

- SUBJECT:** Revising the selection of the Teacher Retirement System board
- COMMITTEE:** Pensions, Investments and Financial Services — favorable, without amendment
- VOTE:** 7 ayes — Truitt, Anderson, Flynn, Hernandez, Parker, Veasey, Woolley
0 nays
2 absent — Anchia, Hopson
- WITNESSES:** For — Portia Bosse, Texas State Teachers Association; Ann Fickel, Texas Classroom Teachers Association; Tim Lee, Texas Retired Teachers Association; Josh Sanderson, Association of Texas Professional Educators; (*Registered, but did not testify:* Zora Mae Hise; Tom Rogers, Austin Retired Teachers Association; Sheila Sargent)

Against — None

On — (*Registered, but did not testify:*) Brian Guthrie, Ronnie Jung, Teacher Retirement System
- BACKGROUND:** Government Code, ch. 825, subch. A outlines provisions for the administration by the board of trustees of the Teacher Retirement System (TRS) of Texas. The TRS board is comprised of nine trustees appointed by the governor to six-year staggered terms with the following composition:
- three trustees directly appointed;
 - two trustees appointed from a list recommended by the State Board of Education;
 - two trustees appointed from three public school district active member candidates nominated by employees of public school districts;
 - one trustee appointed from three higher education active member candidates nominated by employees of higher education institutions; and
 - one trustee appointed from three retired member candidates who are nominated by retired TRS members.

These appointments are subject to confirmation by the Senate. The direct appointments by the governor and those recommended by the State Board of Education must have demonstrated financial expertise, have worked in private business or industry, and have broad investment experience

DIGEST: HB 2656 would amend Government Code, ch. 825, subch. A so that two retired members of the Teacher Retirement System (TRS) would be on the board of trustees, both to be elected by former members of the retirement system. These elected members would replace two governor's appointments, one that was nominated by retired TRS members and one that was nominated by the State Board of Education and required to have financial expertise. The board would remain at nine members. The two elected retired members would hold office for staggered terms.

This change would apply only to the appointment or election of a trustee of the TRS board that occurs on or after the bill's effective date. Sitting board members would complete their term of office.

The bill would take effect September 1, 2009.

SUPPORTERS SAY: HB 2656 would respond to the demands of active and retired teachers to have a more direct voice in the administration of their retirement fund. While the current composition of the Teacher Retirement System (TRS) board represents active and retired teachers, the representation does not come directly from the members, but instead from the governor's appointments from a slate of preferred candidates. As active members will one day become retired members receiving benefits from the fund and given the growing number of retirees the fund supports, it is only prudent that retirees have additional and direct representation on the TRS board.

The House Pensions and Investments Committee's interim report recommended that pension plans could be strengthened by providing a more direct voice for members and beneficiaries on the boards of trustees. HB 2656 would provide this representation. These changes would place the board of TRS more in line with the current composition of the board of the Employees Retirement System (ERS), which has half of its trustees directly elected by ERS members and retirees. The direct election and additional retiree representation that HB 2656 would provide would help to alleviate uncertainty in active and retired members about the board, while also making it more accountable to its members.

While a board should have a healthy balance of trustees with financial expertise and those representing the constituent base, that balance should represent fairly the members with a vested interest in the performance of the fund. The bill would leave a substantial number of members with financial expertise on the board, but would ensure that members — whose money is invested in the fund — have more of a say in how the fund is managed.

The bill would not change the Legislature's oversight functions over TRS in deciding increases in benefits and the contribution rate for the state and teachers.

OPPONENTS
SAY:

While well-intentioned, HB 2656 could politicize unnecessarily the TRS board with undue influence by outside groups. For example, under the provisions of the bill, a retired member who does not have the backing of a particular teacher association, but captures the second or third highest vote total, would not be expected to be seated on the board. Having the governor appoint members from a slate of nominees helps remove outside influence from equation.

The bill also would deprive the board of a member with financial expertise. This expertise is crucial to ensure that the investment policies of TRS are prudent and carry a long-term approach.

OTHER
OPPONENTS
SAY:

Currently, active teachers nominate three potential board members via written ballot at an election. The governor then appoints two of these three nominees to the TRS board. HB 2656 should extend direct election for active teachers as well to ensure that its choices are reflected in the board. In the same way, higher education employees should be able to elect a representative to the TRS board directly rather than select nominees and allow the governor to choose one.

NOTES:

A related bill, HB 648 by Y. Davis, would change appointment of TRS board members to retain the three appointed by the governor with financial expertise, and two appointed by the governor from nominees by the SBOE. Two current members of TRS would be elected by current TRS members, one retired member would be elected by TRS retirees, and one current higher education employee would be elected by current higher

education employees. The Pensions, Investments, and Financial Services Committee reported HB 648 favorably, without amendment, on April 29.