

Texas Municipal League  
Intergovernmental Risk Pool



*Investment Policy*

*October 25, 2024*



**TEXAS MUNICIPAL LEAGUE  
INTERGOVERNMENTAL RISK POOL**

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**INVESTMENT POLICY  
October 25, 2024**

*A Resolution Amending the  
Texas Municipal League  
Intergovernmental Risk Pool's  
Investment Policy*

**WHEREAS**, the Pool's investment policy requires the Pool to adopt an investment policy by rule, order, ordinance, or resolution; and

**WHEREAS**, the investment policy requires the Pool to review its investment policy, investment strategies, and authorized brokers not less than annually; and

**WHEREAS**, the attached investment policy and incorporated revisions comply with the Public Funds Investment Act and Chapter 504 of the Texas Labor Code, as amended.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Trustees of the Pool:

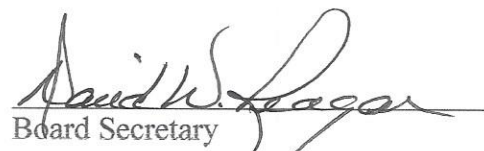
That the Pool, in compliance with the requirements of the Public Funds Investment Act and Chapter 504 of the Texas Labor Code, hereby readopts the investment policy of the Pool with amendments effective October 25, 2024.

**PASSED, ADOPTED AND APPROVED** by  
the Board of Trustees of the Pool  
the 25<sup>th</sup> day of October 2024

Approved:

Attest:

  
Chair

  
Board Secretary

**TEXAS MUNICIPAL LEAGUE INTERGOVERNMENTAL RISK POOL  
INVESTMENT POLICY**

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## I. BACKGROUND

### History

The Texas Municipal League Intergovernmental Risk Pool provides property, liability and workers' compensation coverage for certain governmental entities of the State of Texas. Member entities include cities, housing authorities, water and irrigation districts, council of governments, hospital districts, flood control districts, tax appraisal districts, transit authorities, mental health/mental retardation agencies, public utility boards, river authorities, fire districts/emergency service districts, 911 districts, municipal utility districts, and other special districts and authorities.

The Texas Municipal League Workers' Compensation Joint Insurance Fund was created in January 1974 when two local governments entered into an interlocal agreement. This Fund provided coverage, which conforms to the workers' compensation laws of Texas. The Texas Municipal League Joint-Self Insurance Fund (Liability and Property Funds) was created in 1981. The coverages provided by these Funds include general liability, automobile liability, automobile physical damage, law enforcement liability, public officials' errors and omissions, hangarkeepers liability, chartered aircraft and airport liability, real and personal property, mobile equipment, boiler and machinery, and other specialized coverages. As part of the coverage, the Pool provides risk management services with emphasis on loss control.

In August 1990, the Board of Trustees created the Reinsurance and Stability Funds. The purpose of the Reinsurance Fund is to retain additional layers of risk as an alternative to purchasing excess insurance. The purpose of the Stability Fund is to provide (1) protection of all the Pool's claims incurring funds to offset the inability of any such fund to meet its cash requirements, (2) a reserve for Unallocated Loss Adjustment Expenses (ULAE), (3) a reserve for the Pool's estimated future liability in the Texas Municipal Retirement System, and (4) an Employment Cost Reserve (ECR) to manage personnel costs. Effective October 1, 2024, the Cyber Fund was created to provide coverage for cyber and data breach liability.

Senate Bill 2551 (SB 2551) was passed by the Texas Legislature during the 86<sup>th</sup> Legislative session and signed into law by the Governor on June 10, 2019. SB 2551 modified the Texas Government Code, beginning at Section 607.055 (Types of cancers covered) and the Texas Labor Code, adding Section 504.074 (Expanded investment authority). The new law expanded the number and types of cancer presumed under the Texas workers compensation statutes to be related to the hazards of firefighting. To help offset the additional costs afforded by the expansion of benefits, SB 2551 provides the Pool flexibility related to the choice of investments for all workers' compensation death and lifetime income benefits. The law allows governmental self-insurance pools (as well as governmental self-insureds) to establish an account for these types of losses, and to utilize investment instruments in that fund beyond those instruments authorized under the Texas Public Funds Investment Act.

The types of authorized investments are governed by the "*prudent person rule*", which states that investments will be made, "*with the care, skill, prudence, and diligence under*

*the prevailing circumstances that a prudent person acting in a like capacity and familiar with matters of the type would use in the conduct of an enterprise with a like character and like aims.”*

The Pool's investment portfolio is comprised of funds that are the reserves, working capital and members' equity of the Workers' Compensation, Liability, Property, Stability, Reinsurance, and Coastal Storm Funds and are invested daily. The Pool accounts for the monies of the Pool on a combined basis. Monies of the various funds are consolidated for banking and investment purposes; however, each fund's operations are accounted for separately and investment income allocated accordingly.

### **Mission Statement and Guiding Objectives**

The mission of the Pool is to offer and provide Texas municipalities and other units of local government with a stable and economic source of risk financing and loss prevention services. As the mission statement is the Pool's foundation, the following objectives are its building blocks:

- Educate members about avoiding and reducing risks
- Control losses with effective legal defense and claims handling
- Anticipate emerging risks
- Be aware of and anticipate emerging state and national trends
- Provide appropriate coverages that meet the needs of the Pool's Members
- Serve as an expert source of information on risk management for cities, other units of local government, and the Texas Municipal League
- Develop, train and retain highly qualified staff

### **Basis of Investment Policy**

#### **Public Funds Investment Act**

The Public Funds Investment Act (Chapter 2256, Texas Government Code) is the primary investment regulation under State law for local governments (Appendix A) and is referred to throughout this document. The Pool, as a local government, adheres to the investment policies adopted by the State for local governments, since those policies are both conservative and prudent, and since the Pool's purpose is to provide services to other local governments.

#### **Chapter 504 of the Texas Labor Code**

Chapter 504 of the Texas Labor Code grants the Pool sole discretion, under the prudent person rule, to establish an account and accumulate and invest assets in such account for the interest of current and future beneficiaries of workers' compensation death and lifetime income benefits. Chapter 2556, Government Code (Public Funds Investment Act) does not apply to the investment of these assets.

## II. PURPOSE AND OBJECTIVES STATEMENT

### Investments Governed by the Public Funds Investment Act

The purpose of this investment policy and cash management program is to ensure the safety, liquidity and maximum return on the funds entrusted to the Texas Municipal League Intergovernmental Risk Pool. This policy will ensure that all available funds are invested to the maximum extent possible at the highest rates obtainable at the time of the investment in conformance with the guidelines outlined herein. The investments shall be consistent with the State law and made in accordance with the following primary objectives:

- understanding of the suitability of the investment to the financial requirements of the Pool,
- preservation of capital and protection of principal,
- maintenance of sufficient liquidity to meet operating needs,
- security of Pool funds and investments,
- diversification of investments to avoid unreasonable and avoidable risks, and
- maximization of return on the portfolio.

Safety and preservation of capital are addressed by purchasing the highest quality, creditworthy investments. Safety is further assured by requiring adequate collateral and structuring the portfolios to ensure adequate diversification of maturity, issuance and market sector.

Liquidity is critical to honor the Pool's obligations. Liquidity is assured through sufficient distribution of funds in highly liquid investment instruments based on sound cash flow principles and projections.

After all safety and liquidity requirements have been met, investments can be made to enhance the return through active portfolio management.

Effective cash management is a vital part of the investment objectives. The cash management program is designed to assure that deposits are processed as rapidly as possible through state-of-the-art streamlined procedures designed to maximize the time available for funds to be invested.

Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. Investment of funds shall be governed by the following investment objectives, in order of priority:

- (1) preservation and safety of principal;

- (2) liquidity; and
- (3) yield.

Investments Governed by Chapter 504 of the Texas Labor Code

The objectives of investing assets for the payment of death and lifetime income benefits are the following:

1. Establish an account for the payment of death and lifetime income benefits;
2. Accumulate assets in an amount the Pool, in its sole discretion, determines is necessary in order to pay death and lifetime income benefits;
3. Recognize that the establishment of an account and amount of assets accumulated in the account does not affect the liability of the Pool for the payment of death and lifetime benefits;
4. Acknowledge that Chapter 2256, Government Code (Public Funds Investment Act) does not apply to the investment of assets in the account established to pay these claims;
5. Discharge its duties solely in the interest of current and future benefits;
  - a. For the exclusive purposes of:
    - i. Providing death and lifetime income benefits to current and future beneficiaries; and
    - ii. Defraying reasonable expenses of administering the account:
  - b. With the care, skill, prudence, and diligence under the prevailing circumstances that a prudent person acting in a like capacity and familiar with matters of the type would use in the conduct of an enterprise with a like character and like aims
  - c. By diversifying the investments of the account to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and
  - d. In accordance with the documents and instruments governing the account to the extent that the documents and instruments are consistent with Chapter 504 of the Texas Labor Code.
6. Act prudently and in the interest of the current and future beneficiaries of the account in choosing and contracting with professional investment management services and in continuing the use of an investment manager;
7. Accumulate assets for the account from (1) assets reserved for the payment of current death and lifetime income benefits and (2) assets of the Pool's net position (members' equity) in the Workers' Compensation and Reinsurance Funds for current claim development and future beneficiaries, as approved by the Board of Trustees;
8. Though the preservation of principal over the long term will remain a guiding goal, investment yield (investment income) shall be a primary objective;
9. Designate the accumulated assets as the Workers' Compensation Lifetime Benefits Investment Portfolio (LTB Portfolio).



### III. AUTHORIZED INVESTMENTS

Below is a list of investments that are authorized by the Pool in accordance with the Public Funds Investment Act:

1. Obligations of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;
2. Direct obligations of the State of Texas or its agencies and instrumentalities;
3. Mortgage-backed securities directly issued by a federal agency or instrumentality except for collateralized mortgage obligations.
4. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;
5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent;
6. Certificates of deposit and share certificates authorized by section 2256.010 of the Public Funds Investment Act;
7. Repurchase agreements authorized by section 2256.011 of the Public Funds Investment Act;
8. No-load money market mutual funds authorized by section 2256.014 of the Public Funds Investment Act;
9. No-load mutual funds authorized by section 2256.014 of the Public Funds Investment Act;
10. Investment Pools authorized by sections 2256.016 and 2256.019 of the Public Funds Investment Act;
11. Interest-bearing banking deposits guaranteed or insured by the Federal Deposit Insurance Corporation or its successor.

Below is a list of investments that are authorized by the Pool in accordance with the provisions of Chapter 504 of the Texas Labor Code and the prudent person rule:

1. Obligations of corporations rated as investment grade by a nationally recognized credit rating agency and having received a rating of not less than BBB- or its equivalent;
2. Mutual funds invested in below investment grade corporate bonds with a weighted average rating of B or above;
3. Stocks (Equities) of companies traded on US stock exchanges;
4. Mutual funds invested in stocks traded on US stock exchanges;

5. Commercial mortgage-backed securities (CMBS) rated BBB- or above by a nationally recognized credit rating agency;
6. Asset-backed securities (ABS) rated BBB- or above by a nationally recognized credit rating agency;
7. Non-agency residential mortgage mortgage-backed securities (RMBS) rated BBB- or above by a nationally recognized rating agency.

### **Existing Investments**

The Pool is not required to liquidate investments that were authorized investments at the time of purchase. However, the Pool shall take all prudent measures that are consistent with its investment policy, including the guidelines pertaining to sales of securities resulting in realized losses, to replace or liquidate an investment that falls out of compliance.

## **IV. POLICY GUIDELINES**

### **Investment Strategy**

To enhance long-term growth and fulfill all the objectives of the Pool, the portfolio will be directed toward a diversified investment strategy by market sector, security type, and maturity. The risk-return relationship will be maintained and controlled through direct compliance with this policy. The following parameters delineate the investment strategy.

### **Designation of Investment Officers**

The Chief Financial Officer & Chief Investment Officer and Staff Actuary & Investment Officer are the designated Investment Officers of the Pool and shall be responsible for managing the Pool's investment program including investing of the Pool's funds and assuring compliance with the Pool's investment policy, procedures, and guidelines.

### **Executive Director**

The Executive Director will monitor the investment program including oversight of the Investment Officers. The Executive Director will consider recommendations from the Chief Financial Officer/Chief Investment Officer and the Investment Consultant to monitor the program implementation and policy compliance.

### **Ethics Disclosure and Conflicts of Interest**

An Investment Officer shall file a disclosure statement, in accordance with section 2256.005 (i) of the Texas Public Funds Investment Act, with the Texas Ethics Commission and the Board of Trustees if there is a personal business relationship with a business organization engaged or offering to engage in an investment transaction or financial service with the Pool. A disclosure statement is also required if an Investment Officer is related, as defined by the Act, to an individual engaged or offering to engage in an investment transaction or financial service.

