Government Code, is
1-15 amended by adding Section 2054.114 to read as follows:

1-16 Sec. 2054.114. REQUIRED POSTING OF STATE INVESTMENT FUND
1-17 INFORMATION ON INTERNET. (a) In this section, "state investment
1-18 fund" means any investment fund that is investing public funds and
1-19 that is administered by or under a contract with any entity of state
1-20 government, including a fund:

1-21 (1) established by statute or by the Texas
1-22 Constitution; or

1-23 (2) administered by or under a contract with:

1-24 (A) a public retirement system, as defined by
1-25 Section 802.001, that provides service retirement, disability
1-26 retirement, or death benefits for officers or employees of the
1-27 state;

1-28 (B) an institution of higher education, as
1-29 defined by Section 61.003, Education Code; or

1-30 (C) any other entity that is part of state
1-31 government.

1-32 (b) The entity of state government responsible for
1-33 administering a state investment fund shall, on or before the 60th
1-34 day of each calendar quarter, post a report containing the
1-35 information specified by Subsection (c) for the previous calendar
1-36 quarter on a generally accessible Internet site maintained by or
1-37 for:

1-38 (1) the fund; or

1-39 (2) the state governmental entity, if a generally
1-40 accessible Internet site is not maintained by or for the fund.

1-41 (c) The report must state:

1-42 (1) all purchases and sales by or for the fund of
1-43 domestic equity securities and bonds in the following summary form:

1-44 (A) company name;

1-45 (B) total amount of shares traded;

1-46 (C) total commissions paid; and

1-47 (D) the ratio of the amount of the commissions to
1-48 the number of shares;

1-49 (2) the fund's investment managers, investment
1-50 custodians, investment performance measurement consultants,
1-51 securities lending agents, and any other ancillary consultants in
1-52 the following summary form:

1-53 (A) company name;

1-54 (B) average fund assets under management;

1-55 (C) fees paid by the fund; and

1-56 (D) average basis points that fees paid by the
1-57 fund represent in relation to the average assets of the fund under
1-58 management; and

1-59 (3) the dollar amounts of fees, commissions, and other
1-60 amounts paid in connection with the administration of the fund, as
1-61 described under Subdivisions (1) and (2), to businesses,
1-62 categorized according to:

1-63 (A) the race, ethnicity, and gender of the

2-1 controlling ownership of each business;
2-2 (B) the principal place of business of each
2-3 business; and
2-4 (C) the status of each business as a historically
2-5 underutilized business.

2-6 (d) This section does not apply to the Texas Mutual
2-7 Insurance Company created under Article 5.76-3, Insurance Code.

2-8 SECTION 2. Section 66.08, Education Code, is amended by
2-9 adding Subsection (p) to read as follows:

2-10 (p) The corporation or any other entity with whom the board
2-11 contracts for the investment of the permanent university fund or
2-12 other funds under the management and control of the board must
2-13 require any person with whom the corporation or other investing
2-14 entity enters into any agreement, including a limited partnership
2-15 or joint venture agreement, for investment of a portion of those
2-16 funds to disclose to the board the annual performance of all
2-17 investments, joint ventures, partnerships or limited partnerships,
2-18 or other business activities that the person managed or
2-19 participated in managing for the preceding five years. The
2-20 disclosure must include a general description of the nature of each
2-21 of those investments or other activities. The person must make the
2-22 disclosure before the corporation or other investing entity may
2-23 enter into an agreement with the person to invest any funds, and the
2-24 board shall make the information available to the public in the
2-25 manner provided by Chapter 552, Government Code, for other public
2-26 information. This subsection does not require the disclosure of
2-27 information regarding the internal operations of the person or of
2-28 any investment or other activity managed by the person, or of the
2-29 name or identity of any other person participating in an investment
2-30 or other activity for which disclosure is required.

2-31 SECTION 3. This Act takes effect immediately if it receives
2-32 a vote of two-thirds of all the members elected to each house, as
2-33 provided by Section 39, Article III, Texas Constitution. If this
2-34 Act does not receive the vote necessary for immediate effect, this
2-35 Act takes effect September 1, 2003.

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