

SUBJECT: Making one elected member ERS board of trustees seat eligible to retirees

COMMITTEE: Pensions, Investments and Financial Services — favorable, without amendment

VOTE: 9 ayes — Murphy, Vo, Capriglione, Flynn, Gervin-Hawkins, Lambert, Longoria, Stephenson, Wu

0 nays

2 absent — Gutierrez, Leach

WITNESSES: For — Luther Elmore, AFSCME Texas Retirees; Bill Hamilton, Retired State Employees Association of Texas; Leroy Haverlah; (*Registered, but did not testify*: Maura Powers, AFSCME Texas Retirees; Chris Jones, CLEAT; David Sinclair, Game Warden Peace Officers Association; Charley Wilkison, Sheriff's Employees Organization of Harris County; Rene Lara, Texas AFL-CIO; Tyler Sheldon, Texas State Employees Union)

Against — (*Registered, but did not testify*: George Christian, Texas Public Employees Association)

BACKGROUND: Government Code ch. 815 governs the Employees Retirement System (ERS) board of trustees, which is composed of six members. Three board members are appointed with the advice and consent of the Senate, one each by the governor, the chief justice of the Texas Supreme Court, and the House speaker. The other three members are nominated and elected by ERS members. To be eligible to serve as an elected member of the board, a person must be a member of the employee class of the retirement system.

DIGEST: HB 596 would allow one elected member of the Employees Retirement System (ERS) board of trustees to be a retiree. The bill would apply only to an election of a member of the board of trustees that occurred on or after the bill's effective date.

The bill would take effect September 1, 2019.

**SUPPORTERS
SAY:**

HB 596 would appropriately expand the candidate pool for Employees Retirement System (ERS) board membership by allowing retirees to stand for election. Retirees are an important stakeholder group for ERS and should be able to provide input and direction on matters that could directly affect them.

The bill would not create a new seat or explicitly grant one of the three elected seats to a retiree. Rather, it would make retirees eligible to serve on the board. The board already contains dedicated seats for active members, which is a type of special classification. Opening the eligibility of one active member seat to retirees would simply add another stakeholder's perspective to the board.

HB 596 would hold the board more accountable to its members by better aligning board membership with ERS members. Because retirees are in a different benefit tier system than active ERS members, it is appropriate that they be eligible for representation. The bill also could increase regional representation on the ERS board, as many retirees live in suburban and rural communities.

HB 596 would more closely align the eligibility requirements for the ERS board with those of the Teacher Retirement System (TRS) and the Texas County and District Retirement System (TCDRS), which both have at least one dedicated board seat for retirees. Neither active members nor retiree board members on the ERS, TRS, or TCDRS boards of trustees have ever posed a risk to the financial integrity of the systems, and administrative governance rules provide strong protections against board members making conflict of interest votes.

**OPPONENTS
SAY:**

HB 596 would make an unnecessary change to rules governing membership of the ERS board of trustees, as active members adequately represent the interests of retirees. Creating a special classification for

retired ERS members could run the risk of politicizing decision-making. Current board eligibility rules function well, and it could be imprudent to make changes to a well functioning board that could affect the financial integrity of the system.