### **Investment Training**

The Chief Financial Officer & Chief Investment Officer and Staff Actuary & Investment Officer shall attend at least one training session from an independent source approved by the Board containing at least 10 hours of instruction relating to their responsibilities under the Texas Public Funds Investment Act within 12 months of assuming duties. In addition, the Chief Financial Officer & Chief Investment Officer and Staff Actuary & Investment Officer shall attend an investment training session not less than once in a two-year period consisting of not less than 8 hours of instruction. Approved sources for investment training include the Texas Municipal League (TML) and the Government Treasurers' Organization of Texas (GTOT).

### **Investment Strategy Techniques**

The Pool's investment strategy is to manage and invest its working capital, loss reserves and members' equity in accordance with policies, objectives and requirements established

to meet the needs of the Pool while adding value to the portfolio using three techniques: indexing, sector/security analysis and rate anticipation.

Indexing is a technique designed to match the characteristics and performance of the Pool's custom benchmarks (See Custom Benchmarks). The custom benchmarks are established to meet the Pool's investment objectives relating to working capital, loss reserves and members' equity.

Sector/security analysis seeks to benefit from temporary price discrepancies in the various sectors of the Fixed Income Market. The basic assumption is that any deviation is temporary in nature and that superior returns will be earned by investing heavily in the sector that appears to be undervalued relative to alternative fixed income securities.

Interest rate anticipation utilizes a measurement called duration to quantify the interest rate exposure of the portfolio. Duration provides an estimate of the volatility or sensitivity of the market value of a bond portfolio to changes in interest rates. The duration of a portfolio is compared with the duration of the index (see Portfolio Evaluation and Reporting). If the manager anticipates that interest rates will decline, then the manager will maintain a portfolio duration greater than the index. If the manager anticipates that interest rates will rise, then the portfolio's duration will be lower than the index.

Passive Investing utilizes mutual funds for allocating Pool investments.

### **Investment Professional Standards**

The Executive Director, after approval of the Board of Trustees, is authorized to contract for services of investment professionals who possess the necessary specialized research capabilities and skilled manpower to meet the Pool's investment objectives and guidelines in compliance with 2256.003 and other applicable sections of the Public Funds Investment Act. All investment professionals shall comply with the following standards as established by the Board of Trustees and the Executive Director of the Pool.

The investment professionals shall conduct business with integrity and dignity and act in an ethical and professional manner in their dealings with the Pool. The investment professionals should act with competence, use proper care, and exercise professional judgment in decisions relating to the Pool. Evidence of competence includes adequate education, experience, and professional designations (e.g., Chartered Financial Analyst). Professionals of equal qualifications should be available to perform the duties in the absence of the primary investment professional.

Investment professionals shall maintain knowledge of and comply with all applicable state and federal laws in addition to the policy and guidelines of the Pool.

Investment professionals shall, when making an investment recommendation or taking an investment action for the Pool, consider its appropriateness and suitability for the Pool. In considering such matters, the investment manager shall consider (a) the needs and circumstances of the Pool, (b) the characteristics of the investment involved, and (c) the characteristics of the total portfolio.

Investment professionals shall conduct themselves in such a manner that transactions of the Pool have priority over personal transactions, so that personal transactions do not have an adverse effect on the interests of the Pool.

Investment professionals must act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in conducting an enterprise of like character and like aims.

Investment professionals shall accept fiduciary responsibility in the investing of Pool funds and be bonded or provide other assurances to ensure against misappropriation of Pool funds, including errors and omissions coverage. All cash and investment trades shall be transacted by the investment custodian.

### **Investment Consultant**

The Investment Consultant provides advise to the Pool on investment-related matters, including the development of investment goals and objectives, investment policies and strategies, asset allocation decisions, high-level implementation issues, some manager search, selection, monitoring and terminations, investment management guidelines and restrictions, and analysis of investment performance. The Investment Consultant shall comply with the Pool's Investment Professional Standards.

The Investment Consultant will report to the Board on at least an annual basis. The report will include an analysis of investment performance, market conditions and other investment-related matters.

### **Portfolio Management**

#### **Investment Management Structure**

To maximize the earnings potential and to reduce the risk of its investments, it is the Pool's policy to maintain a diversified investment management structure. To assist in achieving its investment goals, the Pool contracts with professional investment management firms. The investment management firms are responsible for managing the funds designated to them by the Board of Trustees under the guidelines of the Pool's investment policy. To assure that the Pool's total portfolio remains diversified, it shall be the policy of the Pool to award investment management contracts to at least two separate investment management firms.

In addition to utilizing investment management firms, the Pool may use its staff to invest a portion of the Pool's total portfolio. In addition to performing any assigned in-house investing, the Pool's staff shall be responsible for monitoring the performance of the total portfolio, as well as the performance of the individual investment management firms.

The Pool may also use mutual funds in the account established under Chapter 504 of the Texas Labor Code as part of the investment management structure to index and diversify the investment portfolio.

#### **Management of the In-House Portfolio**

The Chief Financial Officer & Chief Investment Officer and Staff Actuary & Investment Officer will be subject to all guidelines and standards of this policy. The Chief Financial Officer & Chief Investment Officer, Staff Actuary & Investment Officer, or other designated investment officer shall be responsible for the management of the in-house investment portfolio, the amount to be determined by the Board. All the in-house investments shall be acquired on a competitive basis and require at least three competitive offers or bids for investment purchases and sales. The portfolio manager of the in-house portfolio shall confer with the other investment officers prior to or immediately after the

execution of each trade. The Chief Financial Officer & Chief Investment Officer shall also implement investment training for the Pool.

#### The Investment Managing Firms

The investment management firm must be registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board. The investment managing firms will be subject to all guidelines and standards of this policy. The investment managing firms shall provide evidence of professional competency and experience in addition to other requirements set forth in the Investment Professional Standards. In addition, the managers shall provide a detailed description of their core investment strategy, investment techniques and other information relevant to the nature of their investment philosophy. This information shall be used in the evaluation of investment strategy consistency and in the allocation of funds as determined by Executive Director and Chief Financial Officer in the administration of the Pool's overall investment strategy.

The investment manager shall consider geographic distribution in placing investments if it does not unduly affect the return to be received by the Pool from such placement.

#### Texas Public Funds Investment Act Certification

For funds governed by the Texas Public Funds Investment Act, a written copy of the investment policy shall be presented to any business organization offering to engage in an investment transaction with the Pool as required by Section 2256.005 (k) of the Texas Public Funds Investment Act. The qualified representative of the business organization, shall execute a written instrument in a form acceptable to the Pool and the business organization substantially to the effect that the business organization has:

- (1) received and reviewed the investment policy of the Pool; and
- (2) acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Pool and the organization that are not authorized by the Pool's investment policy, except to the extent that this authorization:
  - a) Is dependent on an analysis of the makeup of the Pool's entire portfolio;
  - b) Requires an interpretation of subjective investment standards; or
  - c) Relates to investment transactions of the entity that are not made through accounts or other contractual agreements over which the business organization has accepted discretionary investment authority.

The Pool shall not engage in an investment transaction with a business organization that has not delivered to the Pool the certification described above.

## Contracts with Banking and Investment Firms

Competitive bids shall be solicited from financial institutions to serve the banking and investment needs of the Pool. For investment managers, the term may not be longer than two years. A renewal or extension of the contract must be made by the Board by order or resolution. For depository, custodial and consultant contracts, the full term shall be no longer than five years.

## Maturity Requirements for Bond Investments

The Pool's investment portfolio is composed of two types of funds, those matched to liabilities, which have a specific average life, and those that are equity-based and do not have specific payout matching requirements. The maturity requirements for the liability-based matched portion of the portfolio will be based on projected payment patterns of loss reserves as determined by the annual actuarial reserve review.

Depending on the Pool's strategic objectives for using its equity, the equity-based portion of the portfolio can have an average maturity greater than the requirements for the liability-based investments. The Executive Director, Chief Financial Officer & Chief Investment Officer, and Staff Actuary & Investment Officer shall periodically analyze the factors involved in determining the maturity requirements for the equity-based portion of the portfolio. This analysis will be presented to the Board annually, unless market conditions warrant immediate action, which will be implemented in writing by the Executive Director and Chief Financial Officer & Chief Investment Officer and presented to the Board for review at the earliest Board Meeting following the action.

The maturity requirements of the two types of funds will be considered when constructing the optimal portfolio or custom benchmark (see Section V. Portfolio Evaluation and Reporting).

In the case of U.S. agency mortgage-backed securities, the weighted average life shall be used in the calculation of weighted average maturity. The minimum maturity on any investment shall be one day (overnight). The maximum allowable maturity is thirty years for any issue. The maximum allowable maturity on a repurchase agreement shall be seven days.

## Liquidity Requirements

The Pool and each manager shall maintain enough liquidity to meet the Pool's cash needs. The Pool will provide cash flow projections to the managers to assure liquidity for cash needs and maximum investment of Pool funds.

## Sales of Securities Resulting in Realized Losses

The intent of the Pool is to buy investments and hold these investments until they mature. However, the Pool has a fiduciary duty to be prudent when investing. Therefore, the investment managers may sell securities when they believe it is prudent based on their professional judgment and failure to do so could impair the value of the investment portfolio.

Investment portfolio managers shall not sell investment securities, which result in a realized loss, without the consent of the Executive Director or Chief Financial Officer & Chief Investment Officer. A realized loss will result when the current price of the security is less than the original cost of the security. A realized loss may be offset by a realized gain upon consent of the Executive Director or Chief Financial Officer & Chief Investment Officer. A realized gain will result when the current price of the security is more than the original cost of the security.

This provision does not apply to investments authorized under Chapter 504 of the Texas Labor Code. Managing credit risk (changes in credit ratings) may require the sale of an investment prior to maturity which could result in a realized loss to mitigate the potential of further losses.

### **Credit Rating Changes**

The Pool shall monitor changes to the credit ratings of its investments. The investment custodian (financial institution safekeeping the Pool's investments) shall implement procedures to report rating changes to the Chief Financial Officer & Chief Investment Officer monthly. An investment that requires a minimum rating under the Pool's investment policy does not qualify as an authorized investment during the period the investment does not have the minimum rating.

The Pool shall take all prudent measures that are consistent with its investment policy, including the guidelines pertaining to sales of securities resulting in realized losses, to replace or liquidate an investment that does not have the minimum rating.

### **Depository Services, Safekeeping and Collateralization**

All purchased securities shall be held in safekeeping by either the Pool, in the Pool's account in a third-party financial institution, or in the Pool's safekeeping account in its designated depository or custodial bank.

The Executive Director, upon approval of the Board of Trustees, is authorized to contract for services of a financial institution (depository and custodian) for depository services and the clearance and safekeeping of all physical and book-entry investments and income collection for all physical and book-entry investments. The depository bank shall provide services related to deposits, disbursements, and security of deposits. The investment custodian shall provide daily transaction reporting for all investments and cash activity, including account balances, pending trades, fails and projected income analysis for each investment manager and for the Pool as a whole. The investment custodian shall provide monthly custody account statements which include securities and cash positions and activity, month-end valuations, and schedules of accrued income and unrealized appreciation or depreciation for each investment manager and for the Pool as a whole.

The Executive Director and the Chief Financial Officer shall perform a thorough analysis of the custodian's financial stability, experience, and capabilities. The custodian shall perform the duties and comply with the requirements of the Pool's Master Custody Agreement. The Pool shall obtain proof of insurance coverage from the custodian on an annual basis.

Consistent with State law for banking depository services, the financial institution must place bonds or securities as collateral. Collateral shall be in the form of authorized specific securities. All funds must be at least one hundred and two percent (102%) collateralized. All repurchase agreements must be one hundred and two percent (102%) collateralized.

The Pool shall not utilize a financial institution where a member of the Board of Trustees has the ability to affect, in an important degree, the operating and financing policies of the institution.



### **Acceptable Security Collateral**

The Chief Financial Officer shall approve all acceptable securities offered as collateral for the Pool. The following securities are hereby deemed acceptable by the Board as collateral for Pool funds:

1. Obligations of the United States or its agencies and instrumentalities;
2. Direct obligations of the State of Texas or its agencies and instrumentalities;
3. Mortgage-backed securities directly issued by a federal agency or instrumentality except for collateralized mortgage obligations;
4. Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities;
5. Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent.

### **Safekeeping of Pledged Securities**

All securities pledged by the depository bank to the Pool shall be delivered to the Federal Home Loan Bank of Dallas or an approved independent third-party custodian bank, for holding such securities in safekeeping for the benefit of the Pool under its depository agreement with the depository bank. The depository bank shall cause the Federal Home Loan Bank of Dallas or an approved independent third-party custodian bank to issue and deliver the Pool safekeeping receipts for the pledged securities delivered and to be held in safekeeping. The Pool shall enter into a Third-Party Custodian Agreement with the depository bank and the custodian bank holding the collateral. The custodian shall agree to provide safekeeping services and to hold any securities pledged by the depository bank in a custodian account established for the benefit of the Pool. The Pool shall receive a Trust Receipt identifying the specific security and the amount pledged to the Pool. The agreement shall follow Texas law related to collateralization of public funds and the Pool's investment policy.

