

**State Pension Review Board  
Minutes  
November 13, 2013**

**1. Meeting called to order (00:01)**

The third meeting of 2013 of the State Pension Review Board (PRB) was called to order by Chair Paul Braden on Wednesday, November 13, 2013 at 10:00 AM, at the Capitol Extension Building, Committee Room E1.012 in Austin, Texas.

**2. Roll call of Board members (00:25)**

**Board Members Present:**

Chair Paul Braden  
Andrew Cable  
Robert Massengale  
Robert May  
Wayne Roberts

A quorum being present, the meeting was called to order by Chair Braden.

**3. Recognition of Senator John Whitmire (00:55)**

Chair Braden noted that Senator Whitmire was unable to attend the meeting, and recognized his service to the PRB.

**4. Discuss and consider Board administrative matters, including the following - Chair Braden (02:42)**

**A. Approval of the August 28, 2013 Board meeting minutes**

Chair Braden entertained a motion to suspend the reading of the Minutes of the PRB meeting held August 28, 2013 and to approve the Minutes as circulated.

Motion made by Mr. Roberts and seconded by Mr. Massengale that the PRB suspend the reading of the Minutes of its meeting held August 28, 2013 and to approve the Minutes as circulated.

**MOTION CARRIED UNANIMOUSLY**

**B. Excusing the absence of Board members from the August 28, 2013 Board meeting**

Chair Braden entertained a motion to excuse Ms. Greco-Pool from the August 28, 2013 Board meeting.

Motion made by Mr. Massengale and seconded by Mr. Cable to excuse Ms. Greco-Pool from the August 28, 2013 Board meeting.

Chair Braden inquired if there was any discussion from the Board. There being none, the motion carried unanimously to excuse Ms. Greco-Pool from the August 28, 2013 Board meeting.

**MOTION CARRIED UNANIMOUSLY**

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**5. Discuss and consider development and maintenance of a list of companies engaged in scrutinized business operations in Iran, including the following – Nick Ballard (04:08)**

**A. Report on the proposed list of scrutinized companies**

Mr. Ballard noted that SB 200 added Chapter 807 to the Government Code. This chapter sets new responsibilities for the PRB by requiring the agency to prepare and provide a list of scrutinized companies doing business in Iran to Statewide Retirement Systems, including the Teacher Retirement System, the Employees Retirement System, the Texas County and District Retirement System, the Texas Municipal Retirement System, and the Texas Emergency Services Retirement System. Mr. Ballard noted that PRB staff reviewed lists of businesses with scrutinized operations made publicly available by states with definitions of scrutinized business operations similar to the definition provided in Chapter 807. After evaluating each entity, staff determined that the list compiled by the Florida State Board of Administration should be used as the basis for developing the PRB list. Staff coordinated with personnel at the statewide governmental entities that will be using the list, and they are in agreement that the Florida list provides an adequate basis for the PRB list.

**B. Adoption of proposed Procedure for Maintaining PRB List of Scrutinized Companies**

Mr. Ballard noted that the draft procedure states that the PRB will use the list prepared by the Florida State Board of Administration as a basis for creating the PRB List of Scrutinized Companies. The procedure also states that the PRB “may rely on additional information, as determined to be appropriate, in accordance with Section 807.051(a) and 807.008 of the Texas Government Code.” The procedure continues by stating, “In the event that the PRB is no longer able to rely on the list published by the Florida State Board of Administration, the PRB will review this policy and evaluate alternative list sources.” The PRB will also consider information received from the Statewide Governmental Entities indicating that the List should be updated.

Chair Braden noted that the PRB did not receive funding for this project, and was therefore unable to contract with third parties directly. In reference to the companies that appear on the PRB List that no longer engage in scrutinized operations and wish to be removed, Chair Braden suggested including a reference noting that they shall provide the PRB with a written certification. A form could be attached to the procedure, and they could then sign the certification. This could provide the PRB comfort in knowing that they are making the right representations to fall within statute and thereby remove the companies from the List as appropriate.

Mr. Roberts confirmed his agreement with Chair Braden.

Chair Braden entertained a motion to adopt the proposed procedure for maintaining the PRB list of scrutinized companies pending the incorporation of any recommendations by the assistant attorney general counsel of the Board and a final approval by the Chair, and through the Attorney General’s process and the Chair’s comments, the PRB may incorporate a form to attach to the procedure.

