

By: Huffman

S.B. No. 509

A BILL TO BE ENTITLED

AN ACT

relating to the evaluation of investment practices and performance of certain public retirement systems.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 802.002(a), Government Code, is amended to read as follows:

(a) Except as provided by Subsection (b), the Employees Retirement System of Texas, the Teacher Retirement System of Texas, the Texas County and District Retirement System, the Texas Municipal Retirement System, and the Judicial Retirement System of Texas Plan Two are exempt from Sections 802.101(a), 802.101(b), 802.101(d), 802.102, 802.103(a), 802.103(b), 802.109, 802.2015, 802.2016, 802.202, 802.203, 802.204, 802.205, 802.206, and 802.207. The Judicial Retirement System of Texas Plan One is exempt from all of Subchapters B and C except Sections 802.104 and 802.105. The optional retirement program governed by Chapter 830 is exempt from all of Subchapters B and C except Section 802.106.

SECTION 2. Subchapter B, Chapter 802, Government Code, is amended by adding Section 802.109 to read as follows:

Sec. 802.109. INVESTMENT PRACTICES AND PERFORMANCE REPORTS. (a) A public retirement system shall select an independent firm with substantial experience in evaluating institutional investment practices and performance to evaluate the retirement system's investment practices and performance. Each

1 evaluation must include:

2 (1) a detailed summary of the retirement system's
3 investment asset allocations;

4 (2) any investment policy or strategic investment plan
5 adopted by the retirement system in order to evaluate the
6 retirement system's portfolio risk, cash flow, and liquidity;

7 (3) the names of investment managers appointed by the
8 retirement system's governing body; and

9 (4) a description of the retirement system's asset
10 retention process.

11 (b) The governing body of a public retirement system shall
12 determine specific areas to be evaluated under Subsection (a), but
13 the first evaluation must be a comprehensive analysis of the
14 retirement system's investment program.

15 (c) A public retirement system shall conduct the evaluation
16 required by Subsection (a):

17 (1) biennially, if the retirement system has total
18 assets the book value of which, as of the last day of the last fiscal
19 year considered in an evaluation under this section, was at least
20 \$100 million; or

21 (2) once every five years, if the retirement system
22 has total assets the book value of which, as of the last day of the
23 last fiscal year considered in an evaluation under this section,
24 was less than \$100 million.

25 (d) A report of an evaluation under this section must be
26 filed with the governing body of the public retirement system not
27 later than December 1 of each year in which the system is evaluated

1 under Subsection (c).

2 (e) A public retirement system shall pay the costs of each
3 evaluation of the system under this section.

4 (f) Not later than the 45th day after the first day of a
5 public retirement system's fiscal year, the governing body of the
6 system shall submit to the board an annual investment performance
7 report. The report must include:

8 (1) a listing of all commissions and fees paid by the
9 retirement system during the system's previous fiscal year for the
10 sale, purchase, or management of system assets; and

11 (2) a copy of the retirement system's most recent
12 evaluation under Subsection (a).

13 (g) Not later than February 1 of each year, the board shall
14 submit a comprehensive investment performance report to the
15 governor, the lieutenant governor, the speaker of the house of
16 representatives, and the legislative committees having principal
17 jurisdiction over legislation governing public retirement systems.
18 The report must compile the information received under this section
19 by the board during the preceding calendar year.

20 SECTION 3. Notwithstanding Section 802.109(c), Government
21 Code, as added by this Act, a report of the first evaluation of a
22 public retirement system, as required by Section 802.109,
23 Government Code, as added by this Act, must be filed with the
24 governing body of the system not later than December 1, 2018.

25 SECTION 4. This Act takes effect September 1, 2017.