### **Change of Collateral**

Collateralized investments often require substitution, addition, or reduction of collateral. The Third-Party Custodian Agreement shall address changes of collateral, including acceptable collateral. Any changes in collateral must follow Texas law related to collateralization of public funds and the Pool's investment policy. Upon changes of collateral, the custodian bank shall update its records of the Pool's account and issue a Trust Receipt to the Pool on any Business Day on which collateral is transferred to and from the Pool's account.

### **Addition of Acceptable Securities**

The Board may add to the list of acceptable securities listed above in this section, as it deems appropriate.

### **Repurchase Agreements**

All financial institutions who enter transactions relating to repurchase agreements shall comply with the Pool's Master Repurchase Agreement.

### **Review of Investment Policy**

The Board of Trustees shall annually review this investment policy, the investment management services contract, and contractual performance and consider the need for procedural and administrative changes. The Board shall also review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Pool.

### **Annual Financial Audit – Auditor Review**

The Pool's auditors shall perform procedures to examine management controls on investments and adherence to the Pool's investment policy as part of their annual audit.

## V. PORTFOLIO EVALUATION AND REPORTING

Monitoring of the investment managers' compliance with the Pool's investment policy, performance in terms of return on investments, total rate of return and consistency of investment strategy will be performed by the Chief Financial Officer & Chief Investment Officer and Staff Actuary & Investment Officer on a continuous basis.

The Executive Director, upon approval of the Board of Trustees, is authorized to engage the services of an independent investment consultant to enhance in-house investment monitoring capabilities and assist in the selection of investment managers. The consultant shall follow the same standards of fiduciary responsibility and professional conduct as those established for investment professionals (see Investment Professional Standards) and be independent in the analysis of the performance of the investment managers.

Performance objectives for the Pool take into consideration:

- the Pool's claim payment cash flows
- the Pool's equity balances
- inflation
- the return on investments assumed by the actuary (investment assumption)
- investment indices

The inflation objective requires that the investment performance provide an adequate real return over the expected rate of inflation. The portfolio should also earn a long-term rate of return equal to or greater than the rate assumed by the actuary in its analysis of future cash requirements.

### Return on Investments

Return on investments is a measurement of investment income reflected on the Pool's financial statements, which includes interest income, realized gains and amortization of premiums/discounts. It is calculated in the same manner as total rate of return but excludes unrealized gains and losses. For the return on investment calculation, the amortized cost of the investments plus accrued interest is used as beginning and ending investment balances. For total rate of return, the market values plus accrued interest is used as beginning and ending investment balances. The primary differences between the two calculations are unrealized gains and losses which are included in the total rate of return calculation and excluded in the return on investments.

Performance measured by total rate of return, while standard in the investment community, shall not be the sole measurement of an investment manager's performance. Limitations on realized losses will limit the manager's ability to make substantial changes to the characteristics of the portfolio. Therefore, the investment manager shall consider the limitations on realized losses as another guideline to insure the preservation of principal. In order to provide an industry standard, against which the investment managers' performance can be measured, the monthly total rate of return (including accrued interest) will be compared to the Pool's Custom Benchmarks.

The primary reason to use both measurements in evaluating investment managers is to assure stable investment income. Large negative fluctuations of investment income have a negative impact on underwriting activities when rates charged to members incorporate an expected rate of return on investments

The manager shall invest all funds in order to maximize returns. While holding adequate balances in cash and cash equivalents to fulfill liquidity requirements or to lower the

negative effects of rising interest rates is prudent, the investment manager shall not hold large balances for an extended period.

### Investment Returns

The Pool shall utilize an independent party to calculate investment returns that are reported to the Board. An independent party includes the Pool's investment custodian, investment consultant, Clearwater Analytics or other party approved by the Board.

### Custom Benchmarks

The custom benchmarks are designed to meet the following objectives:

- Serve as a guideline for portfolio management that is based on duration-matching and/or diversification of the Pool's claim reserves, duration-flexibility and/or diversification of investing members' equity, and the risk-adjusted expected returns of authorized investments considering the prevailing economic and market conditions.
- Serve as a benchmark to evaluate the performance of the Pool's investment managers.
- Serve as a benchmark to evaluate the overall or consolidated portfolio to ensure a close overall relationship with the portfolio guideline.

The custom benchmark for the investments governed by the Public Funds Investment Act is the following:

- 70% weighting to the Barclays Capital MBS Fixed Rate Index
- 20% weighting to the Barclays Capital Intermediate Taxable Municipal Index
- 10% weighting to the Barclays Capital Intermediate Government Index

The custom benchmark for the investments governed by Chapter 504 of the Texas Labor Code is the following:

- 50% weighting to the Barclays US Intermediate Corporate Bond Index
- 13.125% weighting to the FTSE High Dividend Yield Index (TGPVAN)
- 13.125% weighting to the S&P U.S. Dividend Growers Index (SPUDIGUT)
- 4.375% weighting to the FTSE All-World Ex-US High Dividend Yield Index (GPVANOTR)
- 4.375% weighting to the S&P Global Ex-U.S. Dividend Growers TR Index (SPGIGUT)
- 15% weighting to the 95% U.S. High-Yield Ba/B 2% Issuer Capped Index and 5% U.S. Treasury 1-5 Years (I31551US)

### Rebalancing Policy

For investments governed by the Public Funds Investment Act, rebalancing is not required due to the conservative nature of the authorized investments. For the Lifetime Benefits Investment Portfolio (investments governed by Chapter 504 of the Texas Labor Code), acceptable ranges for the target allocations are a plus or minus five percent of the above percentages.

Rebalancing activities shall be reviewed by the Pool's Investment Consultant and are subject to prior approval of the Chief Financial Officer/Chief Investment Officer and the Executive Director that are appropriate for existing circumstances. Rebalancing

considerations include market conditions, valuations, cash flows, opportunity costs, transaction costs and portfolio disruptions.

The results of rebalancing activity shall be reported to the Board at the next regular scheduled Board meeting.

The appropriateness of the custom benchmark will be analyzed and reported to the Board of Directors as part of the investment policy review process described in Section IV Policy Guidelines.

### Investment Reports

On a quarterly basis, a report on each manager's performance will be prepared and distributed to the Board of Trustees. The report must be prepared jointly by all investment officers and signed by each investment officer (the Chief Financial Officer & Chief Investment Officer and Staff Actuary & Investment Officer) of the Pool. The report shall state the compliance of the investment portfolio as it relates to the (1) Pool's investment strategy expressed in the investment policy, (2) the Public Funds Investment Act and (3) Chapter 504 of the Texas Labor Code. This report will include the following information on each individual investment portfolio and the portfolio as a whole:

- beginning and ending market values of the total portfolio
- ending book and market values of the total portfolio
- ending book and market values of each investment
- return on investments (monthly, quarterly, six months, nine months, and annually)
- total rate of return (monthly, quarterly, six months, nine months and annually)
- portfolio mix (percentage of treasuries, agencies, stocks, mutual funds, etc.)
- total income for the month and for the current fiscal year
- breakdown of the income into its components (interest and gains or losses from sales)
- maturity and duration of each investment and the duration of the total portfolio
- rating changes in investments and disposition of investments with ratings that fall below the Pool's minimum requirement
- comparison between the investment managers' performance and the total rate of return of the index
- non-compliance of investment guidelines and actions taken
- deviations in the investment managers' philosophy, style or strategy
- changes in the organization or operations of the investment managers
- the investment managers' market outlook or economic forecast
- a summary of economic events which occurred in the quarter

# APPENDIX A

TEXAS MUNICIPAL LEAGUE INTERGOVERNMENTAL RISK POOL  
INVESTMENT POLICY

## GOVERNMENT CODE

## TITLE 10. GENERAL GOVERNMENT

## SUBTITLE F. STATE AND LOCAL CONTRACTS AND FUND MANAGEMENT

## CHAPTER 2256. PUBLIC FUNDS INVESTMENT

## SUBCHAPTER A. AUTHORIZED INVESTMENTS FOR GOVERNMENTAL ENTITIES

Sec. 2256.001. SHORT TITLE. This chapter may be cited as the Public Funds Investment Act.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.002. DEFINITIONS. In this chapter:

(1) "Bond proceeds" means the proceeds from the sale of bonds, notes, and other obligations issued by an entity, and reserves and funds maintained by an entity for debt service purposes.

(2) "Book value" means the original acquisition cost of an investment plus or minus the accrued amortization or accretion.

(3) "Funds" means public funds in the custody of a state agency or local government that:

(A) are not required by law to be deposited in the state treasury; and

(B) the investing entity has authority to invest.

(4) "Institution of higher education" has the meaning assigned by Section [61.003](#), Education Code.

(5) "Investing entity" and "entity" mean an entity subject to this chapter and described by Section [2256.003](#).

(6) "Investment pool" means an entity created under this code to invest public funds jointly on behalf of the entities that participate in the pool and whose investment objectives in order of priority are:

(A) preservation and safety of principal;

(B) liquidity; and

(C) yield.

(7) "Local government" means a municipality, a county, a school district, a district or authority created under Section [52\(b\)\(1\)](#) or [\(2\)](#), Article III, or Section [59](#), Article XVI, Texas Constitution, a fresh water supply district, a hospital district, and any political subdivision, authority, public corporation, body politic, or instrumentality of the

State of Texas, and any nonprofit corporation acting on behalf of any of those entities.

(8) "Market value" means the current face or par value of an investment multiplied by the net selling price of the security as quoted by a recognized market pricing source quoted on the valuation date.

(9) "Pooled fund group" means an internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested.

(10) "Qualified representative" means a person who holds a position with a business organization, who is authorized to act on behalf of the business organization, and who is one of the following:

(A) for a business organization doing business that is regulated by or registered with a securities commission, a person who is registered under the rules of the National Association of Securities Dealers;

(B) for a state or federal bank, a savings bank, or a state or federal credit union, a member of the loan committee for the bank or branch of the bank or a person authorized by corporate resolution to act on behalf of and bind the banking institution;

(C) for an investment pool, the person authorized by the elected official or board with authority to administer the activities of the investment pool to sign the written instrument on behalf of the investment pool; or

(D) for an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or, if not subject to registration under that Act, registered with the State Securities Board, a person who is an officer or principal of the investment management firm.

(11) "School district" means a public school district.

(12) "Separately invested asset" means an account or fund of a state agency or local government that is not invested in a pooled fund group.

(13) "State agency" means an office, department, commission, board, or other agency that is part of any branch of state government, an institution of higher education, and any nonprofit corporation acting on behalf of any of those entities.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 1, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 1, eff. Sept. 1, 1999.



Sec. 2256.003. AUTHORITY TO INVEST FUNDS; ENTITIES SUBJECT TO THIS CHAPTER. (a) Each governing body of the following entities may purchase, sell, and invest its funds and funds under its control in investments authorized under this subchapter in compliance with investment policies approved by the governing body and according to the standard of care prescribed by Section [2256.006](#):

- (1) a local government;
- (2) a state agency;
- (3) a nonprofit corporation acting on behalf of a local government or a state agency; or
- (4) an investment pool acting on behalf of two or more local governments, state agencies, or a combination of those entities.

(b) In the exercise of its powers under Subsection (a), the governing body of an investing entity may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control. A contract made under authority of this subsection may not be for a term longer than two years. A renewal or extension of the contract must be made by the governing body of the investing entity by order, ordinance, or resolution.

(c) This chapter does not prohibit an investing entity or investment officer from using the entity's employees or the services of a contractor of the entity to aid the investment officer in the execution of the officer's duties under this chapter.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, Sec. 2, eff. Sept. 1, 1999.

Sec. 2256.004. APPLICABILITY. (a) This subchapter does not apply to:

- (1) a public retirement system as defined by Section [802.001](#);
- (2) state funds invested as authorized by Section [404.024](#);
- (3) an institution of higher education having total endowments of at least \$150 million in book value on September 1, 2017;
- (4) funds invested by the Veterans' Land Board as authorized by Chapter [161](#), [162](#), or [164](#), Natural Resources Code;
- (5) registry funds deposited with the county or district clerk under Chapter [117](#), Local Government Code; or
- (6) a deferred compensation plan that qualifies under either Section 401(k) or 457 of the Internal Revenue Code of 1986 (26 U.S.C.

Section 1 et seq.), as amended.

(b) This subchapter does not apply to an investment donated to an investing entity for a particular purpose or under terms of use specified by the donor.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 505, Sec. 24, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 2, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 62, Sec. 8.21, eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 1454, Sec. 3, eff. Sept. 1, 1999.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 1, eff. June 14, 2017.

Sec. 2256.005. INVESTMENT POLICIES; INVESTMENT STRATEGIES; INVESTMENT OFFICER. (a) The governing body of an investing entity shall adopt by rule, order, ordinance, or resolution, as appropriate, a written investment policy regarding the investment of its funds and funds under its control.

(b) The investment policies must:

- (1) be written;
- (2) primarily emphasize safety of principal and liquidity;
- (3) address investment diversification, yield, and maturity and the quality and capability of investment management; and
- (4) include:
  - (A) a list of the types of authorized investments in which the investing entity's funds may be invested;
  - (B) the maximum allowable stated maturity of any individual investment owned by the entity;
  - (C) for pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio;
  - (D) methods to monitor the market price of investments acquired with public funds;
  - (E) a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis; and
  - (F) procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of Section [2256.021](#).

