

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 6, 2003

TO: Honorable Allan Ritter, Chair, House Committee on Pensions & Investments

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB3284 by Martinez Fischer (Relating to permissible investments by the Teacher Retirement System of Texas.), **As Introduced**

No fiscal implication to the State is anticipated.

The bill would not have direct and immediate fiscal implications for state contributions to the Teacher Retirement System; however, the TRS actuary indicates that it would significantly increase the retirement system's unfunded liability.

The bill would prohibit the Board of Trustees of the Teacher Retirement System of Texas (TRS) from investing in any security of a corporation or other entity whose headquarters is not in the United States. In addition, the bill would require that TRS divest of any security not meeting this standard, with the divestiture to occur no later than January 1, 2004. According to the TRS actuary, this bill would result in a significant increase in the retirement system's unfunded actuarial accrued liability. By restricting TRS investments to only those securities of a corporation with headquarters in the U.S., there would be a significant restriction placed on the TRS Board to exercise its fiduciary duty to invest its assets in the sole interest of its plan participants. The restriction would significantly limit TRS' flexibility in establishing investment allocations. The limitation in asset allocation would lead to a lowering of the long-term rate of return for the retirement system. This in turn would increase the unfunded liability of the System.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 323 Teacher Retirement System

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