

BILL ANALYSIS

Senate Research Center
82R16013 TJS-F

H.B. 1061
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State Affairs
5/3/2011
Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In 2007, the 80th Legislature authorized the Teacher Retirement System of Texas (TRS) to buy and sell investments commonly used by pension funds expressly to efficiently manage and reduce the risk of the overall investment portfolio.

The legislature also authorized TRS to use external managers for up to 30 percent of the fund. External managers have expertise in certain markets outside the United States, particularly rapidly developing emerging markets, making their services essential as TRS has diversified its investments globally. This authority is used by virtually every public and private pension plan.

These tools reduced TRS trading costs by more than \$200 million.

A sunset date of September 1, 2012, was established on the authority in order to give the legislature an opportunity to review the results.

In December, the State Auditor's Office concluded that these programs should be permitted to continue as deemed appropriate by the board of TRS.

H.B. 1061 seeks to recognize the effectiveness of these tools, by extending the sunset date on the authority that granted them.

This bill extends the sunset date to September 1, 2019.

H.B. 1061 amends current law relating to the expiration of certain investment authority of the Teacher Retirement System of Texas.

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 Sections 825.301(a-1) and (a-2), Government Code, as follows:

(a-1) Provides that this subsection expires September 1, 2019, rather than September 1, 2012, and applies to the investment and reinvestment of assets of the Teacher Retirement System of Texas (TRS) only if the investment or reinvestment is made before September 1, 2019, rather than September 1, 2012.

(a-2) Prohibits the board of trustees of TRS from contracting under this subsection for investment and management services to be performed on or after September 1, 2019, rather than September 1, 2012.

SECTION 2. Effective date: upon passage or September 1, 2011.