

# BILL ANALYSIS: SB 312

BY **Aliyah Formont**, Life:Powered  
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## **CAPTION**

Relating to the fiduciary responsibility of the governing body of the public retirement systems in this state and the investment managers and proxy advisors acting on behalf of those systems.

## **PURPOSE**

Authored by Senator Bryan Hughes, SB 312 ([2025](#)) codifies a “Texas policy” for proxy voting and for all investment activities to ensure policies are consistently applied across all public retirement systems in Texas pensions. SB 312 aims to ensure that public retirement systems across the state are managing investments and making decisions based solely on financial factors. By eliminating the influence of political activism in investment and proxy voting decisions and requiring transparency, retirement funds can better maximize returns for participants and beneficiaries.

SB 312 expands existing fiduciary standards in the Texas Gov’t Code and applies to not only the governing board of state pension funds but to investment managers and proxy advisors acting on behalf of the retirement systems as well. SB 312 seeks to set clear and uniform standards for the fiduciary responsibility of pensions and their chosen asset managers.

## **BACKGROUND**

According to the Texas Pension Review Board (TPRB), state and local public pension systems manage approximately \$382 billion in taxpayer and member contributions ([TPRB, n.d.](#)). Texas taxpayers are ultimately responsible for funding the state’s pension systems, making them the rightful owners of the assets and deserving of transparency in how shares are voted.

Pension fund managers have a primary duty to maximize financial returns for Texas retirees. As pension systems increasingly shift investments from traditional public stocks and bonds to private and alternative assets, such as private equity, new risks emerge, along with the potential involvement of political activists. The influence of political activism may not always be fully transparent to pension trustees. Given the significant taxpayer investment and the lack of clear reporting on these assets, there is a pressing need for legislators to strengthen transparency in public investments and provide clearer guidance to fund managers to ensure the optimal financial outcomes.

## **SECTION BY SECTION ANALYSIS**

**SECTION 1:** Amends definitions to Government Code Section 802.001 by adding the definitions for “financial factor,” “investment manager,” and “proxy advisor.”

- “Financial factor” is defined as any factor that a prudent investor would expect to have a material effect on controlling financial risk and achieving financial returns.
- An “investment manager” is defined as someone who receives compensation for managing and investing pension assets.
- “Proxy advisor” is defined as a person who receives compensation for corporation ratings, proxy research and analysis, proxy voting, and other similar services for the purpose of advising shareholders how to vote on matters under consideration by shareholders.

**SECTION 2:** Amends Government Code Section 802.002(a) by removing the exemption from section 802.203(a) and (b) for the Employees Retirement System of Texas, the Teacher Retirement System of Texas, and other entities.

**SECTION 3:** Amends Government Code Section 802.203(a) to direct investment managers of a public retirement system to act solely in the financial interest of participants as well as beneficiaries for the exclusive purposes of:

1. Managing risk and providing financial benefits to participants and their beneficiaries
2. Defraying the reasonable expenses of administering the system.

**SECTION 4:** Amends Government Code (Subchapter C, Sections 802.2031 through 802.2038) to outline obligations for investments, contract requirements, proxy voting, public reporting, and exemptions.

**Section 802.2031:** Clarifies that the fiduciary duty of pensions and investment managers is to make decisions solely based on the financial interests of participants and beneficiaries.

- Investments should be made prudently and in line with fiduciary standards.
- Only financial factors should be considered when performing duties related to the plan administered by the system.
- System assets must not be used for purposes related to social, political, or ideological interests.
- Shares held by the public retirement system must be voted based solely on financial factors.

**Section 802.2032:** Requires certain considerations to be taken into account when a public retirement system enters into a contract with investment managers or proxy advisors that advise or vote on investing the assets of the public retirement system, including:

- Decisions will be based solely on financial factors for managing, advising, or voting.
- Zero action aimed to further social, political, or ideological interests.

**Section 802.2033:** Proxy voting authorities may not be used by public retirement systems unless:

- The proxy advisor has a proxy voting policy that follows the voting requirements listed in Section 802.2031(b), where the sole purpose of voting is to maximize financial return and minimize risks. Customizations are allowed only to the extent that they are consistent with this purpose.
- The governing body of a public retirement system must provide the State Pension Review Board with a copy of the policy.

**Section 802.2034:** Outlines the guidelines for proxy voting, public notices, and the annual report. A public retirement system is required to post on a public website how a proxy advisor will cast a proxy vote made on behalf of the system either:

1. The seventh day before the date a proxy vote is to be cast; or
2. 48 hours after a vote recommendation is received from the proxy advisor.

**Section 802.2035:** Public retirement systems with more than \$100 million in assets shall submit a report annually to the State Pension Review Board that includes:

- List of funds or investments during the prior 12-month period and investment managers that the system contacts with, including:
  - Name of fund or investment entity.
  - The date that the fund was established and each date in the prior 12-month period the system invested in the fund.
- The amount of money the system committed, invested, or received from any fund or investment during the prior 12-month period.
- Any fees, charges, or compensation paid by the system during the applicable 12-month period.
- The internal rate of return for each fund or investment.
- Regarding each contract with an investment manager providing investment manager services, the report required must contain:
  - The net value of the assets being managed under the contract; and
  - The total amount of fees, charges, or compensation paid by the system during the preceding 12-month period.
- The annual report will be posted publicly to the board's website.

**Section 802.2036:** A public retirement system can restrain an investment manager or proxy advisor from breaching or violating the provisions in Section 802.2032 or 802.203(a).

**Section 802.2037:** A public retirement system is not subject to a requirement of Sections 802.203 through 802.2035 if the system determines that the requirements are inconsistent with its fiduciary responsibility. The system must notify the State Pension Review Board of the determination, and the board shall post the determination on the board's publicly accessible Internet website.

**Section 802.2038:** The State Pension Review Board may adopt rules to implement the previous sections.

**SECTION 5:** The changes in law made by this Act apply only to a contract entered on or after the effective date of this Act.

**SECTION 6:** The Act takes effect on September 1, 2025.

## REFERENCES

SB 312. Filed. 89th Texas Legislature. Regular. (2025). <https://www.telicon.com/www/TX/89R/pdf/TX89RSB00312FIL.pdf>

Texas Pension Review Board. (n.d.). *Aggregate data*. Retrieved March 28, 2025, from <https://data.prb.texas.gov/aggregate.html#:~:text=The%20100%20plans,The%20100%20plans%2%20include>

