

Texas County & District Retirement System Bill Impact: SB 2530

88th Legislative Session

SB Bill 2530 by Senator Bryan Hughes and Senator Lois Kolkhorst relates to contracts with and investments in companies that boycott certain energy companies.

SB 2530 Impact Analysis:

Under current law (Senate Bill 13, 2021), statewide public retirement systems like TCDRS are prohibited from investing in financial companies that boycott energy companies, and state agencies and political subdivisions are prohibited from contracting for goods and services with companies that boycott energy companies. Under the current law, the Texas Comptroller compiles a list of such companies. The list is updated regularly and sent to statewide public retirement systems.

Senate Bill 2530, as passed out of the Senate on May 3, 2023, imposes new investment and contracting prohibitions on statewide public retirement systems. In addition to expanding the definition of “financial company” to include mutual funds and exchange funds, the bill prohibits contracting with the listed financial companies and with affiliates of the listed companies.

Due to uncertainty about which entities would qualify as an affiliate of a listed company or fund, TCDRS is concerned that the bill will hamper our ability to enter into new investment agreements.

Prospective investment managers may be reluctant to add the four new required contractual provisions to investment agreements and may look for investment partnerships elsewhere. Existing investment partners may seek to terminate current investment agreements due to concerns about the new legal environment.

Accordingly, TCDRS is concerned that the resulting uncertain legal environment may cause us to lose some of our investment partnerships, which would negatively impact TCDRS’ earnings and significantly increase employer costs.

Specifically, SB 2530 makes the following changes:

- The definition of financial companies that boycott energy companies is expanded to include mutual funds or exchange-traded funds.
- New contracting prohibitions would apply only to statewide public retirement systems. The new contracting prohibitions would apply to ALL contracts, not only contracts for goods and services, which is how a similar prohibition currently applies to state agencies and political subdivisions.
- The prohibition on contracting with companies that boycott energy companies includes a new restriction that prohibits a statewide public retirement system from contracting with “affiliates” of the companies that appear on the Comptroller’s list. The restriction on contracting with

affiliates does not apply to state agencies or political subdivisions.

- The Comptroller is not required to develop a list of affiliated companies, so statewide public retirement systems would be left to make those determinations based on the broad definition of “affiliate”.