**BILL ANALYSIS**

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| Senate Research Center | S.B. 1665 |
| 85R10681 TSR-F | By: Huffman |
|  | State Affairs |
|  | 3/31/2017 |
|  | As Filed |

**AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

The Teacher Retirement System of Texas (TRS) delivers retirement and related benefits as authorized by law for TRS members and their beneficiaries. In order to comply with fiduciary standards, funds held in the TRS trust must be used exclusively for the benefit of members. S.B. 1665 amends current law to continue the authorization to use derivatives and external managers and removes the sunset date on the authority to invest up to 30 percent of the fund with external managers.

As proposed, S.B. 1665 amends current law relating to the investment authority of the Teacher Retirement System of Texas.

**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 Sections 825.301(a), (b), and (b-1), Government Code, as follows:

(a) Provides that "securities" includes, rather than means, any investment instrument within the meaning of the term as defined by Section 4, The Securities Act (Article 581-4, Vernon's Texas Civil Statutes), 15 U.S.C. Section 77b(a)(1), or 15 U.S.C. Section 78c(a)(10), any derivative instrument, and any other instrument commonly used by institutional investors to manage institutional investment portfolios.

(b) Authorizes the board of trustees to delegate discretionary investment authority to external investment managers to invest and manage not more than 30 percent of the total assets held in trust by the retirement system and may contract with external investment advisors and consultants to assist and advise the board and the staff of the retirement system, rather than authorizes the board of trustees, in addition to the board's authority under Subsection (a-2), to contract with private professional investment managers, advisors, and consultants to assist and advise the board and the staff of the retirement system in investing the assets of the retirement system.

(b-1) Provides that an external, rather than a professional, investment manager, advisor, or consultant, by accepting a delegation of discretionary investment authority, rather than of investment authority under Subsection (a-2), submits to the jurisdiction of the courts of this state in all proceedings arising from or related to performance of the delegated authority or engagement. Provides that Chapter 2260 (Resolution of Certain Contract Claims Against the State) does not apply to a contract under this section, rather than a contract under Subsection (a-2) or (b).

SECTION 2. Repealers: Sections 825.301(a-1) (relating to the expiration and application of this subsection and authorizing the board of trustees to buy and sell certain assets) and (a-2) (relating to authorizing the board of trustees to delegate investment authority and contract with certain persons), Government Code.

SECTION 3. Effective date: upon passage or September 1, 2017.