(c) The investment policies may provide that bids for certificates of deposit be solicited:

- (1) orally;
- (2) in writing;
- (3) electronically; or
- (4) in any combination of those methods.

(d) As an integral part of an investment policy, the governing body shall adopt a separate written investment strategy for each of the funds or group of funds under its control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities in order of importance:

- (1) understanding of the suitability of the investment to the financial requirements of the entity;
- (2) preservation and safety of principal;
- (3) liquidity;
- (4) marketability of the investment if the need arises to liquidate the investment before maturity;
- (5) diversification of the investment portfolio; and
- (6) yield.

(e) The governing body of an investing entity shall review its investment policy and investment strategies not less than annually. The governing body shall adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.

(f) Each investing entity shall designate, by rule, order, ordinance, or resolution, as appropriate, one or more officers or employees of the state agency, local government, or investment pool as investment officer to be responsible for the investment of its funds consistent with the investment policy adopted by the entity. If the governing body of an investing entity has contracted with another investing entity to invest its funds, the investment officer of the other investing entity is considered to be the investment officer of the first investing entity for purposes of this chapter. Authority granted to a person to invest an entity's funds is effective until rescinded by the investing entity, until the expiration of the officer's term or the termination of the person's employment by the investing entity, or if an investment management firm, until the expiration of the contract with the investing entity. In the administration of the duties of an investment officer, the person designated as investment

officer shall exercise the judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of the person's own affairs, but the governing body of the investing entity retains ultimate responsibility as fiduciaries of the assets of the entity. Unless authorized by law, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the investing entity.

(g) Subsection (f) does not apply to a state agency, local government, or investment pool for which an officer of the entity is assigned by law the function of investing its funds.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 685, Sec. 1

(h) An officer or employee of a commission created under Chapter 391, Local Government Code, is ineligible to be an investment officer for the commission under Subsection (f) if the officer or employee is an investment officer designated under Subsection (f) for another local government.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 1421, Sec. 3

(h) An officer or employee of a commission created under Chapter 391, Local Government Code, is ineligible to be designated as an investment officer under Subsection (f) for any investing entity other than for that commission.

(i) An investment officer of an entity who has a personal business relationship with a business organization offering to engage in an investment transaction with the entity shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573, to an individual seeking to sell an investment to the investment officer's entity shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the governing body of the entity. For purposes of this subsection, an investment officer has a personal business relationship with a business organization if:

(1) the investment officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;

(2) funds received by the investment officer from the business organization exceed 10 percent of the investment officer's gross income for

the previous year; or

(3) the investment officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment officer.

(j) The governing body of an investing entity may specify in its investment policy that any investment authorized by this chapter is not suitable.

(k) A written copy of the investment policy shall be presented to any business organization offering to engage in an investment transaction with an investing entity. For purposes of this subsection and Subsection (l), "business organization" means an investment pool or investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio that has accepted authority granted by the entity under the contract to exercise investment discretion in regard to the investing entity's funds. Nothing in this subsection relieves the investing entity of the responsibility for monitoring the investments made by the investing entity to determine that they are in compliance with the investment policy. The qualified representative of the business organization offering to engage in an investment transaction with an investing entity shall execute a written instrument in a form acceptable to the investing entity and the business organization substantially to the effect that the business organization has:

(1) received and reviewed the investment policy of the entity;

and

(2) acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the entity and the organization that are not authorized by the entity's investment policy, except to the extent that this authorization:

(A) is dependent on an analysis of the makeup of the entity's entire portfolio;

(B) requires an interpretation of subjective investment standards; or

(C) relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

(l) The investment officer of an entity may not acquire or otherwise obtain any authorized investment described in the investment policy of the investing entity from a business organization that has not delivered to the entity the instrument required by Subsection (k).

(m) An investing entity other than a state agency, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the entity's established investment policies.

(n) Except as provided by Subsection (o), at least once every two years a state agency shall arrange for a compliance audit of management controls on investments and adherence to the agency's established investment policies. The compliance audit shall be performed by the agency's internal auditor or by a private auditor employed in the manner provided by Section [321.020](#). Not later than January 1 of each even-numbered year a state agency shall report the results of the most recent audit performed under this subsection to the state auditor. Subject to a risk assessment and to the legislative audit committee's approval of including a review by the state auditor in the audit plan under Section [321.013](#), the state auditor may review information provided under this section. If review by the state auditor is approved by the legislative audit committee, the state auditor may, based on its review, require a state agency to also report to the state auditor other information the state auditor determines necessary to assess compliance with laws and policies applicable to state agency investments. A report under this subsection shall be prepared in a manner the state auditor prescribes.

(o) The audit requirements of Subsection (n) do not apply to assets of a state agency that are invested by the comptroller under Section [404.024](#).

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 685, Sec. 1, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 3, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 4, eff. Sept. 1, 1999; Acts 2003, 78th Leg., ch. 785, Sec. 41, eff. Sept. 1, 2003.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 1, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 149 (H.B. [1701](#)), Sec. 1, eff. September 1, 2017.

Sec. 2256.006. STANDARD OF CARE. (a) Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be

derived. Investment of funds shall be governed by the following investment objectives, in order of priority:

- (1) preservation and safety of principal;
- (2) liquidity; and
- (3) yield.

(b) In determining whether an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

- (1) the investment of all funds, or funds under the entity's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and
- (2) whether the investment decision was consistent with the written investment policy of the entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.007. INVESTMENT TRAINING; STATE AGENCY BOARD MEMBERS AND OFFICERS. (a) Each member of the governing board of a state agency and its investment officer shall attend at least one training session relating to the person's responsibilities under this chapter within six months after taking office or assuming duties.

(b) The Texas Higher Education Coordinating Board shall provide the training under this section.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) An investment officer shall attend a training session not less than once each state fiscal biennium and may receive training from any independent source approved by the governing body of the state agency. The investment officer shall prepare a report on this subchapter and deliver the report to the governing body of the state agency not later than the 180th day after the last day of each regular session of the legislature.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 73, Sec. 1, eff. May 9, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 4, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 5, eff. Sept. 1, 1999.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 2, eff. June 17, 2011.

Sec. 2256.008. INVESTMENT TRAINING; LOCAL GOVERNMENTS. (a) Except as provided by Subsections (a-1), (b), (b-1), (e), and (f), the treasurer, the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a local government shall:

(1) attend at least one training session from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government and containing at least 10 hours of instruction relating to the treasurer's or officer's responsibilities under this subchapter within 12 months after taking office or assuming duties; and

(2) attend an investment training session not less than once in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than 10 hours of instruction relating to investment responsibilities under this subchapter from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government.

(a-1) Except as provided by Subsection (g), the treasurer, or the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a school district or a municipality, in addition to the requirements of Subsection (a)(1), shall attend an investment training session not less than once in a two-year period that begins on the first day of the school district's or municipality's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than eight hours of instruction relating to investment responsibilities under this subchapter from an independent source approved by the governing body of the school district or municipality, or by a designated investment committee advising the investment officer as provided for in the investment policy of the school district or municipality.

(b) An investing entity created under authority of Section 52(b), Article III, or Section 59, Article XVI, Texas Constitution, that has contracted with an investment management firm under Section 2256.003(b) and has fewer than five full-time employees or an investing entity that has contracted with another investing entity to invest the entity's funds may satisfy the training requirement provided by Subsection (a)(2) by having an officer of the governing body attend four hours of appropriate instruction in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years



after that date. The treasurer or chief financial officer of an investing entity created under authority of Section 52(b), Article III, or Section 59, Article XVI, Texas Constitution, and that has fewer than five full-time employees is not required to attend training required by this section unless the person is also the investment officer of the entity.

(b-1) A housing authority created under Chapter 392, Local Government Code, may satisfy the training requirement provided by Subsection (a)(2) by requiring the following person to attend, in each two-year period that begins on the first day of that housing authority's fiscal year and consists of the two consecutive fiscal years after that date, at least five hours of appropriate instruction:

- (1) the treasurer, or the chief financial officer if the treasurer is not the chief financial officer, or the investment officer; or
- (2) if the authority does not have an officer described by Subdivision (1), another officer of the authority.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) Not later than December 31 each year, each individual, association, business, organization, governmental entity, or other person that provides training under this section shall report to the comptroller a list of the governmental entities for which the person provided required training under this section during that calendar year. An individual's reporting requirements under this subsection are satisfied by a report of the individual's employer or the sponsoring or organizing entity of a training program or seminar.

(e) This section does not apply to a district governed by Chapter 36 or 49, Water Code.

(f) Subsection (a)(2) does not apply to an officer of a municipality or housing authority if the municipality or housing authority:

- (1) does not invest municipal or housing authority funds, as applicable; or
- (2) only deposits those funds in:
  - (A) interest-bearing deposit accounts; or
  - (B) certificates of deposit as authorized by Section

2256.010.

(g) Subsection (a-1) does not apply to the treasurer, chief financial officer, or investment officer of a school district if:

- (1) the district:
  - (A) does not invest district funds; or

(B) only deposits those funds in:

- (i) interest-bearing deposit accounts; or
- (ii) certificates of deposit as authorized by Section

[2256.010](#); and

(2) the treasurer, chief financial officer, or investment officer annually submits to the agency a sworn affidavit identifying the applicable criteria under Subdivision (1) that apply to the district.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 5, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 6, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 69, Sec. 4, eff. May 14, 2001.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 3, eff. June 17, 2011.

Acts 2015, 84th Leg., R.S., Ch. 222 (H.B. [1148](#)), Sec. 1, eff. September 1, 2015.

Acts 2015, 84th Leg., R.S., Ch. 1248 (H.B. [870](#)), Sec. 1, eff. September 1, 2015.

Acts 2017, 85th Leg., R.S., Ch. 324 (S.B. [1488](#)), Sec. 8.015, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 1000 (H.B. [1238](#)), Sec. 1, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 1000 (H.B. [1238](#)), Sec. 2, eff. September 1, 2017.

Acts 2019, 86th Leg., R.S., Ch. 477 (H.B. [293](#)), Sec. 1, eff. June 7, 2019.

Sec. 2256.009. AUTHORIZED INVESTMENTS: OBLIGATIONS OF, OR GUARANTEED BY GOVERNMENTAL ENTITIES. (a) Except as provided by Subsection (b), the following are authorized investments under this subchapter:

(1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;

(2) direct obligations of this state or its agencies and instrumentalities;

(3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;

(4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;

(5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;

(6) bonds issued, assumed, or guaranteed by the State of Israel;

(7) interest-bearing banking deposits that are guaranteed or insured by:

(A) the Federal Deposit Insurance Corporation or its successor; or

(B) the National Credit Union Share Insurance Fund or its successor; and

(8) interest-bearing banking deposits other than those described by Subdivision (7) if:

(A) the funds invested in the banking deposits are invested through:

(i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section [2256.025](#); or

(ii) a depository institution with a main office or branch office in this state that the investing entity selects;

(B) the broker or depository institution selected as described by Paragraph (A) arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account;

(C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and

(D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account:

(i) the depository institution selected as described by Paragraph (A);

(ii) an entity described by Section [2257.041\(d\)](#); or

(iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3).

(b) The following are not authorized investments under this section:

- (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
- (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
- (3) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
- (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, Sec. 7, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 558, Sec. 1, eff. Sept. 1, 2001.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 4, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 2, eff. June 14, 2017.

Acts 2017, 85th Leg., R.S., Ch. 863 (H.B. [2647](#)), Sec. 1, eff. June 15, 2017.

Acts 2017, 85th Leg., R.S., Ch. 874 (H.B. [2928](#)), Sec. 1, eff. September 1, 2017.

Sec. 2256.010. AUTHORIZED INVESTMENTS: CERTIFICATES OF DEPOSIT AND SHARE CERTIFICATES. (a) A certificate of deposit or share certificate is an authorized investment under this subchapter if the certificate is issued by a depository institution that has its main office or a branch office in this state and is:

- (1) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;
- (2) secured by obligations that are described by Section [2256.009\(a\)](#), including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than

the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section 2256.009(b); or

(3) secured in accordance with Chapter 2257 or in any other manner and amount provided by law for deposits of the investing entity.

(b) In addition to the authority to invest funds in certificates of deposit under Subsection (a), an investment in certificates of deposit made in accordance with the following conditions is an authorized investment under this subchapter:

(1) the funds are invested by an investing entity through:

(A) a broker that has its main office or a branch office in this state and is selected from a list adopted by the investing entity as required by Section 2256.025; or

(B) a depository institution that has its main office or a branch office in this state and that is selected by the investing entity;

(2) the broker or the depository institution selected by the investing entity under Subdivision (1) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity;

(3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and

(4) the investing entity appoints the depository institution selected by the investing entity under Subdivision (1), an entity described by Section 2257.041(d), or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity.

