

- SUBJECT:** Electing, not appointing, four Teacher Retirement System board members
- COMMITTEE:** Pensions, Investments, and Financial Services — committee substitute recommended
- VOTE:** 7 ayes — Truitt, Anchia, C. Anderson, Hernandez Luna, Nash, Orr, Veasey
- 0 nays
- 2 absent — Creighton, Legler
- WITNESSES:** For — Tim Lee, Texas Retired Teachers Association (TRTA); Ted Melina Raab, Texas American Federation of Teachers; (*Registered, but did not testify*: Portia Bosse, Texas State Teachers Association; Ann Fickel, Texas Classroom Teachers Association; Zora Mae Hise; Derrick Osobase, Texas State Employees Union; Josh Sanderson, Association of Texas Professional Educators; Sheila Sargent)
- Against — None
- On — 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 comprises 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 (SBOE);
  - 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 SBOE must have demonstrated financial expertise, have worked in private business or industry, and have broad investment experience.

Sec. 825.0041, Government Code requires a person appointed to the TRS board to receive training before participating in board proceedings. A training program must provide the person with information regarding:

- the legislation that created TRS and its programs, functions, rules, and budget;
- the results of the most recent formal audit;
- open meetings, public information, administrative procedure, and conflicts of interest; and
- any applicable ethics policies adopted by TRS or the Texas Ethics Commission.

DIGEST:

CSHB 3747 would require that TRS members elect four members on the TRS board of trustees. Members whose most recent service was for a public school district would elect two individuals employed by a public school district. These two elected members would hold office for staggered terms. TRS members whose most recent service was for a higher education institution would elect one member employed by a higher education institution to the board. Retired members would elect one retired member of TRS to the board.

The governor still would appoint five members, including three directly and two from a list provided by the SBOE.

Elected members would have to receive the same required training as appointed members. The bill would expand the training program to include information on the legislation that created the board of trustees, the policymaking functions of the board, and the rules of the retirement system, with an emphasis on the rules relating to disciplinary and investigatory authority. Like appointed members, elected members of the board would be entitled to reimbursement for travel expenses incurred to attend training.

The bill would apply to the appointment or election of a member of the board on or after September 1, 2011. The bill would take immediate effect

if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2011.

**SUPPORTERS  
SAY:**

CSHB 3747 would respond to the demands of active and retired teachers for a more direct voice in the administration of their retirement fund. While the current composition of the 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.

A 2009 House Pensions and Investments Committee's interim report to the 81st Legislature stated that pension plans could be strengthened by providing a more direct voice for members and beneficiaries on the boards of trustees. CSHB 3747 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), half of the trustees of which are directly elected by ERS members and retirees. The direct election that the bill would require would alleviate the uncertainty felt by active and retired members about the board, while also making it more accountable to its members.

The bill would leave intact the financial expertise requirements. Five trustees, a majority of the TRS board, still would be required to have this necessary expertise and would be appointed by the governor.

**OPPONENTS  
SAY:**

While well-intentioned, CSHB 3747 could politicize unnecessarily the TRS board of trustees with undue influence by outside groups. Having the governor appoint members from a slate of nominees helps remove outside influence from the equation.

**NOTES:**

A related bill, HB 2120 by D. Miller, which would allow one the TRS trustee positions required to be a higher education institution employee instead to be held by any TRS member or retiree and require input from current and retired TRS members in preparing the nomination list from which the governor would choose the trustee, was on the May 9 General State Calendar.

A related bill, HB 2656 by D. Miller, was enacted by the 81st Legislature and vetoed by the governor. Under the bill, instead of appointing one member from a slate of three TRS retirees nominated by the retirees, the governor would have appointed two retiree members from the nominated

slate. Instead of appointing two members with demonstrated financial expertise and broad investment experience from a list of nominees submitted by the SBOE, the governor would have appointed one member from the SBOE list. The board would have remained at nine members. The two retired members would have held office for staggered terms. The governor's stated reason for vetoing the bill was that it would decrease the number of TRS trustees with financial expertise.