

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**April 28, 2009**

**TO:** Honorable Vicki Truitt, Chair, House Committee on Pensions, Investments & Financial Services

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: HB4446** by Alvarado (Relating to the investment authority of the Teachers Retirement System of Texas and Employees Retirement System of Texas.), **As Introduced**

**No significant fiscal implication to the State is anticipated.**

The bill would amend Chapters 815 and 825 of the Government Code to require the Employees Retirement System (ERS) and the Teacher Retirement System (TRS) to specify at minimum 25 percent of the services acquired be rendered by minority-owned or women-owned business enterprises when entering into a contract for private professional investment manager services. Additionally, the bill would provide that in a contract, the TRS board shall specify at minimum 7.5 percent of the total assets are managed by women-owned or minority-owned private professional investment managers. The bill would be effective September 1, 2009, or immediately upon a two-thirds vote of all members elected to each house of the Legislature.

ERS reports that the bill's provisions would result in costs of \$171,131 in fiscal year 2010 and \$164,856 in on-going costs, which include the addition of one Portfolio Manager II position whose duties would include the due diligence and on-going monitoring of the relationships with the investment managers, as well as an increase in advertising expenses to increase the number of minority-owned and women-owned business enterprises to meet the bill's mandate of 25 percent. Finally, ERS reports that it may have to adjust its minimum guidelines that brokers and investment managers must meet so that enough woman- and minority-owned businesses could qualify to allow ERS to meet the 25 percent minimum.

TRS reports that no significant fiscal impact is expected as a result of the bill's provisions. TRS also notes that it may have difficulty meeting the minimum participation requirements of the bill because of the limited available pool of woman- and minority-owned investment firms.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 323 Teacher Retirement System, 327 Employees Retirement System

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