Amended by Acts 1995, 74th Leg., ch. 32, Sec. 1, eff. April 28, 1995; Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 6, eff. Sept. 1, 1997.

Amended by:

Acts 2005, 79th Leg., Ch. 128 (H.B. 256), Sec. 1, eff. September 1, 2005.

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 5, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 874 (H.B. 2928), Sec. 2, eff. September 1, 2017.

## Sec. 2256.011. AUTHORIZED INVESTMENTS: REPURCHASE AGREEMENTS. (a)

A fully collateralized repurchase agreement is an authorized investment under this subchapter if the repurchase agreement:

- (1) has a defined termination date;
- (2) is secured by a combination of cash and obligations described by Section 2256.009(a)(1) or 2256.013 or, if applicable, Section 2256.0204;
- (3) requires the securities being purchased by the entity or cash held by the entity to be pledged to the entity either directly or through a joint account approved by the entity, held in the entity's name either directly or through a joint account approved by the entity, and deposited at the time the investment is made with the entity or with a third party selected and approved by the entity; and
- (4) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.

(a-1) A repurchase agreement made by an investing entity under this section may be submitted for clearing and settlement to a covered clearing agency, as defined by the Securities and Exchange Commission in Rule 17Ad-22 (17 C.F.R. Section 240.17Ad-22).

(b) In this section:

- (1) "Joint account" means an account maintained by a custodian bank and established on behalf of two or more parties to engage in aggregate repurchase agreement transactions.
- (2) "Repurchase agreement" means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described by Section 2256.009(a)(1) or 2256.013 or, if applicable, Section 2256.0204, at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement.

(c) Notwithstanding any other law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered.

(d) Money received by an entity under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

(e) Section 1371.059(c) applies to the execution of a repurchase agreement by an investing entity.

(f) An investing entity that contracts with an investment management firm under Section 2256.003(b) may authorize the firm to invest the entity's public funds or other funds under the entity's control in repurchase agreements as provided by this section using a joint account.

(g) An investment management firm responsible for managing a repurchase agreement transaction using a joint account on behalf of an investing entity as authorized under Subsection (f) must ensure that:

(1) accounting and control procedures are implemented to document the investing entity's aggregate daily investment and pro rata share in the joint account;

(2) each party participating in the joint account retains the sole rights of ownership to the party's pro rata share of assets invested in the joint account, including investment earnings on those assets; and

(3) policies and procedures are implemented to prevent a party participating in the joint account from using any part of a balance of the joint account that is credited to another party.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 6, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 3, eff. June 14, 2017.

Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 1, eff. September 1, 2019.

Acts 2023, 88th Leg., R.S., Ch. 1093 (S.B. 1246), Sec. 7, eff. June 18, 2023.

Sec. 2256.0115. AUTHORIZED INVESTMENTS: SECURITIES LENDING PROGRAM.

(a) A securities lending program is an authorized investment under this subchapter if it meets the conditions provided by this section.

(b) To qualify as an authorized investment under this subchapter:

(1) the value of securities loaned under the program must be not less than 100 percent collateralized, including accrued income;

(2) a loan made under the program must allow for termination at any time;

(3) a loan made under the program must be secured by:

(A) pledged securities described by Section 2256.009;

(B) pledged irrevocable letters of credit issued by a bank that is:

- (i) organized and existing under the laws of the United States or any other state; and
  - (ii) continuously rated by at least one nationally recognized investment rating firm at not less than A or its equivalent; or
  - (C) cash invested in accordance with Section:
    - (i) 2256.009;
    - (ii) 2256.013;
    - (iii) 2256.014; or
    - (iv) 2256.016;
- (4) the terms of a loan made under the program must require that the securities being held as collateral be:
- (A) pledged to the investing entity;
  - (B) held in the investing entity's name; and
  - (C) deposited at the time the investment is made with the entity or with a third party selected by or approved by the investing entity;
- (5) a loan made under the program must be placed through:
- (A) a primary government securities dealer, as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003; or
  - (B) a financial institution doing business in this state;
- and
- (6) an agreement to lend securities that is executed under this section must have a term of one year or less.

Added by Acts 2003, 78th Leg., ch. 1227, Sec. 1, eff. Sept. 1, 2003.

Sec. 2256.012. AUTHORIZED INVESTMENTS: BANKER'S ACCEPTANCES. A bankers' acceptance is an authorized investment under this subchapter if the bankers' acceptance:

- (1) has a stated maturity of 270 days or fewer from the date of its issuance;
- (2) will be, in accordance with its terms, liquidated in full at maturity;
- (3) is eligible for collateral for borrowing from a Federal Reserve Bank; and
- (4) is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.



Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.013. AUTHORIZED INVESTMENTS: COMMERCIAL PAPER. Commercial paper is an authorized investment under this subchapter if the commercial paper:

- (1) has a stated maturity of 365 days or fewer from the date of its issuance; and
- (2) is rated not less than A-1 or P-1 or an equivalent rating by at least:
  - (A) two nationally recognized credit rating agencies; or
  - (B) one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 2, eff. September 1, 2019.

Sec. 2256.014. AUTHORIZED INVESTMENTS: MUTUAL FUNDS.

(a) A no-load money market mutual fund is an authorized investment under this subchapter if the mutual fund:

- (1) is registered with and regulated by the Securities and Exchange Commission;
- (2) provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and
- (3) complies with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.).

(b) In addition to a no-load money market mutual fund permitted as an authorized investment in Subsection (a), a no-load mutual fund is an authorized investment under this subchapter if the mutual fund:

- (1) is registered with the Securities and Exchange Commission;
- (2) has an average weighted maturity of less than two years; and
- (3) either:
  - (A) has a duration of one year or more and is invested exclusively in obligations approved by this subchapter; or

(B) has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

(c) An entity is not authorized by this section to:

(1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds described in Subsection (b);

(2) invest any portion of bond proceeds, reserves and funds held for debt service, in mutual funds described in Subsection (b); or

(3) invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund described in Subsection (a) or (b) in an amount that exceeds 10 percent of the total assets of the mutual fund.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 7, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 8, eff. Sept. 1, 1999.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 4, eff. June 14, 2017.

Sec. 2256.015. AUTHORIZED INVESTMENTS: GUARANTEED INVESTMENT CONTRACTS. (a) A guaranteed investment contract is an authorized investment for bond proceeds under this subchapter if the guaranteed investment contract:

(1) has a defined termination date;

(2) is secured by obligations described by Section 2256.009(a) (1), excluding those obligations described by Section 2256.009(b), in an amount at least equal to the amount of bond proceeds invested under the contract; and

(3) is pledged to the entity and deposited with the entity or with a third party selected and approved by the entity.

(b) Bond proceeds, other than bond proceeds representing reserves and funds maintained for debt service purposes, may not be invested under this subchapter in a guaranteed investment contract with a term of longer than five years from the date of issuance of the bonds.

(c) To be eligible as an authorized investment:

(1) the governing body of the entity must specifically authorize guaranteed investment contracts as an eligible investment in the order, ordinance, or resolution authorizing the issuance of bonds;

(2) the entity must receive bids from at least three separate providers with no material financial interest in the bonds from which proceeds were received;

(3) the entity must purchase the highest yielding guaranteed investment contract for which a qualifying bid is received;

(4) the price of the guaranteed investment contract must take into account the reasonably expected drawdown schedule for the bond proceeds to be invested; and

(5) the provider must certify the administrative costs reasonably expected to be paid to third parties in connection with the guaranteed investment contract.

(d) Section [1371.059](#)(c) applies to the execution of a guaranteed investment contract by an investing entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 8, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 9, 10, eff. Sept. 1, 1999.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 5, eff. June 14, 2017.

Sec. 2256.016. AUTHORIZED INVESTMENTS: INVESTMENT POOLS. (a) An entity may invest its funds and funds under its control through an eligible investment pool if the governing body of the entity by rule, order, ordinance, or resolution, as appropriate, authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by this subchapter. An investment pool may invest its funds in money market mutual funds to the extent permitted by and consistent with this subchapter and the investment policies and objectives adopted by the investment pool.

(b) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:

(1) the types of investments in which money is allowed to be invested;

(2) the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;

(3) the maximum stated maturity date any investment security within the portfolio has;

- (4) the objectives of the pool;
- (5) the size of the pool;
- (6) the names of the members of the advisory board of the pool and the dates their terms expire;
- (7) the custodian bank that will safekeep the pool's assets;
- (8) whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;
- (9) whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;
- (10) the name and address of the independent auditor of the pool;
- (11) the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool;
- (12) the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios; and
- (13) the pool's policy regarding holding deposits in cash.

(c) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity:

- (1) investment transaction confirmations; and
- (2) a monthly report that contains, at a minimum, the following information:
  - (A) the types and percentage breakdown of securities in which the pool is invested;
  - (B) the current average dollar-weighted maturity, based on the stated maturity date, of the pool;
  - (C) the current percentage of the pool's portfolio in investments that have stated maturities of more than one year;
  - (D) the book value versus the market value of the pool's portfolio, using amortized cost valuation;
  - (E) the size of the pool;
  - (F) the number of participants in the pool;
  - (G) the custodian bank that is safekeeping the assets of the pool;
  - (H) a listing of daily transaction activity of the entity participating in the pool;

(I) the yield and expense ratio of the pool, including a statement regarding how yield is calculated;

(J) the portfolio managers of the pool; and

(K) any changes or addenda to the offering circular.

(d) An entity by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

(e) In this section, for purposes of an investment pool for which a \$1.00 net asset value is maintained, "yield" shall be calculated in accordance with regulations governing the registration of open-end management investment companies under the Investment Company Act of 1940, as promulgated from time to time by the federal Securities and Exchange Commission.

(f) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter:

(1) a public funds investment pool that uses amortized cost or fair value accounting must mark its portfolio to market daily; and

(2) if the investment pool uses amortized cost:

(A) the investment pool must, to the extent reasonably possible, stabilize at a \$1.00 net asset value, when rounded and expressed to two decimal places;

(B) the governing body of the investment pool must, if the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, take action as the body determines necessary to eliminate or reduce to the extent reasonably practicable any dilution or unfair result to existing participants, including a sale of portfolio holdings to attempt to maintain the ratio between 0.995 and 1.005; and

(C) the investment pool must, in addition to the requirements of its investment policy and any other forms of reporting, report yield to its investors in accordance with regulations of the federal Securities and Exchange Commission applicable to reporting by money market funds.

(g) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool must have an advisory board composed:

(1) equally of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for a public funds investment pool created under Chapter 791 and managed by a state agency; or

(2) of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for other investment pools.

(h) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

(i) If the investment pool operates an Internet website, the information in a disclosure instrument or report described in Subsections (b), (c)(2), and (f) must be posted on the website.

(j) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must make available to the entity an annual audited financial statement of the investment pool in which the entity has funds invested.

(k) If an investment pool offers fee breakpoints based on fund balances invested, the investment pool in advertising investment rates must include either all levels of return based on the breakpoints provided or state the lowest possible level of return based on the smallest level of funds invested.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 9, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 7, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 6, eff. June 14, 2017.

Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. [2706](#)), Sec. 3, eff. September 1, 2019.

Sec. 2256.017. EXISTING INVESTMENTS. Except as provided by Chapter [2270](#), an entity is not required to liquidate investments that were authorized investments at the time of purchase.

Added by Acts 1995, 74th Leg., ch. 76, Sec. 5.46(a), eff. Sept. 1, 1995; Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 10, eff. Sept. 1, 1997.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 96 (S.B. [253](#)), Sec. 2, eff. May 23, 2017.

Sec. 2256.019. RATING OF CERTAIN INVESTMENT POOLS. A public funds investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 11, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 8, eff. June 17, 2011.

Sec. 2256.020. AUTHORIZED INVESTMENTS: INSTITUTIONS OF HIGHER EDUCATION. In addition to the authorized investments permitted by this subchapter, an institution of higher education may purchase, sell, and invest its funds and funds under its control in the following:

(1) cash management and fixed income funds sponsored by organizations exempt from federal income taxation under Section 501(f), Internal Revenue Code of 1986 (26 U.S.C. Section 501(f));

(2) negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency; and

(3) corporate bonds, debentures, or similar debt obligations rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradations within those categories.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.0201. AUTHORIZED INVESTMENTS; MUNICIPAL UTILITY. (a) A municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric energy or natural gas to the public may enter into a hedging contract and related security and insurance agreements in relation to fuel oil, natural gas, coal, nuclear fuel, and electric energy to protect against loss due to price fluctuations. A hedging transaction must comply with the regulations of the Commodity Futures Trading Commission and the Securities and Exchange Commission. If there is a conflict between the municipal charter of the municipality and this chapter, this chapter prevails.

(b) A payment by a municipally owned electric or gas utility under a hedging contract or related agreement in relation to fuel supplies or fuel

reserves is a fuel expense, and the utility may credit any amounts it receives under the contract or agreement against fuel expenses.

(c) The governing body of a municipally owned electric or gas utility or the body vested with power to manage and operate the municipally owned electric or gas utility may set policy regarding hedging transactions.

