

AN ACT

relating to custody of the assets of certain public retirement systems.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 802.205, Government Code, is amended by amending Subsection (a) and adding Subsections (d) through (g) to read as follows:

(a) If the governing body of a public retirement system contracts for professional investment management services, it also shall enter into an investment custody account agreement designating a bank, ~~[or a]~~ depository trust company, or brokerage firm to serve as custodian for all assets allocated to or generated under the contract.

(d) If the governing body enters into a contract under Subsection (a) with a brokerage firm, the firm must:

(1) be a broker-dealer registered with the Securities and Exchange Commission;

(2) be a member of a national securities exchange;

(3) be a member of the Securities Investor Protection Corporation;

(4) be registered with the State Securities Board; and

(5) maintain net regulatory capital of at least \$200 million.

(e) A brokerage firm contracted with for custodial services

1 under this section may not have discretionary authority over the
2 retirement system's assets in the firm's custody.

3 (f) A brokerage firm that provides custodial services under
4 Subsection (a) must provide insurance against errors, omissions,
5 mysterious disappearance, or fraud in an amount equal to the amount
6 of the assets the firm holds in custody.

7 (g) A brokerage firm that provides consulting advice,
8 custody of assets, or other services to a public retirement system
9 under this chapter shall discharge its duties solely in the
10 interest of the public retirement system in accordance with Section
11 802.203.

12 SECTION 2. (a) This Act applies to a contract with a
13 brokerage firm for the custody of assets of a public retirement
14 system under Section 802.205, Government Code, as amended by this
15 Act, that is entered into on or after the effective date of this
16 Act.

17 (b) This Act validates a contract with a brokerage firm for
18 the custody of assets of a public retirement system that was entered
19 into before the effective date of this Act as being in compliance
20 with the law of this state if the requirements of Section 802.205,
21 Government Code, as amended by this Act, are satisfied by the
22 contract.

23 SECTION 3. This Act takes effect immediately if it receives
24 a vote of two-thirds of all the members elected to each house, as
25 provided by Section 39, Article III, Texas Constitution. If this
26 Act does not receive the vote necessary for immediate effect, this
27 Act takes effect September 1, 2003.

David Newkirk
President of the Senate

Jim Coakley
Speaker of the House

I hereby certify that S.B. No. 977 passed the Senate on May 8, 2003, by the following vote: Yeas 31, Nays 0. _____

Lacey Brown
Secretary of the Senate

I hereby certify that S.B. No. 977 passed the House on May 28, 2003, by the following vote: Yeas 140, Nays 0, two present not voting. _____

Robert Haney
Chief Clerk of the House

Approved:

20 JUN '03
Date

Rick Perry
Governor

FILED IN THE OFFICE OF THE
SECRETARY OF STATE
9:30 PM O'CLOCK

Ann Shea
Secretary of State