TEXAS ASSOCIATION OF PUBLIC EMPLOYEE RETIREMENT SYSTEMS

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TEXPERS

October 6, 2009

Chairman Mary Schapiro
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chairman Schapiro:

We write in response to the Commission's recently promulgated regulation of third party marketing agents for asset managers. While we strongly support full disclosure and reasonable waiting periods following service with a retirement plan, the Texas Association of Public Employee Retirement Systems (TEXPERS) believes that an outright ban on third party marketing will not be in the best interests of our extensive membership.

TEXPERS was founded in 1989 to foster trustee education and improved governance of Texas public employee retirement systems. In its 20 year history, TEXPERS' membership has grown to include retirement plans covering nearly a half million Texas public employees and nearly $500 billion in capital assets.

Recent disclosures concerning third party marketers, particularly those seeking to influence the selection of pension fund trustees, have been of great concern to our members. Strict adherence to the highest standard of fiduciary duty is both a statutory mandate and a moral imperative. TEXPERS believes that full disclosure is the key to maintaining the integrity of the asset management process and, more importantly, the trust of the membership who rely on the investment decisions of their fiduciaries.

The difficulties which have led the Commission to issue the proposed regulations are well documented and the concern for the welfare of the capital markets and pension funds as large capital investors is well taken. An outright ban on third party marketing would, however, have a deleterious effect on the public pension industry.

Many emerging and minority managers do not have the resources to hire in-house marketing personnel. Yet, many of these managers have demonstrated superior investment performance and considerable innovation in the most challenging markets since the 1930's. Not surprisingly, many smaller managers, in order to effectively compete in the public pension market, engage the service of third party marketers. An outright ban on third party marketing would effectively eliminate the ability of public retirement plans to improve diversity among their managers or to seek boutique managers for particularly specialized investment styles. The goal of the prudent fiduciary is to place plan assets with the most talented managers who can provide the highest and best return with a reasonable degree of risk. Eliminating managers from that process because they lack the in-house marketing staff to effectively compete will ultimately limit the ability of retirement plans to maximize returns and lower taxpayer contributions.

State and local government retirement plans are highly regulated by their respective state laws. More importantly, their records and their proceedings are largely open to public scrutiny through state open records and open meetings laws. Thus, to a large extent, a full disclosure regulation from the Commission, combined with improved state disclosure rules for the plans can effectively control the abuses properly recognized by the Commission. In addition, imposing a meaningful waiting period for former trustees and staff before they may represent the interests of managers will further the public interest in ensuring the highest levels of integrity in the management of public retirement fund assets.

TEXPERS and its member funds appreciate the Commission's deep concern for the ethical management of public employee retirement systems. Thank you for the opportunity to submit these comments.

Respectfully submitted,

Paul Brown
President

Max Patterson
Executive Director