

By: Schwertner

S.B. No. 1216

A BILL TO BE ENTITLED

AN ACT

relating to the Teacher Retirement System of Texas.

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

SECTION 1. Section 821.001, Government Code, is amended by adding Subdivisions (3-a) and (17-a) to read as follows:

(3-a) "Alternative investment" means an investment in an asset other than a traditional asset. The term includes an investment in private equity funds, private real estate transactions, hedge funds, and infrastructure.

(17-a) "Traditional asset" includes stocks, bonds, and cash.

SECTION 2. Section 825.114, Government Code, is amended by amending Subsections (a) and (b) and adding Subsections (d) and (e) to read as follows:

(a) The board of trustees may establish advisory committees as it considers necessary to assist it in performing its duties. Except as provided by Subsection (d), members ~~[Members]~~ of advisory committees established under this section serve at the pleasure of the board.

(b) Notwithstanding any other law to the contrary except Subsection (d), the board of trustees by rule shall determine the amount and manner of any compensation or expense reimbursement to be paid members of an advisory committee performing service for the retirement system for performing the work of the advisory

1 committee. All compensation and expense reimbursements for an
2 advisory committee established under this section are payable from
3 the expense account or the retired school employees group insurance
4 fund, as applicable.

5 (d) If the board of trustees establishes an advisory
6 committee under this section to provide advice to the board on
7 investments or investment-related issues, the executive director
8 shall serve as an ex officio member of the advisory committee. The
9 executive director shall serve on the advisory committee without
10 additional compensation but is entitled to reimbursement for actual
11 expenses incurred in the performance of the executive director's
12 duties under this subsection.

13 (e) The executive director as an ex officio member of an
14 advisory committee on investments described by Subsection (d) may
15 override any recommendation by the committee to invest retirement
16 system assets in a single alternative investment or in a series of
17 related alternative investments the aggregate of which exceeds \$100
18 million.

19 SECTION 3. Sections 825.206(b) and (f), Government Code,
20 are amended to read as follows:

21 (b) At least once every four [~~five~~] years the actuary, on
22 authorization of the board of trustees, shall:

23 (1) investigate the mortality, service, and
24 compensation experience of the members and beneficiaries of the
25 retirement system;

26 (2) on the basis of the investigation made under
27 Subdivision (1), recommend to the board of trustees tables and

1 rates that are required; and

2 (3) on the basis of tables and rates adopted by the
3 board of trustees under Section 825.105, evaluate the assets and
4 liabilities of the retirement system.

5 (f) An actuarial audit shall be performed in conjunction
6 with an actuarial experience study or at least once every four
7 [~~five~~] years. The audit must include:

8 (1) an analysis of the appropriateness of the
9 actuarial assumptions;

10 (2) a review of the assumptions and methodology for
11 compliance with the funding standards;

12 (3) verification of demographic data; and

13 (4) confirmation of the valuation results, including a
14 determination of actuarial accrued liability, normal cost,
15 expected employee contributions, and the effects of any recent
16 legislation.

17 SECTION 4. Sections 825.301(a-2), (a-3), and (b),
18 Government Code, are amended to read as follows:

19 (a-2) Except as provided by Section 825.3013, the [~~The~~]
20 board of trustees may delegate investment authority and contract
21 with one or more private professional investment managers for
22 investment and management of not more than 30 percent of the total
23 assets held in trust by the retirement system. In a contract made
24 under this subsection, the board of trustees shall specify any
25 applicable policies, requirements, or restrictions, including
26 criteria for determining the quality of investments or the use of
27 standard rating services, that the board of trustees adopts for

1 investments of the system. The board of trustees may not contract
2 under this subsection for investment and management services to be
3 performed on or after September 1, 2019.

4 (a-3) For the purpose of carrying out policy decisions made
5 by the board of trustees and except as provided by Section 825.3013,
6 the board may delegate investment authority with respect to assets
7 held by the retirement system to the executive director or the staff
8 of the retirement system.

9 (b) In addition to the board's authority under Subsection
10 (a-2) and subject to Section 825.3013, the board of trustees may
11 contract with private professional investment managers, advisors,
12 and consultants to assist and advise the board and the staff of the
13 retirement system in investing the assets of the retirement system.

14 SECTION 5. Subchapter D, Chapter 825, Government Code, is
15 amended by adding Section 825.3013 to read as follows:

16 Sec. 825.3013. BOARD APPROVAL OF CERTAIN ALTERNATIVE
17 INVESTMENTS. (a) The executive director, retirement system staff,
18 a private professional investment manager, advisor, or consultant,
19 or any other person delegated authority to invest or reinvest
20 retirement system assets under Section 825.301 may not invest
21 retirement system assets in a single alternative investment or in a
22 series of related alternative investments the aggregate of which
23 exceeds \$100 million unless the board of trustees votes to approve
24 the investment or series of investments, as applicable.

25 (b) The board of trustees shall adopt rules necessary to
26 implement this section.

27 SECTION 6. (a) The Teacher Retirement System of Texas

1 shall, in a contract between the retirement system and a private
2 professional investment manager, advisor, consultant, or other
3 person under authority of Section 825.301, Government Code, as
4 amended by this Act, that is entered into or renewed on or after the
5 effective date of this Act, require that the private professional
6 investment manager or other person comply with Section 825.3013,
7 Government Code, as added by this Act.

8 (b) The Teacher Retirement System of Texas shall seek to
9 amend a contract entered into with a private professional
10 investment manager, advisor, consultant, or other person under
11 authority of Section 825.301, Government Code, as that section
12 existed before the effective date of this Act, to require that the
13 private professional investment manager or other person comply with
14 Section 825.3013, Government Code, as added by this Act. To the
15 extent of a conflict between the requirement of Section 825.3013,
16 Government Code, and a provision of a contract with a private
17 professional investment manager or other person entered into before
18 the effective date of this Act, the contract provision prevails.

19 SECTION 7. This Act takes effect September 1, 2017.