(d) In this section, "hedging" means the buying and selling of fuel oil, natural gas, coal, nuclear fuel, and electric energy futures or options or similar contracts on those commodities and related transportation costs as a protection against loss due to price fluctuation.

Added by Acts 1999, 76th Leg., ch. 405, Sec. 48, eff. Sept. 1, 1999.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 7 (S.B. 495), Sec. 1, eff. April 13, 2007.

Sec. 2256.0202. AUTHORIZED INVESTMENTS: MUNICIPAL FUNDS FROM MANAGEMENT AND DEVELOPMENT OF MINERAL RIGHTS. (a) In addition to other investments authorized under this subchapter, a municipality may invest funds received by the municipality from a lease or contract for the management and development of land owned by the municipality and leased for oil, gas, or other mineral development in any investment authorized to be made by a trustee under Subtitle B, Title 9, Property Code (Texas Trust Code).

(b) Funds invested by a municipality under this section shall be segregated and accounted for separately from other funds of the municipality.

Added by Acts 2009, 81st Leg., R.S., Ch. 1371 (S.B. 894), Sec. 1, eff. September 1, 2009.

Sec. 2256.0203. AUTHORIZED INVESTMENTS: PORTS AND NAVIGATION DISTRICTS. (a) In this section, "district" means a navigation district organized under Section 52, Article III, or Section 59, Article XVI, Texas Constitution.

(b) In addition to the authorized investments permitted by this subchapter, a port or district may purchase, sell, and invest its funds and funds under its control in negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at



least A-1, P-1, or the equivalent by a nationally recognized credit rating agency.

Added by Acts 2011, 82nd Leg., R.S., Ch. 804 (H.B. 2346), Sec. 1, eff. September 1, 2011.

Sec. 2256.0204. AUTHORIZED INVESTMENTS: INDEPENDENT SCHOOL DISTRICTS. (a) In this section, "corporate bond" means a senior secured debt obligation issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a debt obligation that:

(1) on conversion, would result in the holder becoming a stockholder or shareholder in the entity, or any affiliate or subsidiary of the entity, that issued the debt obligation; or

(2) is an unsecured debt obligation.

(b) This section applies only to an independent school district that qualifies as an issuer as defined by Section 1371.001.

(c) In addition to authorized investments permitted by this subchapter, an independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds that, at the time of purchase, are rated by a nationally recognized investment rating firm "AA-" or the equivalent and have a stated final maturity that is not later than the third anniversary of the date the corporate bonds were purchased.

(d) An independent school district subject to this section is not authorized by this section to:

(1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds, reserves, and other funds held for the payment of debt service, in corporate bonds; or

(2) invest more than 25 percent of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity.

(e) An independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds if the governing body of the district:

(1) amends its investment policy to authorize corporate bonds as an eligible investment;

(2) adopts procedures to provide for:

(A) monitoring rating changes in corporate bonds acquired with public funds; and

(B) liquidating the investment in corporate bonds; and

(3) identifies the funds eligible to be invested in corporate bonds.

(f) The investment officer of an independent school district, acting on behalf of the district, shall sell corporate bonds in which the district has invested its funds not later than the seventh day after the date a nationally recognized investment rating firm:

(1) issues a release that places the corporate bonds or the domestic business entity that issued the corporate bonds on negative credit watch or the equivalent, if the corporate bonds are rated "AA-" or the equivalent at the time the release is issued; or

(2) changes the rating on the corporate bonds to a rating lower than "AA-" or the equivalent.

(g) Repealed by Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 5, eff. September 1, 2019.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1347 (S.B. 1543), Sec. 1, eff. June 17, 2011.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 5, eff. September 1, 2019.

Sec. 2256.0205. AUTHORIZED INVESTMENTS; DECOMMISSIONING TRUST. (a) In this section:

(1) "Decommissioning trust" means a trust created to provide the Nuclear Regulatory Commission assurance that funds will be available for decommissioning purposes as required under 10 C.F.R. Part 50 or other similar regulation.

(2) "Funds" includes any money held in a decommissioning trust regardless of whether the money is considered to be public funds under this subchapter.

(b) In addition to other investments authorized under this subchapter, a municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric energy or natural gas to the public may invest funds held in a decommissioning trust in any investment authorized by Subtitle B, Title 9, Property Code.

Added by Acts 2005, 79th Leg., Ch. 121 (S.B. 1464), Sec. 1, eff. September 1, 2005.

Sec. 2256.0206. AUTHORIZED INVESTMENTS: HEDGING TRANSACTIONS. (a) In this section:

(1) "Eligible entity" means a political subdivision that has:

(A) a principal amount of at least \$250 million in:

- (i) outstanding long-term indebtedness;
- (ii) long-term indebtedness proposed to be issued; or
- (iii) a combination of outstanding long-term indebtedness and long-term indebtedness proposed to be issued; and

(B) outstanding long-term indebtedness that is rated in one of the four highest rating categories for long-term debt instruments by a nationally recognized rating agency for municipal securities, without regard to the effect of any credit agreement or other form of credit enhancement entered into in connection with the obligation.

(2) "Eligible project" has the meaning assigned by Section [1371.001](#).

(3) "Hedging" means acting to protect against economic loss due to price fluctuation of a commodity or related investment by entering into an offsetting position or using a financial agreement or producer price agreement in a correlated security, index, or other commodity.

(b) This section prevails to the extent of any conflict between this section and:

- (1) another law; or
- (2) an eligible entity's municipal charter, if applicable.

(c) The governing body of an eligible entity shall establish the entity's policy regarding hedging transactions.

(d) An eligible entity may enter into hedging transactions, including hedging contracts, and related security, credit, and insurance agreements in connection with commodities used by an eligible entity in the entity's general operations, with the acquisition or construction of a capital project, or with an eligible project. A hedging transaction must comply with the regulations of the federal Commodity Futures Trading Commission and the federal Securities and Exchange Commission.

(e) An eligible entity may pledge as security for and to the payment of a hedging contract or a security, credit, or insurance agreement any general or special revenues or funds the entity is authorized by law to pledge to the payment of any other obligation.

(f) Section [1371.059](#)(c) applies to the execution by an eligible entity of a hedging contract and any related security, credit, or insurance agreement.

(g) An eligible entity may credit any amount the entity receives under a hedging contract against expenses associated with a commodity purchase.

(h) An eligible entity's cost of or payment under a hedging contract or agreement may be considered:

- (1) an operation and maintenance expense of the eligible entity;
- (2) an acquisition expense of the eligible entity;
- (3) a project cost of an eligible project; or
- (4) a construction expense of the eligible entity.

Added by Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. [1003](#)), Sec. 7, eff. June 14, 2017.

Sec. 2256.0207. AUTHORIZED INVESTMENTS: PUBLIC JUNIOR COLLEGE DISTRICT FUNDS FROM MANAGEMENT AND DEVELOPMENT OF MINERAL RIGHTS. (a) In addition to other investments authorized under this subchapter, the governing board of a public junior college district may invest funds received by the district from a lease or contract for the management and development of land owned by the district and leased for oil, gas, or other mineral development in any investment authorized to be made by a trustee under Subtitle B, Title 9, Property Code (Texas Trust Code).

(b) Funds invested by the governing board of a public junior college district under this section shall be segregated and accounted for separately from other funds of the district.

Added by Acts 2017, 85th Leg., R.S., Ch. 344 (H.B. [1472](#)), Sec. 1, eff. September 1, 2017.

Redesignated from Government Code, Section [2256.0206](#) by Acts 2019, 86th Leg., R.S., Ch. 467 (H.B. [4170](#)), Sec. 21.001(34), eff. September 1, 2019.

Sec. 2256.0208. LOCAL GOVERNMENT INVESTMENT OF BOND PROCEEDS AND PLEDGED REVENUE. (a) In this section, "pledged revenue" means money pledged to the payment of or as security for:

- (1) bonds or other indebtedness issued by a local government;
- (2) obligations under a lease, installment sale, or other agreement of a local government; or
- (3) certificates of participation in a debt or obligation described by Subdivision (1) or (2).

(b) The investment officer of a local government may invest bond proceeds or pledged revenue only to the extent permitted by this chapter, in accordance with:

- (1) statutory provisions governing the debt issuance or the agreement, as applicable; and

(2) the local government's investment policy regarding the debt issuance or the agreement, as applicable.

Added by Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 4, eff. September 1, 2019.

Sec. 2256.021. EFFECT OF LOSS OF REQUIRED RATING. An investment that requires a minimum rating under this subchapter does not qualify as an authorized investment during the period the investment does not have the minimum rating. An entity shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.022. EXPANSION OF INVESTMENT AUTHORITY. Expansion of investment authority granted by this chapter shall require a risk assessment by the state auditor or performed at the direction of the state auditor, subject to the legislative audit committee's approval of including the review in the audit plan under Section 321.013.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.  
Amended by Acts 2003, 78th Leg., ch. 785, Sec. 42, eff. Sept. 1, 2003.

Sec. 2256.023. INTERNAL MANAGEMENT REPORTS. (a) Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of investment transactions for all funds covered by this chapter for the preceding reporting period.

(b) The report must:

- (1) describe in detail the investment position of the entity on the date of the report;
- (2) be prepared jointly by all investment officers of the entity;
- (3) be signed by each investment officer of the entity;
- (4) contain a summary statement of each pooled fund group that states the:
  - (A) beginning market value for the reporting period;
  - (B) ending market value for the period; and
  - (C) fully accrued interest for the reporting period;
- (5) state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;

- (6) state the maturity date of each separately invested asset that has a maturity date;
- (7) state the account or fund or pooled group fund in the state agency or local government for which each individual investment was acquired; and
- (8) state the compliance of the investment portfolio of the state agency or local government as it relates to:
  - (A) the investment strategy expressed in the agency's or local government's investment policy; and
  - (B) relevant provisions of this chapter.

(c) The report shall be presented not less than quarterly to the governing body and the chief executive officer of the entity within a reasonable time after the end of the period.

(d) If an entity invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers under this section shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the governing body by that auditor.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 12, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 9, eff. June 17, 2011.

Sec. 2256.024. SUBCHAPTER CUMULATIVE. (a) The authority granted by this subchapter is in addition to that granted by other law. Except as provided by Subsection (b) and Section [2256.017](#), this subchapter does not:

(1) prohibit an investment specifically authorized by other law;  
or

(2) authorize an investment specifically prohibited by other law.

(b) Except with respect to those investing entities described in Subsection (c), a security described in Section [2256.009](#)(b) is not an authorized investment for a state agency, a local government, or another investing entity, notwithstanding any other provision of this chapter or other law to the contrary.

(c) Mortgage pass-through certificates and individual mortgage loans that may constitute an investment described in Section [2256.009](#)(b) are

authorized investments with respect to the housing bond programs operated by:

- (1) the Texas Department of Housing and Community Affairs or a nonprofit corporation created to act on its behalf;
  - (2) an entity created under Chapter 392, Local Government Code;
- or
- (3) an entity created under Chapter 394, Local Government Code.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 96 (S.B. 253), Sec. 3, eff. May 23, 2017.

Sec. 2256.025. SELECTION OF AUTHORIZED BROKERS. The governing body of an entity subject to this subchapter or the designated investment committee of the entity shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the entity.

Added by Acts 1997, 75th Leg., ch. 1421, Sec. 13, eff. Sept. 1, 1997.

Sec. 2256.026. STATUTORY COMPLIANCE. All investments made by entities must comply with this subchapter and all federal, state, and local statutes, rules, or regulations.

Added by Acts 1997, 75th Leg., ch. 1421, Sec. 13, eff. Sept. 1, 1997.

#### SUBCHAPTER B. MISCELLANEOUS PROVISIONS

Sec. 2256.051. ELECTRONIC FUNDS TRANSFER. Any local government may use electronic means to transfer or invest all funds collected or controlled by the local government.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.052. PRIVATE AUDITOR. Notwithstanding any other law, a state agency shall employ a private auditor if authorized by the legislative audit committee either on the committee's initiative or on request of the governing body of the agency.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.053. PAYMENT FOR SECURITIES PURCHASED BY STATE. The comptroller or the disbursing officer of an agency that has the power to invest assets directly may pay for authorized securities purchased from or through a member in good standing of the National Association of Securities Dealers or from or through a national or state bank on receiving an invoice from the seller of the securities showing that the securities have been purchased by the board or agency and that the amount to be paid for the securities is just, due, and unpaid. A purchase of securities may not be made at a price that exceeds the existing market value of the securities.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.67, eff. Sept. 1, 1997.

Sec. 2256.054. DELIVERY OF SECURITIES PURCHASED BY STATE. A security purchased under this chapter may be delivered to the comptroller, a bank, or the board or agency investing its funds. The delivery shall be made under normal and recognized practices in the securities and banking industries, including the book entry procedure of the Federal Reserve Bank.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.68, eff. Sept. 1, 1997.

