

RESOLUTION

WHEREAS, the future viability of the U.S. economy is, in large measure, dependent on (i) investor confidence in corporate structures and leadership, (ii) the reliability of underlying financial information regarding corporate operations, and (iii) transparency in communications between investors, boards of directors, and management; and,

WHEREAS, recent developments have revealed that abuses have occurred in executive compensation, inattention by corporate Boards of Directors to their governance responsibilities and their obligations to their shareholders as well as outright fraud by investment firms; and,

WHEREAS, reforms have been proposed in the aftermath of recent corporate scandals and bankruptcies that may lead to improvements in board independence, transparency and shareholder communications, providing increased corporate integrity, investor confidence in corporate structures and the validity of external audits, and in turn increased value to the shareholders who invest in these enterprises; and,

WHEREAS, in keeping with their fiduciary responsibilities, it is incumbent on all public and private sector institutional investors to be proactive in the pursuit of reforms designed to provide additional safeguards for investors and dramatically reduce the potential for corporate malfeasance and consequent financial disasters; and,

WHEREAS, it is incumbent upon Congress, federal regulatory agencies, and self-regulatory organizations to ensure reforms bolster the economy while protecting the interests of investors, as overly punitive measures and litigious environments will impair sustained economic growth, a goal shared both by businesses and those who invest in them.

NOW, THEREFORE, BE IT RESOLVED that the Texas Association of Public Employee Retirement Systems (TEXPERS) supports continued efforts to ensure a corporate and regulatory environment characterized by

- Processes by which shareholder's concerns are heard and given serious response;
- Ethics policies clearly describing the rights and responsibilities of corporate officers and employees;
- Processes which assure that directors are competent, independent and without compromising ties to the CEO;
- Processes by which realistic guidelines are used when setting executive compensation;
- Processes that ensure accurate, understandable financial statements;
- Effective enforcement actions that include holding individuals accountable for their actions and not just corporations' insurance policies;
- A more effective SEC, with the authority and financial resources to better execute necessary enforcement measures to preserve and improve shareholder rights, access to information, and investor confidence in the financial marketplace;
- Procedures that ensure strong internal controls; and
- Procedures that ensure the directors adequate authority and resources to perform their oversight function without the undue influence of corporate officers.

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WHEREAS, the ongoing crisis in the financial markets has greatly heightened the likelihood of interest in the design, operation and investment programs of public pension plans by elected officials, governmental regulators and the media, including the possibility they will make proposals for changes;

WHEREAS, some of the proposals will be well-reasoned and deserving of consideration; and

WHEREAS, some of the proposals may be an overreaction and could be detrimental to the success of the investment program in the long run; and

WHEREAS, the Boards of Trustees of the public pension plans are fiduciaries with the highest standard of duty to manage the plans in the exclusive interest of the beneficiaries; and

WHEREAS, it is impractical to forecast what ideas will be presented or to make an appropriate response to each of them in advance; and

WHEREAS, there are well-recognized voices for public pension plans that have a significant and effective presence in the nation's capital that respond to such ideas, such as the Government Finance Officers Association, the National Conference on Public Employee Retirement Systems and the Public Pension Network; and

WHEREAS, these organizations have indicated to TEXPERS that they are desirous of information and support from TEXPERS with regard to the development and strengthening of their positions in response to ideas affecting public pension plans; and

WHEREAS, the Texas Association of Public Employee Retirement Systems wishes to be directly involved in national organizations important to public pension systems.

NOW, THEREFORE, BE IT RESOLVED, that the membership of TEXPERS authorizes its Executive Director, with the advice and consent of the Board of Directors, to be an active participant in such organizations to develop positions that further the interests of public pension systems in the legislative and administrative arenas and support initiatives that facilitate the ability of state and local governments and public employee retirement systems to effectively use both defined benefit and supplemental defined contribution plans to assist public employees in saving for retirement.

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WHEREAS, the Texas Association of Public Employee Retirement Systems supports a strong Social Security System as an important element of many citizens' long term financial health;

WHEREAS, when Social Security was created, state and local governments were prohibited from joining and, therefore, required to create or continue their own pension plans to adequately provide retirement, disability and death benefits;

WHEREAS, mandatory Social Security coverage would increase the costs to state and local governments and hurt their employees, particularly the firefighters and police officers who must retire before Social Security retirement age; and

WHEREAS, placing additional employees under Social Security ultimately creates additional problems for that System.

NOW, THEREFORE, BE IT RESOLVED that the Texas Association of Public Employee Retirement Systems opposes imposition of mandatory Social Security coverage on current and future governmental employees.

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WHEREAS, most governmental entities in the State of Texas that wish to protect the long-term financial health of their employees have adopted defined benefit pension plans that deliver a lifetime benefit to their retirees;

WHEREAS, defined benefit plans are long-term, patient investors, generally with professional investment consultants, highly skilled actuaries, and a large group's ability to make decisions based on actuarial probability and carefully developed investment policies, rather than individual fears and statistical possibilities;

WHEREAS, tax sheltered defined contribution plans, such as 457, 401(k) and 403(b) plans are valuable supplements to defined benefit plans, their effectiveness may vary widely based upon the investment acumen of each individual member;

WHEREAS, defined contribution plans do not ensure lifetime benefits to aged and infirm retirees and beneficiaries;

WHEREAS, some entities have abolished traditional defined benefit pension plans and substituted defined contribution plans or cash balance plans in their place to the detriment of plan members.

NOW, THEREFORE, BE IT RESOLVED that the Texas Association of Public Employee Retirement Systems opposes the termination of traditional defined benefit pension plans and their replacement with defined contribution plans or cash balance plans.