

## **BILL ANALYSIS**

Senate Research Center  
86R4804 TSR-F

H.B. 1612  
By: Murphy (Huffman)  
Administration  
4/29/2019  
Engrossed

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

Originally, Teacher Retirement System (TRS) hedge funds were limited by the legislature at five percent. However, the State Auditor's Office released a report in 2010 concluding that TRS should be permitted to continue investing as deemed appropriate by the TRS Board. In 2011, the legislature temporarily increased the cap to 10 percent and included a sunset date of September 1, 2019. Interested parties believe maintaining a permanent cap of 10 percent is necessary in order to fund investment strategies that will reduce drawdown potential and focus on capital preservation. H.B. 1612 would remove the September 1, 2019, sunset date and permanently set the hedge fund investment cap at 10 percent.

H.B. 1612 amends current law relating to the authority of the Teacher Retirement System of Texas to invest in certain hedge funds.

### **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 825.3012(b), Government Code, to provide that, notwithstanding any provision of Section 825.301 (Investment of Assets), not more than 10 percent, rather than five percent, of the value of the total investment portfolio of the Teacher Retirement System (TRS) may be invested in hedge funds.

SECTION 2. Repealer: Section 825.3012(b-1) (relating to providing that no more than 10 percent of the value of the total investment portfolio of TRS may be invested in hedge funds before September 1, 2019, and providing that this subsection expires September 1, 2019), Government Code.

SECTION 3. Effective date: upon passage or the 91st day after the last day of the legislative session.