Sec. 2256.055. DEPOSIT OF SECURITIES PURCHASED BY STATE. At the direction of the comptroller or the agency, a security purchased under this chapter may be deposited in trust with a bank or federal reserve bank or branch designated by the comptroller, whether in or outside the state. The deposit shall be held in the entity's name as evidenced by a trust receipt of the bank with which the securities are deposited.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.69, eff. Sept. 1, 1997.



# APPENDIX B

TEXAS MUNICIPAL LEAGUE INTERGOVERNMENTAL RISK POOL  
INVESTMENT POLICY

Chapter 701

S.B. No. 2551

AN ACT

relating to liability, payment, and benefits for certain workers' compensation claims.

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

SECTION 1. Section 607.055, Government Code, is amended to read as follows:

Sec. 607.055. CANCER. (a) A firefighter or emergency medical technician who suffers from cancer resulting in death or total or partial disability is presumed to have developed the cancer during the course and scope of employment as a firefighter or emergency medical technician if:

(1) the firefighter or emergency medical technician:

(A) regularly responded on the scene to calls involving fires or fire fighting; or

(B) regularly responded to an event involving the documented release of radiation or a known or suspected carcinogen while the person was employed as a firefighter or emergency medical technician; and

(2) the cancer is ~~[known to be associated with fire fighting or exposure to heat, smoke, radiation, or a known or suspected carcinogen, as]~~ described by Subsection (b).

(b) This section applies only to:

(1) cancer that originates at the stomach, colon, rectum, skin, prostate, testis, or brain;

- 1           (2) non-Hodgkin's lymphoma;
- 2           (3) multiple myeloma;
- 3           (4) malignant melanoma; and
- 4           (5) renal cell carcinoma ~~[a type of cancer that may be~~
- 5 ~~caused by exposure to heat, smoke, radiation, or a known or~~
- 6 ~~suspected carcinogen as determined by the International Agency for~~
- 7 ~~Research on Cancer].~~

8           SECTION 2. Section 607.058, Government Code, is amended to  
9 read as follows:

10           Sec. 607.058. PRESUMPTION REBUTTABLE. (a) A presumption  
11 under Section 607.053, 607.054, 607.055, or 607.056 may be rebutted  
12 through a showing by a preponderance of the evidence that a risk  
13 factor, accident, hazard, or other cause not associated with the  
14 individual's service as a firefighter or emergency medical  
15 technician was a substantial factor in bringing about ~~[caused]~~ the  
16 individual's disease or illness, without which the disease or  
17 illness would not have occurred.

18           (b) A rebuttal offered under this section must include a  
19 statement by the person offering the rebuttal that describes, in  
20 detail, the evidence that the person reviewed before making the  
21 determination that a cause not associated with the individual's  
22 service as a firefighter or emergency medical technician was a  
23 substantial factor in bringing about ~~[caused]~~ the individual's  
24 disease or illness, without which the disease or illness would not  
25 have occurred.

26           (c) In addressing an argument based on a rebuttal offered  
27 under this section, an administrative law judge shall make findings

1 of fact and conclusions of law that consider whether a qualified  
2 expert, relying on evidence-based medicine, stated the opinion  
3 that, based on reasonable medical probability, an identified risk  
4 factor, accident, hazard, or other cause not associated with the  
5 individual's service as a firefighter or emergency medical  
6 technician was a substantial factor in bringing about the  
7 individual's disease or illness, without which the disease or  
8 illness would not have occurred.

9 SECTION 3. Section 409.021, Labor Code, is amended by  
10 adding Subsection (a-3) to read as follows:

11 (a-3) An insurance carrier is not required to comply with  
12 Subsection (a) if the claim results from an employee's disability  
13 or death for which a presumption is claimed to be applicable under  
14 Subchapter B, Chapter 607, Government Code, and, not later than the  
15 15th day after the date on which the insurance carrier received  
16 written notice of the injury, the insurance carrier has provided  
17 the employee and the division with a notice that describes all steps  
18 taken by the insurance carrier to investigate the injury before the  
19 notice was given and the evidence the carrier reasonably believes  
20 is necessary to complete its investigation of the compensability of  
21 the injury. The commissioner shall adopt rules as necessary to  
22 implement this subsection.

23 SECTION 4. Section 409.022, Labor Code, is amended by  
24 adding Subsection (d-1) to read as follows:

25 (d-1) An insurance carrier has not committed an  
26 administrative violation under Section 409.021 if the carrier has  
27 sent notice to the employee as required by Subsection (d) of this

1 section or Section 409.021(a-3).

2 SECTION 5. Section 415.021, Labor Code, is amended by  
3 adding Subsection (c-2) to read as follows:

4 (c-2) In determining whether to assess an administrative  
5 penalty involving a claim in which the insurance carrier provided  
6 notice under Section 409.021(a-3), the commissioner shall consider  
7 whether:

8 (1) the employee cooperated with the insurance  
9 carrier's investigation of the claim;

10 (2) the employee timely authorized access to the  
11 applicable medical records before the insurance carrier's deadline  
12 to:

13 (A) begin payment of benefits; or

14 (B) notify the division and the employee of the  
15 insurance carrier's refusal to pay benefits; and

16 (3) the insurance carrier conducted an investigation  
17 of the claim, applied the statutory presumptions under Subchapter  
18 B, Chapter 607, Government Code, and expedited medical benefits  
19 under Section 504.055.

20 SECTION 6. Section 504.053(e), Labor Code, is amended to  
21 read as follows:

22 (e) Nothing in this chapter waives sovereign immunity or  
23 creates a new cause of action, except that a political subdivision  
24 that self-insures either individually or collectively is liable  
25 for:

26 (1) sanctions, administrative penalties, and other  
27 remedies authorized under Chapter 415;

1           (2) attorney's fees as provided by Section 408.221(c);

2 and

3           (3) attorney's fees as provided by Section 417.003.

4           SECTION 7. Subchapter D, Chapter 504, Labor Code, is  
5 amended by adding Section 504.074 to read as follows:

6           Sec. 504.074. SELF-INSURANCE ACCOUNT FOR DEATH BENEFITS AND  
7 LIFETIME INCOME BENEFITS. (a) A pool or a political subdivision  
8 that self-insures may establish an account for the payment of death  
9 benefits and lifetime income benefits under Chapter 408.

10           (b) An account established under this section may  
11 accumulate assets in an amount that the pool or political  
12 subdivision, in its sole discretion, determines is necessary in  
13 order to pay death benefits and lifetime income benefits. The  
14 establishment of an account under this section or the amount of  
15 assets accumulated in the account does not affect the liability of a  
16 pool or political subdivision for the payment of death benefits and  
17 lifetime income benefits.

18           (c) Chapter 2256, Government Code, does not apply to the  
19 investment of assets in an account established under this section.  
20 A pool or political subdivision investing or reinvesting the assets  
21 of an account shall discharge its duties solely in the interest of  
22 current and future beneficiaries:

23           (1) for the exclusive purposes of:

24                   (A) providing death benefits and lifetime income  
25 benefits to current and future beneficiaries; and

26                   (B) defraying reasonable expenses of  
27 administering the account;

1           (2) with the care, skill, prudence, and diligence  
2 under the prevailing circumstances that a prudent person acting in  
3 a like capacity and familiar with matters of the type would use in  
4 the conduct of an enterprise with a like character and like aims;

5           (3) by diversifying the investments of the account to  
6 minimize the risk of large losses, unless under the circumstances  
7 it is clearly prudent not to do so; and

8           (4) in accordance with the documents and instruments  
9 governing the account to the extent that the documents and  
10 instruments are consistent with this section.

11           (d) In choosing and contracting for professional investment  
12 management services for an account established under this section  
13 and in continuing the use of an investment manager, the pool or  
14 political subdivision must act prudently and in the interest of the  
15 current and future beneficiaries of the account.

16           SECTION 8. Sections 607.055 and 607.058, Government Code,  
17 as amended by this Act, apply only to a claim for workers'  
18 compensation benefits filed on or after the effective date of this  
19 Act. A claim filed before that date is governed by the law as it  
20 existed on the date the claim was filed, and the former law is  
21 continued in effect for that purpose.

22           SECTION 9. The commissioner of workers' compensation shall  
23 adopt rules as required by or necessary to implement this Act not  
24 later than January 1, 2020.

25           SECTION 10. (a) Section 504.053(e)(1), Labor Code, as  
26 added by this Act, applies only to an administrative violation that  
27 occurs on or after the effective date of this Act. An

S.B. No. 2551

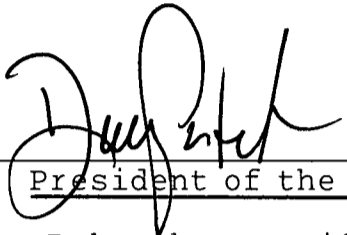
1 administrative violation that occurs before the effective date of  
2 this Act is governed by the law applicable to the violation  
3 immediately before the effective date of this Act, and that law is  
4 continued in effect for that purpose.

5 (b) Section 504.053(e)(2), Labor Code, as added by this Act,  
6 applies only to a claim for workers' compensation benefits filed on  
7 or after the effective date of this Act. A claim filed before the  
8 effective date of this Act is governed by the law in effect on the  
9 date the claim was filed, and the former law is continued in effect  
10 for that purpose.

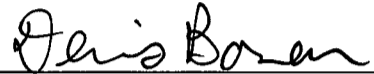
11 SECTION 11. This Act takes effect immediately if it  
12 receives a vote of two-thirds of all the members elected to each  
13 house, as provided by Section 39, Article III, Texas Constitution.  
14 If this Act does not receive the vote necessary for immediate  
15 effect, this Act takes effect September 1, 2019.



S.B. No. 2551



President of the Senate



Speaker of the House

I hereby certify that S.B. No. 2551 passed the Senate on May 7, 2019, by the following vote: Yeas 30, Nays 1; May 23, 2019, Senate refused to concur in House amendments and requested appointment of Conference Committee; May 23, 2019, House granted request of the Senate; May 26, 2019, Senate adopted Conference Committee Report by the following vote: Yeas 30, Nays 1. \_\_\_\_\_



Secretary of the Senate

I hereby certify that S.B. No. 2551 passed the House, with amendments, on May 21, 2019, by the following vote: Yeas 142, Nays 2, three present not voting; May 23, 2019, House granted request of the Senate for appointment of Conference Committee; May 26, 2019, House adopted Conference Committee Report by the following vote: Yeas 140, Nays 0, two present not voting. \_\_\_\_\_



Chief Clerk of the House

Approved:

