

BILL ANALYSIS

C.S.H.B. 4446
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Pensions, Investments & Financial Services
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The Employees Retirement System of Texas (ERS) and Teacher Retirement System of Texas (TRS) provide retirement, disability retirement, and death benefits for their members. ERS currently uses private professional investment consultants and advisors for its pension fund management. TRS has statutory authority to have up to 30 percent of the total pension fund assets managed by private professional investment managers. It also can use private professional investment managers for consulting, advising, and brokerage services. However, the total amount of pension fund management, advising, consulting, and brokerage services rendered by women-owned or minority-owned private professional investment managers for ERS and TRS is less than one percent.

C.S.H.B. 4446 requires the ERS board of trustees and the TRS board of trustees, in awarding contracts to private professional investment managers or otherwise acquiring private financial services for the investment of system assets, to make a good faith effort to award contracts to or acquire services from qualified emerging fund managers.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 4446 amends the Government Code to require the Employees Retirement System of Texas board of trustees and the Teacher Retirement System of Texas board of trustees, in awarding contracts to private professional investment managers or otherwise acquiring private financial services for the investment of their respective system's assets, to make a good faith effort to award contracts to or acquire services from qualified emerging fund managers. The bill defines "emerging fund manager" as a private professional investment manager that manages assets of not more than \$2 billion and defines "private financial services" as services that include pension fund management, consulting, investment advising, brokerage services, hedge fund management, private equity fund management, and real estate investment.

EFFECTIVE DATE

On passage, or, if the act does not receive the necessary vote, the act takes effect September 1, 2009.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 4446 adds provisions not in the original requiring the Employees Retirement System of Texas (ERS) board of trustees and the Teacher Retirement System of Texas (TRS) board of trustees, in awarding contracts to private professional investment managers or otherwise acquiring private financial services for the investment of system assets, to make a good faith

effort to award contracts to or acquire services from qualified emerging fund managers and defining "emerging fund manager" and "private financial services."

C.S.H.B. 4446 removes provisions in the original requiring the ERS board of trustees to specify in a contract for private professional services with a private professional investment manager that a minimum 25 percent of the services acquired be rendered by women-owned or minority-owned private professional investment managers and prohibiting the ERS board of trustees from contracting in such fashion for investment and management services to be performed on or after September 1, 2014.

C.S.H.B. 4446 removes provisions in the original requiring the TRS board of trustees to specify in a contract for the investment and management of a certain amount of TRS assets held in trust a requirement that a minimum of 7.5 percent of the retirement system's total assets be managed by women-owned or minority-owned private professional investment managers and extending a prohibition that precludes the TRS board of trustees from contracting in the fashion specified by statute for investment and management services to be performed on or after September 1, 2014, rather than the existing end date of September 1, 2012.

C.S.H.B. 4446 removes a provision in the original requiring the TRS board of trustees, in a contract made with a private professional investment manager, advisor, or consultant to assist and advise the board and the retirement system staff in investing the retirement system's assets, to specify that 25 percent of private professional managers, advisors, and consultants be women-owned or minority-owned private professional managers.