

## **BILL ANALYSIS**

Senate Research Center  
87R10811 JCG-F

S.B. 1372  
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Finance  
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As Filed

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

During the 86th Legislature, S.B. 322 established requirements for public retirement systems to have an independent firm evaluate the retirement system's investment practices and performance. To build upon S.B. 322, this bill requires evaluations of public pension systems to include more details relating to the independent firm's relationship with the retirement system. S.B. 1372 also requires a formal review and comment process prior to publication of the evaluation.

S.B. 1372 will increase transparency, strengthen oversight, and protect retirement systems from self-inflicted investment catastrophes that jeopardize their members' benefits.

As proposed, S.B. 1372 amends current law relating to the evaluation and reporting of investment practices and performance of certain public retirement systems.

### **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 Section 802.109, Government Code, by amending Subsections (a), (d), (e), (f), and (h) and adding Subsection (e-1), as follows:

(a) Requires that each evaluation of the appropriateness, adequacy, and effectiveness of a public retirement system's investment practices and performance include:

(1) a summary of the independent firm's experience in evaluating institutional investment practices and performance and a statement that the firm's experience meets the experience required by this subsection;

(2) a statement indicating the nature of any existing relationship between the independent firm and the public retirement system and confirming that the firm and any related entity are not involved in directly or indirectly managing the investments of the system;

(3) a list of the types of remuneration received by the independent firm from sources other than the public retirement system for services provided to the system;

(4) a statement identifying any potential conflict of interest or any appearance of a conflict of interest that could impact the analysis included in the evaluation due to an existing relationship between the independent firm and the public retirement system; any current or former member of the governing body of the system; or any member or annuitant of the system;

(5) a statement confirming that the firm and any related entity were not involved in developing the public retirement system's investment policies or strategic investment plans; and

(6) an explanation of the firm's determination regarding whether to include a recommendation for each of the following evaluated matters:

(A) - (E) creates these paragraphs from existing text and makes nonsubstantive changes.

(d) Requires that a public retirement system conduct the evaluation described by Subsection (a):

(1) once every three years, if the total assets of the retirement system as of the last day of the preceding fiscal year were at least \$100 million, rather than once every three years if the retirement system has total assets the book value of which, as of the last day of the last fiscal year considered in an evaluation under this section, was at least \$100 million; or

(2) once every six years, if the total assets of the retirement system as of the last day of the preceding fiscal year were at least \$30 million and less than \$10 million; makes conforming changes.

(e) Provides that a public retirement system is not required to conduct the evaluation described by Subsection (a) if the total assets of the retirement system as of the last day of the preceding fiscal year were less than \$30 million, rather than if the retirement system has total assets the book value of which, as of the last day of the preceding fiscal year, was less than \$30 million.

(e-1) Requires the independent firm, not later than the 30th day after the date an independent firm completes an evaluation described by Subsection (a), to:

(1) submit to the public retirement system for purposes of discussion and clarification a substantially completed preliminary draft of the evaluation report; and

(2) request in writing that the system, on or before the 30th day after the date the system receives the preliminary draft, submit to the firm:

(A) a description of any action taken or expected to be taken in response to a recommendation made in the evaluation; and

(B) any written response of the system that the system wants to accompany the final evaluation report.

(f) Requires the independent firm to file the final evaluation report, including the evaluation results and any response received from the public retirement system, with the governing body of the system:

(1) not earlier than the 31st day after the date on which the preliminary draft is submitted to the system; and

(2) not later than the later of the 60th day after the date on which the preliminary draft is submitted to the system, or May 1 in the year following the year in which the system is evaluated under Subsection (a). Creates this subdivision from existing text and makes nonsubstantive and conforming changes.

Deletes existing text requiring that a report of an evaluation be filed with the governing body of the public retirement system by a certain date.

(h) Authorizes a governmental entity that is the employer of active members of a public retirement system evaluated under Subsection (a) to pay all or part of the costs of the

evaluation. Requires that the public retirement system pay any remaining unpaid costs of the evaluation. Makes nonsubstantive changes.

SECTION 2. Makes application of Section 802.109, Government Code, as amended by this Act, prospective.

SECTION 3. Effective date: September 1, 2021.