6-9-2019

Date



Governor

FILED IN THE OFFICE OF THE  
SECRETARY OF STATE  
6:00 PM O'CLOCK

JUN 10 2019

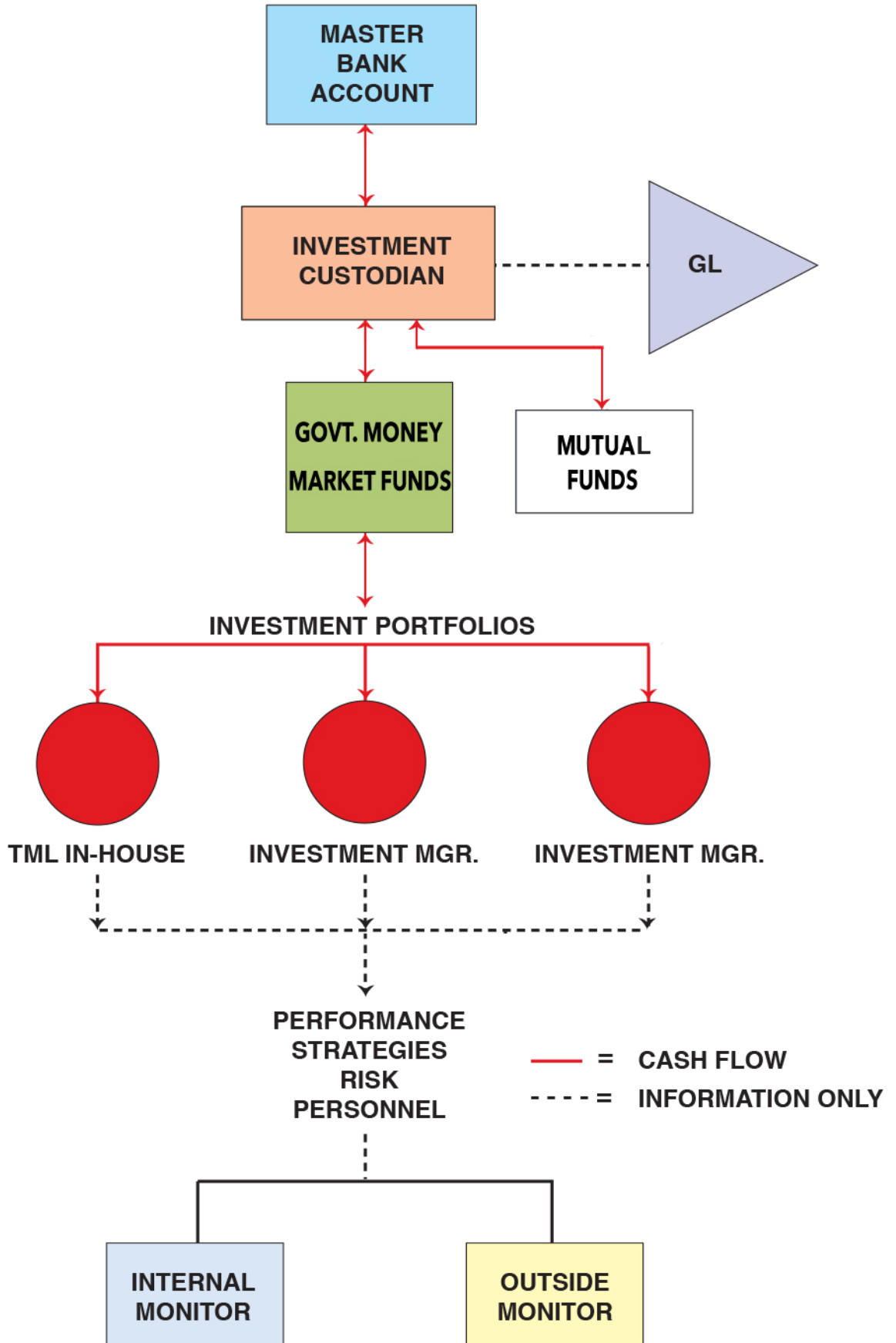


Secretary of State

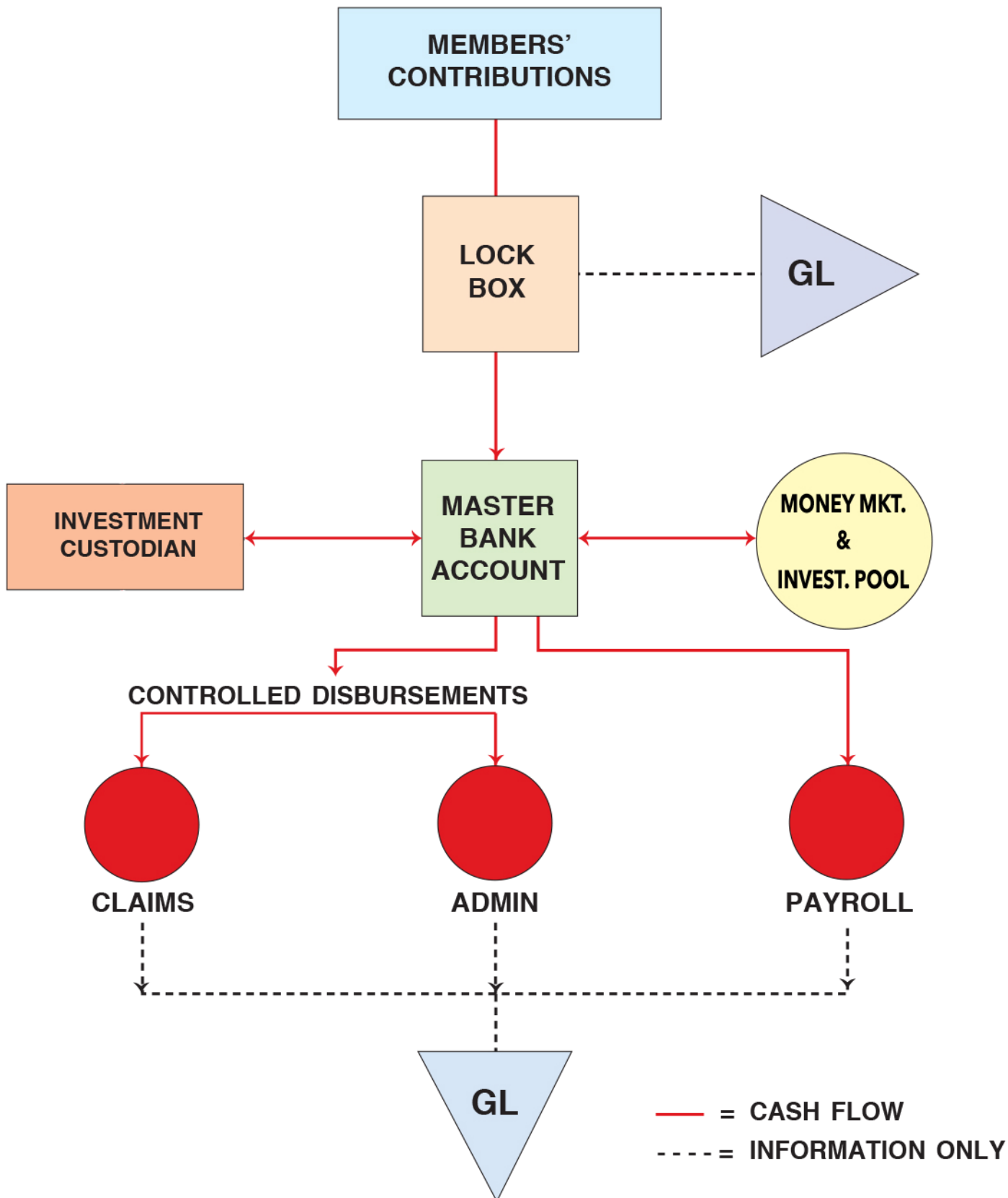
# APPENDIX C

TEXAS MUNICIPAL LEAGUE INTERGOVERNMENTAL RISK POOL  
INVESTMENT POLICY

# Texas Municipal League Intergovernmental Risk Pool Investment Program



# Texas Municipal League Intergovernmental Risk Pool Cash Management Program



# APPENDIX D

TEXAS MUNICIPAL LEAGUE INTERGOVERNMENTAL RISK POOL  
INVESTMENT POLICY

## LISTING OF BROKERAGE FIRMS

*August 20, 2024*

	Conning	Manulife	TML IRP	Total
Amherst	X	X		2
ANZ Bank		X		1
Bank of America	X	X		2
Bank of New York		X		1
Bank of Oklahoma		X		1
Barclays Capital, Inc.	X	X		2
BMO Capital Markets		X		1
BNP Paribas	X	X		2
BOSC Inc.			X	1
C.L. King & Assoc.		X		1
Cantor Fitzgerald & Co.	X	X	X	3
CBA		X		1
CIBC	X	X		2
Citigroup/Citibank	X	X		2
Cowen & Co.		X		1
Credit Agricole		X		1
Credit Suisse First Boston	X			1
CRT Capital Group	X			1
Daiwa Securities Group	X	X		2
Deutsche Bank Securities, Inc.	X	X		2
Fifth Third Bank		X		1
FHN Financial		X	X	2
Flow Traders		X		1
Goldman Sachs & Company	X	X		2
Hilltop Securities		X		1
HSBC Securities		X		1
ICE BondPoint		X		1
Imperial Capital		X		1
ING Financial		X		1
InspereX LLC		X		1
International FCStone	X			1
Jane Street Execution Services	X	X		2
Jeffries & Co., Inc.	X	X		2
JP Morgan Chase Securities, Inc.	X	X	X	3
KeyBanc	X	X		2
Liquidnet		X		1
Lloyds Securities Inc.		X		1
Loop Capital Markets, LLC	X			1
MarketAxess		X		1
Mitsubishi	X			1
Mizuho	X	X		2
Mesirow Financial	X	X		2
Millennium Advisors	X	X		2
Morgan Stanley & Company, Inc.	X	X		2
MTS Bond Pro		X		1
MUFG Securities		X		1
National Bank of Canada		X		1
Natwest Markets		X		1

## LISTING OF BROKERAGE FIRMS

*August 20, 2024*

	Conning	Manulife	TML IRP	Total
Normura Group	X	X		2
<b>Old Mission Markets</b>		<b>X</b>		<b>1</b>
Oppenheimer		X		1
Piper Sandler	X	X		2
PNC Bank		X		1
Rabo Securities		X		1
Ramirez & Co.	X	X		2
Raymond James	X	X	X	3
Robert W. Baird & Co.		X	X	2
Royal Bank of Canada	X	X		2
Royal Bank of Scotland (RBS) Securities	X			1
Santander		X		1
Scotia Capital		X		1
Seaport Group		X		1
Seibert Williams Shank & Co. LLC		X		1
SMBC Nikko Securities America	X	X		2
Societe Generale		X		1
State Street		X		1
Stephens Inc.		X		1
Stifel Nicolaus & Co.		X		1
Stone X Group		X		1
SumRidge Partners		X		1
Suntrust	X	X		2
Susquehanna Securities	X	X		2
Toronto Dominion	X	X		2
Truist Securities		X		1
UMB Bank N.A.			X	1
UBS Securities LLC	X	X		2
US Bancorp	X	X		2
Virtu Americas LLC		X		1
Westpac		X		1
Wells Fargo Securities	X	X	X	3
<b>Total: 79 Brokers</b>	<b>36</b>	<b>73</b>	<b>8</b>	<b>80</b>

**New brokers to the list in blue.**

Conning  
One Financial Plaza  
Hartford, CT 06103  
860-299-2000  
conning.com



Jason Murray, CFA  
Managing Director, Portfolio Management  
860-299-2241  
[jason.murray@conning.com](mailto:jason.murray@conning.com)

August 16, 2024

Mr. Tito Villegas, CFA  
Chief Financial Officer & Chief Investment Officer  
Texas Municipal League Intergovernmental Risk Pool  
1821 Rutherford Lane  
PO Box 149194  
Austin, TX 78154

Dear Tito,

As requested, I am forwarding a list of the brokers that Conning utilizes to facilitate the purchase and sale of securities on behalf of the Texas Municipal League Intergovernmental Risk Pool.

Amherst Pierpoint Securities	International FC Stone	Piper Jaffrey
Barclays	Jane Street Execution Services	Ramirez & Co.
Bank of America	Jefferies Group	Raymond James
BNP Paribas	JP Morgan	Royal Bank of Canada
Cantor Fitzgerald	KeyBanc	Royal Bank of Scotland
CIBC	Loop Capital	SMBC Nikko Securities America
Citigroup	Mesirow	SunTrust
Credit Suisse	Millennium Advisors	Susquehanna Securities
CRT Capital	Mitsubishi UFJ Securities	Toronto Dominion
Daiwa Securities Group	Mizuho	UBS
Deutsche Bank	Morgan Stanley	US Bancorp
Goldman Sachs	Nomura	Wells Fargo

Yours sincerely,

Jason Murray, CFA  
Managing Director, Portfolio Management



Mr. Tito Villegas  
Chief Financial Officer & Chief Investment Officer  
Texas Municipal League Intergovernmental Risk Pool  
1821 Rutherford Lane First Floor  
Austin, TX 78754

August 20, 2024

Dear Tito,

As requested, I am forwarding a list of the brokers that Manulife Investment Management (US) LLC utilizes to facilitate the purchase and sale of securities on behalf of the Texas Municipal League Intergovernmental Risk Pool.

Amherst Pierpont Sec	Imperial Capital	RBC Capital
ANZ Bank	ING Financial	Robert W. Baird
Bank of America	InspereX LLC	Samuel Ramirez
Bank of New York	Jane Street	Santander
Bank of Oklahoma	Jefferies	Scotia Capital
Barclays Capital	JP Morgan Securities	Seaport Group
BMO Capital Markets	Keybank	Seibert Williams Shank & Co LLC
BNP	Liquidnet	SMBC Nikko
C.L. King & Assoc	Lloyds Securities Inc	Societe Generale
Cantor Fitzgerald	MarketAxess	State Street
CBA	Mesirow	Stephens Inc.
CIBC World Markets	Millennium Advisors	Stifel Nicolaus
Citadel Securities	Mizuho Securities	Stone X
Citigroup	Morgan Stanley	SumRidge Partners
Cowen & Co.	MTS BOND PRO	Suntrust Robinson
Credit Agricole	MUFG Securities	Susquehanna
Daiwa Securities	National Bank of Canada	Toronto Dominion
Deutsche Bank	Natwest Markets	Truist Securities
FHN Financial	Nomura	UBS Financial
Fifth Third Bank	Old Mission Markets	US Bancorp
Flow Traders	Oppenheimer	Virtu Americas LLC
Goldman Sachs	Piper Sandler	Wells Fargo
Hilltop Securities	PNC Bank	Westpac
HSBC Securities	Rabo Securities	
ICE BondPoint	Raymond James	

Please let me know if you need any additional information

Sincerely,



Mark Flinn, CFA



WORKERS' COMPENSATION • PROPERTY • LIABILITY

## MEMORANDUM

To: Jeffrey R. Thompson  
From: Tito P. Villegas, Jr.  
Date: August 22, 2024  
Topic: List of Brokers for 2024-25

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The following are the brokers the Pool will utilize for in-house investing during fiscal-year 2024-25:

JP Morgan Chase Securities, Inc.  
Cantor Fitzgerald & Co.  
Wells Fargo Securities, LLC  
BOSC Inc.  
Raymond James & Associates, Inc.  
FHN Financial Capital Markets  
UMB Bank, N.A.  
Robert W. Baird & Co.

*There are no changes to the list compared to last year.*

A handwritten signature in black ink, appearing to read "Tito P. Villegas, Jr.", is written over a white rectangular box. The signature is fluid and cursive.