

**SUBJECT:** Continuing TRS board authority to contract with external fund managers

**COMMITTEE:** Pensions — favorable, without amendment

**VOTE:** 6 ayes — Flynn, Alonzo, Hefner, Huberty, Paul, J. Rodriguez

0 nays

1 absent — Anchia

**SENATE VOTE:** On final passage, April 19 — 31-0, on Local and Uncontested Calendar

**WITNESSES:** For — Timothy Lee, Texas Retired Teachers Association

Against — None

On — (*Registered, but did not testify:* Ken Welch, Teacher Retirement System)

**BACKGROUND:** Government Code, sec. 825.301(a-1) allows the Teacher Retirement System board of trustees to buy and sell certain futures contracts and options to efficiently manage and reduce the risk of the overall investment portfolio. Sec. 825.301(a-2) allows the TRS board to contract with private professional investment managers to invest and manage up to 30 percent of TRS assets. The board's authority expires on September 1, 2019. Interested parties have noted that it would be desirable to continue the board's authority to contract with private investment managers beyond the 2019 expiration date.

**DIGEST:** SB 1665 would make permanent the authority for the Teacher Retirement System board of trustees to delegate discretionary investment authority to external investment managers to invest and manage a maximum of 30 percent of the total assets held in trust by TRS. It would repeal a similar provision set to expire on September 1, 2019.

The bill also would amend the definition of securities to include any derivative investment and any other investment commonly used by institutional investors to manage institutional investment portfolios.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2017.