

## BILL ANALYSIS

Senate Research Center  
77R2316 SMJ-D

S.B. 983  
By: Duncan  
Finance  
3/20/2001  
As Filed

### DIGEST AND PURPOSE

Currently, most agencies that invest state funds are authorized to use outside money managers to invest some portion of those funds. State investment experts advise that utilization of outside managers enhances portfolio diversity thus providing a greater level of insulation from the swings of the market. The Employees' Retirement System (ERS) and the Teacher Retirement System (TRS) currently have authority to utilize outside advisors, but not managers. The Senate Finance Interim Subcommittee on Major State Investments recommended that these agencies be given explicit authority to use outside money managers if so desired. As proposed, S.B. 983 provides ERS and TRS with that authority.

### 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 815.301, Government Code, by amending Subsections (b) and (c) and adding Subsection (g), as follows:

(b) Adds language to authorize an investment manager with whom the board of trustees of the Employees' Retirement System or the Teacher Retirement System (board) contracts under Subsection (c) to invest and reinvest any of the retirement system's assets and commingle assets of the trust fund and the law enforcement and custodial officer supplemental retirement fund with the assets of the Judicial Retirement System of Texas Plan Two for investment purposes, as long as proportionate ownership records are maintained and credited.

(c) Adds language to authorize the board to contract with private professional investment managers to invest on behalf of the board.

(g) Requires the board, in a contract entered into under Subsection (c) for investing system assets on behalf of the board, to specify any policies, requirements, or restrictions, including criteria for determining the quality of investments and for the use of standard rating services, that the board adopts for investments of the system. Authorizes the board at any time, and requires the board at frequent intervals, to monitor the investments made by the investment manager and authorizes the board to contract for professional evaluation services to fulfill this requirement.

SECTION 2. Amends Section 825.301, Government Code, by amending Subsection (b) and adding Subsection (f), to make conforming changes.

SECTION 3. Amends Section 840.301, Government Code, by adding Subsection (d), to authorize the board to contract with private professional investment managers for the purposes and in the manner provided by Section 815.301 for the investment of assets under Chapter 815.

SECTION 4. Effective date: upon passage or September 1, 2001.