

## **BILL ANALYSIS**

C.S.H.B. 2825  
By: Otto  
Higher Education  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

The University of Texas Investment Management Company (UTIMCO) manages the investment assets under the fiduciary care of the board of regents of The University of Texas System, including the permanent university fund that contributes to the support of The University of Texas System and The Texas A&M University System. UTIMCO is governed by a nine-member board of directors consisting of three UT System regents, the chancellor of the UT System, and five other members appointed by the board of regents of The University of Texas System. That board of regents is currently required to select at least one of the members from a list of candidates provided by the board of regents of The Texas A&M University System, which interested parties contend is insufficient representation for The Texas A&M University System given its share of the total assets under UTIMCO management.

In addition to other provisions, C.S.H.B. 2825 seeks to increase the representation of The Texas A&M University System's interests on the UTIMCO board of directors.

### **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. 2825 amends the Education Code to reduce from nine to six the members of the board of directors of the nonprofit corporation under contract with the board of regents of The University of Texas System to invest funds under the control and management of the board of regents that are appointed by the board of regents. The bill removes the requirement that the board of regents appoint and remove all members of the board of directors of the corporation and requires three, rather than at least three, of the members appointed by the board of regents to be members of the board of regents and requires the other three to have a substantial background and expertise in investments. The bill establishes that two members of the board of directors of the corporation are appointed by the board of regents of The Texas A&M University System, at least one of whom must have a substantial background and expertise in investments.

C.S.H.B. 2825 subjects each appointed member of the board of directors to removal and replacement by and at the pleasure of the appointing entity. The bill removes a provision requiring the board of regents of The University of Texas System to select one or more of the members of the board of directors of the corporation from a list of candidates with substantial background and expertise in investments that is submitted to the board of regents by the board of regents of The Texas A&M University System.

C.S.H.B. 2825 specifies that its provisions do not affect the terms of office of members of the corporation's board of directors who are serving on the bill's effective date. The bill requires the board of regents of The Texas A&M University System to appoint two directors to the board of

directors as follows: one director on the expiration of the term of office of a director serving on the bill's effective date who, under prior law, was appointed to that position on recommendation of that board of regents and one director on the first expiration after the bill's effective date of a term of office of any director, other than the director appointed on recommendation of that board of regents and other than any director who also serves as a member of the board of regents of a university system.

C.S.H.B. 2825 requires the board of directors of the corporation and the board of regents of The University of Texas System, as soon as practicable after the effective date of the bill, to amend the bylaws of the corporation as necessary to give effect to the requirements of the bill's provisions.

### **EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, September 1, 2011.

### **COMPARISON OF ORIGINAL TO SUBSTITUTE**

C.S.H.B. 2825 relates to the composition and appointment of the board of directors of a corporation to which the board of regents of The University of Texas System delegates investment authority for the permanent university fund or other funds under the control of the board of regents; rather than to the investment management of the permanent university fund.

C.S.H.B. 2825 differs from the original by reducing from nine to six, rather than from nine to seven as in the original, the members of the board of directors of the corporation that the board of regents of The University of Texas System is required to appoint. The substitute removes a provision retained in the original requiring the board of regents to appoint and remove all members of the board of directors of the corporation. The substitute differs from the original by including the chancellor of The University of Texas System as a non-appointed member of the board of directors of the corporation, whereas the original specifies that the chancellor is one of the members required to be appointed by the board of regents. The substitute contains a provision not included in the original requiring the three members appointed by the board of regents who are not required to be members of the board of regents to have a substantial background and expertise in investments.

C.S.H.B. 2825 differs from the original by requiring two members of the board of directors of the corporation to be appointed by the board of regents of The Texas A&M University System, at least one of whom must have a substantial background and expertise in investments, whereas the original requires that board of regents to appoint and remove two members of the board of directors of the corporation.

C.S.H.B. 2825 contains a provision not included in the original subjecting each appointed member of the board of directors of the corporation to removal and replacement by and at the pleasure of the appointing entity.

C.S.H.B. 2825 omits a provision included in the original establishing that a vote of 80 percent of the board of directors is required for hiring and firing the chief executive officer of the corporation; approval of the corporation's annual budget; awarding executive compensation, including bonuses; changes to the corporation's asset allocation; and changes to the investment policies of the corporation.

C.S.H.B. 2825 contains provisions not included in the original establishing that the bill's provisions do not affect the terms of office of directors who are serving on the effective date of the bill and setting out requirements for the appointment of two directors to the corporation's board by the board of regents of The Texas A&M University System on the expiration of the terms of office of certain other directors.

C.S.H.B. 2825 contains a provision not included in the original requiring the corporation's board and the board of regents of The University of Texas System to amend the bylaws of the corporation as necessary to give effect to the requirements of the bill's provisions.

