



By Tim Lee

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Legislative Session 81
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Summary of February 2009 TRS Board Meeting

The Teacher Retirement System of Texas (TRS) finished their regularly scheduled board meeting on Friday, February 13, 2009. TRTA attended that meeting and this update includes a summary of their major action items provided by Bill Barnes, TRTA State Legislative Coordinator.

Incentive Pay for TRS Employees

As many of you know, the TRS Board and executive staff were criticized at a recent Texas Senate Finance Committee for their incentive compensation program that made payments to various TRS investment employees and still had other pay being held for 12 months to more employees per TRS policy.

On Friday, February 13, 2009, the TRS Board of Trustees accepted TRS Chief Investment Officer Britt Harris' offer to forego an estimated \$167,835 in performance incentive pay that he would have earned based upon the fund's 2008 performance. Harris waived his performance pay due to the current economic downturn and how it has impacted the TRS fund.

TRS Board of Trustees also deferred all remaining Investment Division performance pay until the fund experiences a year of positive returns. An official statement on this issue is on the TRS web site or can be found by clicking [here](#), or by copying the link below and pasting it into your browser:

http://www.trs.state.tx.us/about/news_releases/trs_modifies_performance_pay.pdf

TRTA is watching this situation very closely. No doubt that many of us are unsure how anyone may be able to receive incentive compensation when the markets are in such turmoil. The TRS Board is just not under pressure from constituent groups on this issue, as many elected officials are also raising questions about this TRS policy.

TRTA believes the TRS Board and staff discussion and decision process regarding incentive compensation is sincere and moving in the right direction. In addition, Mr. Britt Harris is to be commended for stepping forward and offering to forego his bonus pay. The fact is, according to the adopted TRS policy on incentive compensation, Mr. Harris was due this money. TRTA has met with and talked at length with Mr. Harris about the fund's investments and the direction the fund is taking with managing your pension assets. It is clear that he has every intention to make the best decisions possible regarding those investments and is working hard to protect the pension trust fund's assets. With the major markets down more than 40 percent and TRS investments down 27 percent, there is evidence to suggest that TRS is making the best decisions they can in these difficult economic times.

Still, the fund has lost a tremendous amount of its overall value with this economic crisis. The Texas Legislature will be reviewing many investment policies and practices of the State's public pension funds this session--and they should.

The legislature's oversight is critical to ensuring that TRS or any other state pension fund is not taking unnecessary risks or mismanaging public funds. At the same time, the legislature must not make rash decisions on the important investment and management authorities vested with the TRS Board of Trustees.

It is critical that the overall investment capacity remain with the TRS Trustees. TRTA believes that a governance board like the one at TRS is a better approach to making long-term investment decisions regarding the pension trust fund assets than for a legislature to take a more heavy-handed approach with the investment structure. The current system at TRS of having financial professionals and pension fund member representatives working together is the best approach to managing the fund's assets.

TRTA does want the legislature's involvement with oversight and shaping fund governance policy in a way that favors the public pension fund's membership. This session is an opportune time for more elected officials to learn how the trust funds operate and what a success they really are for all Texans.

TRTA also suggests that the legislature act quickly to improve the pension fund's trustee structure by passing legislation that would allow more member representatives to serve on the TRS Board (particularly retiree members) and would allow for their direct member election without having to receive gubernatorial approval (as is currently the case). These steps would definitely help improve the trust TRS members would have in the management of these pension fund assets!

TRTA is working with a number of legislators on additional member trustees, as well as direct member election. TRTA is also asking to be involved in ANY discussions the Texas Legislature may have pertaining to public pension fund investment authority. We will keep you updated on ALL these issues throughout session.

Other TRS Board Actions (Summary provided by Mr. Bill Barnes)

INFORMATION ON TRS BOARD MEETING-FEBRUARY

1. TRS Chief Investment Officer declines performance bonus of \$167,000
2. Other TRS Staff bonuses held until fund produces positive return on investment
3. TRS FUND: BRITT HARRIS
 - FUND IS GROWING---\$81 Billion
 - FUND IS WELL DIVERSIFIED THEREFORE THE FUND IS PROTECTED AND HOPEFULLY WILL NOT DROP TOO FAR. POINT: HAVE TO DIVERSIFY AT THE RIGHT TIME.---KEY
 - RETIREES WILL CONTINUE TO RECEIVE THEIR PENSIONS EACH MONTH DUE TO THE LIQUIDITY OF THE FUND AND ITS MANAGEMENT.
4. HEALTH PREMIUM WILL NOT GO UP DUE TO GOOD MANAGEMENT PRACTICES.
5. LEGISLATION: 1% INCREASE IN STATE CONTRIBUTION WOULD COST \$262 MILLION ON AVERAGE PER YEAR.
6. COMMUNICATION: HOWARD GOLDMAN

- TRS WILL CONTINUE TO EXPAND WAYS TO BETTER COMMUNICATE WITH MEMBERS.
- FALL REPORT CARD MEETING
- TRS TOURS TO OTHER TEXAS CITIES
- TV FORMATE BEING ORGANIZED
- WEB VIDEO PRESENTATIONS

Congratulations

TRTA wants to congratulate Mr. Linus Wright for his appointment as Chairman of the TRS Board of Trustees. Linus is a longtime TRTA member and supporter, but he is also a very involved and active TRS Trustee. Mr. Wright was named Chairman of the TRS Board after Mr. James Lee resigned last month. Mr. Wright conducted a well-run and very organized TRS Board meeting this week. All TRTA members can be proud to know that their elected member representative is providing leadership on the TRS Board during these challenging times. Thank you Linus Wright!

Final Thoughts

TRTA is very grateful for your membership support. As of today, TRTA membership now exceeds 69,500 members. This unity is making a statement to the Governor, the Texas Legislature, and the TRS Board of Trustees. These are difficult and important days for all TRS members, retired or active. TRTA wants you to know we are very engaged in this legislative session and we are working every day to protect your pension and health care benefits and we are doing everything we can to help get you a much needed benefit increase. There is still a long way to go this session and we need your support as much as ever. Thank you for being so dedicated, and please continue to ask your fellow retirees, friends, family, even active employees to join TRTA! Everyone will benefit from the work TRTA is doing.