

BILL ANALYSIS

S.B. 1665
By: Huffman
Pensions
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Interested parties call for certain changes relating to the investment authority of the Teacher Retirement System of Texas (TRS), including the continuation of the authorization for the TRS board to delegate certain investment authority to investment managers. S.B. 1665 seeks to provide for those changes.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

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

S.B. 1665 amends the Government Code to replace the definition of "securities" for purposes of the investment authority of the board of trustees of the Teacher Retirement System of Texas (TRS) as any investment instrument within the meaning of the term as defined by certain provisions of The Securities Act and federal law with a provision establishing that the term includes any such investment instrument, any derivative instrument, and any other instrument commonly used by institutional investors to manage institutional investment portfolios.

S.B. 1665 makes the board's authority to delegate investment authority to certain investment managers to invest and manage not more than 30 percent of the total assets held in trust by TRS permanent by repealing the provision granting that authority temporarily and replacing it without temporal limitation. The bill specifies that the delegated investment authority is discretionary investment authority and changes the type of investment managers to whom such authority may be delegated from private professional investment managers to external investment managers. The bill replaces the authorization for the board to contract with private professional investment managers, advisors, and consultants to assist and advise the board and TRS staff in investing TRS assets with an authorization for the board to contract with external investment advisors and consultants to assist and advise the board and TRS staff.

S.B. 1665 repeals the temporary provision authorizing the board to buy and sell certain investment instruments for the purpose of efficiently managing and reducing the risk of the overall investment portfolio. The bill extends the exemption of a contract under certain provisions relating to the investment of TRS assets from statutory provisions relating to the resolution of certain contract claims against the state to all contracts under provisions relating to the investment of TRS assets.

S.B. 1665 repeals Sections 825.301(a-1) and (a-2), Government Code.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2017.