

BILL ANALYSIS

Senate Research Center
82R13981 SGA-F

H.B. 2193
By: Truitt (Duncan)
State Affairs
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Since 1966, the Employees Retirement System (ERS) Board of Trustees (board) has used an Investment Advisory Committee (IAC) to help determine its eligible securities, asset mix, portfolio strategy, and investment policy. While the board has come to rely upon IAC's assistance, no statute regulates eligibility, ineligibility, review, or removal of IAC members. Nor are there guidelines on how to qualify a member to ensure they have no conflicts of interest.

H.B. 2193 establishes qualifications for membership on the IAC. An eligible appointee is required to either have expertise in the management of a financial institution or other business in which investment decisions are made, or be a prominent educator in the field of economics, finance, or another investment-related area.

Additionally, this bill makes eligible for appointment to the IAC any individual who is employed by or participates in the management of an entity that receives funds from ERS, owns or controls more than 10 percent of such an entity, is a paid officer, employee, or consultant of a Texas trade association in the field of investment or insurance or is required to register as a lobbyist on behalf of an entity related to investing the assets of ERS or the state.

Finally, H.B. 2193 requires the board to annually review the eligibility of members of the IAC, and provides that it is a ground for removal from the IAC if a member is not qualified, violates conflict of interest provisions, is unable to discharge the member's duties due to illness or disability, or is absent from more than half of the meetings in a calendar year.

H.B. 2193 amends current law relating to service and qualifications for membership on an advisory committee established by the Employees Retirement System of Texas to provide advice to the board of trustees on investments and investment-related issues.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter F, Chapter 815, Government Code, by adding Sections 815.5091, 815.5092, and 815.5093, as follows:

Sec. 815.5091. MEMBERSHIP ON ADVISORY COMMITTEE ON INVESTMENTS.

(a) Authorizes the board of trustees of the Employees Retirement System of Texas (board of trustees; ERS), under the investment duties delegated to the board by Section 67 (State and Local Retirement Systems), Article XVI (General Provisions), Texas Constitution, to establish an investment advisory committee as the board considers necessary to assist the board in its investment duties.

(b) Requires a person appointed to serve as a member of an advisory committee established by the board of trustees to provide advice to the board on investments and investment-related issues to be:

(1) a person with expertise in the management of a financial institution or other business in which investment decisions are made; or

(2) a prominent educator in the field of economics, finance, or another investment-related area.

(c) Requires a person appointed to serve as a member of a committee described by Subsection (b) to assist the board of trustees in carrying out the board's fiduciary duties with regard to the investment of the assets of ERS and related duties under this chapter and Chapter 609 (Deferred Compensation Plans).

Sec. 815.5092. INELIGIBILITY FOR MEMBERSHIP ON ADVISORY COMMITTEE ON INVESTMENTS. (a) Provides that a person is not eligible for appointment to an advisory committee established by the board of trustees to provide advice to the board on investments and investment-related issues if the person or the person's spouse:

(1) is employed by or participates in the management of a business entity or other organization receiving funds from ERS;

(2) owns or controls, directly or indirectly, more than a 10 percent interest in a business entity or other organization receiving funds from ERS; or

(3) is a paid officer, employee, or consultant of a Texas trade association in the field of insurance or investment.

(b) Provides that a person is not eligible for appointment to a committee described by Subsection (a) if the person is required to register as a lobbyist under Chapter 305 (Registration of Lobbyists) because of the person's activities for compensation on behalf of a business or an association related to the investment of the assets of this state or of ERS.

(c) Defines, in this section, "Texas trade association."

Sec. 815.5093. REVIEW OF AND REMOVAL FROM ADVISORY COMMITTEE ON INVESTMENTS. (a) Requires the board of trustees to at least annually review the eligibility status of members serving on an advisory committee established to provide advice to the board on investments and investment-related issues.

(b) Provides that it is a ground for removal from a committee described by Subsection (a) that a person is:

(1) not qualified for appointment to the committee under Section 815.5091 or 815.5092;

(2) unable to discharge the person's duties on the committee because of illness, disability, or other personal circumstances; or

(3) absent from more than half of the scheduled meetings of the committee that the person is eligible to attend during a calendar year.

(c) Requires the executive director of the board of trustees or committee member, if the executive director or a member of the advisory committee has knowledge that a potential ground for removal exists, to notify the presiding officer of the board of trustees of the potential ground for removal.

(d) Provides that his section does not limit the power of the board of trustees to remove a person from the advisory committee under Section 815.509(a) (authorizing the board of trustees to establish advisory committees as it considers necessary to assist it in performing its duties).

(e) Authorizes the board of trustees to prescribe the process for removal from a committee described by Subsection (a).

SECTION 2. Effective date: September 1, 2011.