

Amend SB 1447 (committee printing) by inserting the following new SECTION to the bill and renumbering subsequent SECTIONS of the bill appropriately:

SECTION ____ . Subchapter D, Chapter 825, Government Code, is amended by adding Section 825.3015 to read as follows:

Sec. 825.3015. NEW AND EMERGING INVESTMENT MANAGERS; THRESHOLD INVESTMENT OPPORTUNITIES. In making investments under Section 825.301, the board of trustees shall make a good faith effort, consistent with the requirements of that section and with the retirement system's fiduciary responsibilities, to:

(1) use, after appropriate evaluation by the board of trustees, new and emerging investment managers, such as less established general partners of private equity funds identified by the retirement system as having the underwriting and investment qualifications to provide top-quartile investment returns, and who may include:

(A) new, independent private equity investment management firms that have three or fewer funds under management or a performance record of less than five years; and

(B) private equity funds led by individuals who are raising outside third-party capital for the first time, including:

(i) established firms with an experienced team and an attributable performance record;

(ii) experienced private equity investors who have left an established firm, as a group, to form a new management firm;

(iii) individuals who have prior private equity investment experience but who have limited experience working together and who have formed a new management firm; and

(iv) individuals who have prior industry or private sector experience, such as corporate executives or investment bankers, but who have limited private equity investment experience and who form a firm to invest in private equity investments similar to and consistent with their prior experience; and

(2) invest and reinvest, based on prudent underwriting

standards, in private equity investment opportunities that may not have the levels of historical distributions and consistent realized performance of other retirement system investments but that:

(A) have the majority of the following attributes:

(i) management teams composed of knowledgeable and experienced professionals with established performance records working together;

(ii) senior investment professionals recognized in the industry for successfully implementing the proposed investment strategy;

(iii) a reputation for adhering to structured and disciplined acquisition underwriting standards;

(iv) unique skills, such as skills relating to proprietary deal sourcing, transaction negotiation, valuation, financial engineering, corporate restructuring, platform development, or venture investing;

(v) distinctive insight relative to specific industries and markets;

(vi) a verifiable reputation among portfolio company management for being a value-add investor and partner; and

(vii) proper alignment of interest evidenced by the terms and conditions of the proposed investment opportunity; and

(B) are identified by the retirement system as having the fundamental strategic, organizational, and operational characteristics for future investment and reinvestment by the system.

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