

The State of Texas  
House of Representatives

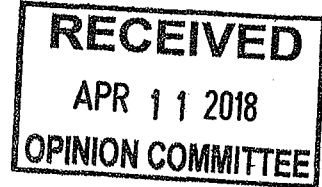
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RQ-0221-KP

Representing  
Hunt, Hopkins, and  
Van Zandt Counties

**Dan Flynn**  
State Representative - District 2



General Ken Paxton  
Texas Attorney General  
P.O. Box 12548  
Austin, TX 78711-2548

FILE # ML-48340-18  
I.D. # 48340

General Paxton,

The purpose of this letter is to solicit an opinion regarding prudent investments by the State of Texas, primarily by Teacher Retirement System (TRS).

The Texas Constitution, Article 16, Section 67 states:

*(3) Each statewide benefit system must have a board of trustees to administer the system and to invest the funds of the system in such securities as the board may consider prudent investments. In making investments, a board shall exercise the judgment and care under the circumstances then prevailing that persons of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital. The legislature by law may further restrict the investment discretion of a board.*

Would life insurance funded by leveraged premiums, specifically Index Universal Life (IUL) optimized for cash accumulation, constitute a prudent investment? Technically IUL is not a security as it is a FIXED life insurance. The policies in question focus around cash growth and not deaths. There would be no death pools as the plan is entirely mortality neutral. These policies would in effect be issued to TRS employees on a volunteer basis only.

I thank you in advance for your attention to this matter. Should your office need further information so as to clarify, please let me know.

Respectfully,

Dan Flynn  
State Representative - House District 2

