

## **BILL ANALYSIS**

Senate Research Center  
89R22082 RDR-D

H.B. 3474  
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Finance  
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Engrossed

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

Current state law requires certain public retirement systems in Texas to select an independent firm to complete an investment practices and performance evaluation (IPPE) to assess the system's investment practices and performance and make recommendations regarding areas for improvement. The law specifically requires retirement systems with total assets of at least \$100 million to conduct the evaluation every three years and retirement systems with total assets between \$30 million and \$100 million to do so every six years. In its 2024 Investment Performance Report, the Pension Review Board (PRB) recommended that the legislature update and clarify several requirements regarding IPPE reports regarding applicability and reporting timelines to improve consistency and predictability for retirement systems and the PRB. H.B. 3474 seeks to implement these recommendations by requiring the PRB to develop a schedule of deadlines for conducting IPPE evaluations consistent with current law and clarifying the criteria that subjects systems to certain evaluation requirements.

H.B. 3474 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 (d), (e), (e-1), (f), and (g) and adding Subsections (d-1), (d-2), and (j), as follows:

(d) Requires a public retirement system, in accordance with a schedule of deadlines prescribed by the State Pension Review Board (PRB) and except as provided by Subsection (e), to conduct an evaluation under Subsection (a) (relating to requiring a public retirement system to select an independent firm with substantial experience in certain investment practices), rather than the evaluation described by Subsection (a):

(1) once every three years, if the total assets of the retirement system as of the date of the preceding evaluation, rather than as of the last day of the preceding fiscal year, were at least \$100 million; or

(2) subject to Subsection (d-1), once every six years, if the total assets of the retirement system as of the date of the preceding evaluation were at least \$30 million and less than \$100 million.

Makes conforming changes to this subsection.

(d-1) Requires a public retirement system, if the system is conducting evaluations every six years as required by Subsection (d)(2) and the system's total pension liability increases to at least \$100 million during a fiscal year, to complete the next evaluation under Subsection (a) by the next appropriate deadline, as determined by PRB, under the evaluation schedule.

(d-2) Provides that, subject to Subsection (d-1) and except as provided by Subsection (e), a public retirement system subject to an evaluation requirement under Subsection (d)(1) or (2) remains subject to that same requirement unless both the total assets and the total pension liability of the system decrease to an amount that is below the minimum amount prescribed by the applicable requirement.

(e) Provides that a public retirement system is not required to conduct an evaluation under Subsection (a) if the total assets of the retirement system were less than \$30 million as of the last day of the fiscal year immediately preceding the next evaluation deadline under the evaluation schedule, rather than preceding fiscal year were less than \$30 million. Makes nonsubstantive changes.

(e-1) Requires an independent firm that completes an evaluation, rather than requires an 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 draft, rather than preliminary draft, of the evaluation report; and

(2) request in writing that the system submit certain information to the firm, rather than on or before the 30th day after the day the system receives the preliminary draft submit certain information to the firm.

(f) Deletes existing text requiring 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 public retirement system not earlier than the 31st day after the date on which the preliminary draft is submitted to the system, and 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). Makes nonsubstantive changes.

(g) Requires the governing body of a public retirement system that receives a report of an evaluation under Section 802.109 (Investment Practices and Performance Reports), rather than requires the governing body of a public retirement system not later than the 31st day after the date the governing body receives a report of an evaluation under this section, to submit the report to PRB. Makes nonsubstantive changes.

(j) Defines "evaluation schedule" and "total pension liability."

SECTION 2. Requires PRB, not later than January 1, 2026, to develop the schedule of deadlines required by Section 802.109(d), Government Code, as amended by this Act.

SECTION 3. Effective date: September 1, 2025.