

## **BILL ANALYSIS**

C.S.H.B. 2193

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Pensions, Investments & Financial Services  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

The Employees Retirement System of Texas (ERS) administers deferred compensation programs and a service retirement program, the Texas Employees Group Benefits Program, and provides a cafeteria plan under the federal Internal Revenue Code. ERS also serves as the state's social security administrator. The ERS board of trustees established an investment advisory committee that meets regularly with the board and ERS staff to provide advice on investments, investment-related issues, and the board's fiduciary duties. C.S.H.B. 2193 provides statutory guidance to the board in selecting qualified members for appointment to the investment advisory committee, addresses members' potential conflicts of interest, and establishes grounds for the removal of a committee member as necessary.

### **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. 2193 amends the Government Code to authorize the Employees Retirement System of Texas (ERS) board of trustees, under investment duties delegated to the board by the Texas Constitution, to establish an investment advisory committee as the board considers necessary to assist the board in its investment duties. The bill requires a person appointed to serve on an advisory committee established by the ERS board of trustees for the purpose of advising the board on investments and investment-related issues to be a person with expertise in the management of a financial institution or other business in which investment decisions are made or a prominent educator in the field of economics, finance, or another investment-related area. The bill requires a person appointed to such a committee to assist the board of trustees in carrying out the board's fiduciary duties with regard to the investment of ERS assets and related duties under statutory provisions relating to the administration of the retirement system and to deferred compensation plans.

C.S.H.B. 2193 makes a person ineligible for such an appointment if the person or the person's spouse is employed by or participates in the management of a business entity or other organization receiving ERS funds; owns or controls, directly or indirectly, more than a 10 percent interest in a business entity or other organization receiving ERS funds; or is a paid officer, employee, or consultant of a Texas trade association in the field of insurance or investment. The bill makes a person ineligible for such an appointment if the person is required to register as a lobbyist because of the person's activities for compensation on behalf of a business or an association related to the investment of state or ERS assets.

C.S.H.B. 2193 requires the ERS board of trustees to review at least annually the eligibility status of members serving on the advisory committee and makes the following circumstances grounds for removal from the committee: lack of qualifications for appointment to the committee; inability to discharge the person's duties on the committee because of illness, disability, or other

personal circumstances; and absences from more than half of the scheduled meetings of the committee that the person is eligible to attend during a calendar year. The bill requires the executive director of the board of trustees or a member of the committee, if the executive director or member 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. The bill establishes that its provisions do not limit the power of the board of trustees to remove a person from the advisory committee and authorizes the board of trustees to prescribe the process for removal from the committee.

C.S.H.B. 2193 defines "Texas trade association" by reference.

### **EFFECTIVE DATE**

September 1, 2011.

### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

C.S.H.B. 2193 contains a provision not included in the original authorizing the Employees Retirement System of Texas (ERS) board of trustees to establish an investment advisory committee to assist the board in its investment duties. The substitute differs from the original by requiring a person appointed to serve as a member of the advisory committee to be a person with expertise in the management of a financial institution or other business in which investment decisions are made or a prominent educator in the field of economics, finance, or another investment-related area, whereas the original requires such a person to have demonstrated financial expertise and to have worked in private business or industry and have broad investment experience, preferably in investment of pension funds.

C.S.H.B. 2193 differs from the original by requiring an advisory committee appointee to assist ERS in carrying out related duties under provisions governing the administration of the retirement system and deferred compensation plans as well as in carrying out the board's fiduciary duties with regard to investment of the system's assets, whereas the original does not specify related duties nor duties relating to deferred compensation plans. The bill contains a provision not included in the original authorizing the board of trustees to prescribe the process for removal from an investment advisory committee established by the board.