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Motion made by Mr. Roberts and seconded by Mr. Cable.

There being no further discussion from the Board, the motion carried unanimously to adopt the proposed procedure for maintaining the PRB list of scrutinized companies pending the incorporation of any recommendations by the assistant attorney general counsel of the Board and a final approval by the Chair, and through the process of the Attorney General and the Chair's comments, the PRB may incorporate a form to attach to the procedure.

**MOTION CARRIED UNANIMOUSLY**

**6. Discuss and consider appeals procedure and training for plans organized under TLFRA, including the following – Chris Hanson (15:36)**

**A. Adoption of proposed PRB Procedure for Referral of TLFRA Appeals to SOAH**

Mr. Hanson noted that one of the changes made during the Sunset process pertains to the filing of appeals of local board decisions for TLFRA plans. He noted that the PRB was inserted in that change exclusively as a referral agency. Staff drafted a proposal which would be an internal procedure to clarify the PRB's role in the process as a referring agency. The proposed procedure has been approved by the assistant attorney general counsel of the Board. Mr. Hanson noted that a form which was modeled off of the prior commissioner's referral form accompanies the procedure and will be made available for the system's voluntary use. The form is included to simplify the process in the event that there is an appeal. Mr. Hanson also stated that the PRB has worked with the SOAH staff and an Administrative Law Judge (ALJ) has specifically been assigned to handle the TLFRA appeals.

Chair Braden entertained a motion to adopt the proposed PRB procedure for referral of TLFRA Appeals to SOAH.

Motion made by Mr. Massengale and seconded by Mr. Cable.

There being no further discussion from the Board, the motion carried unanimously to adopt the proposed PRB procedure for referral of TLFRA Appeals to SOAH.

**MOTION CARRIED UNANIMOUSLY**

**B. Update on the 2013 TLFRA Conference**

No discussion

**C. Training for trustees and administrators – 2014 TLFRA Conference**

No discussion

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**7. Discuss and consider Educational Training Program for trustees and administrators, including the following – Michelle Kranes (18:40)**

**A. Report on October working group meeting**

Ms. Kranes noted that the first meeting of the PRB's Educational Training Program Working Group was held on October 23, 2013.

Ms. Kranes summarized the results of the trustee and administrator training survey which was sent to administrators of the 89 non-exempt defined benefit plans. She noted that one of the most frequent comments received was the desire to have the PRB accredit in-house training in addition to outside conferences that are attended by trustees and administrators.

**B. Evaluate the establishment of minimum training requirements and topic areas**

Ms. Kranes reported that the working group's primary discussion focused on the need to develop minimum training standards to ensure that trustees and administrators are provided with the foundation they need to effectively fulfil their duties. Ms. Kranes noted that the minimum standards could range from four to eight hours and follow the method of a Pensions 101 course which would provide the foundational topics including actuarial concepts, fiduciary duty, and ethics.

**C. Accreditation of other training programs**

Ms. Kranes reported that the working group discussed the possibility of developing a list of accredited training programs that could be updated on an ongoing basis, as well as a process to evaluate individual courses not already on the accredited list. Ms. Kranes further stated that the board will need to decide on how to track compliance with training requirements. She also noted that the PRB may not evaluate compliance until January 1, 2015

**D. Development of online training**

Ms. Kranes noted that statute requires the PRB to deliver its own training which must be reasonably accessible over the internet.

Ms. Kranes noted that the minimum standards for trustees and administrators must be in effect by September 1, 2014. If those standards are adopted through rule, they will need to be posted for public comment during the PRB summer board meeting.

Mr. Hanson explained that the development of the PRB online content would begin once the general recommendation from the working group is provided to the Board.

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**8. Discuss and consider development of standardized PRB form for Investment Returns and Assumptions Report, including the following – Nick Ballard (32:45)**

**A. Report on Actuarial Committee Meeting and presentation of comments received on Investment Returns and Assumptions Report (PRB-1000) survey**

Mr. Ballard stated that Legislation passed by the 83<sup>rd</sup> Texas Legislature amends Chapter 802 of the Texas Government Code to require Texas public retirement systems to submit a report to the PRB that includes the system's investment returns and actuarial assumptions. PRB staff developed a draft Investment Returns and Assumptions Form (PRB-1000), which was presented during the Board's August meeting. During the August Board meeting, staff received feedback from several board members regarding the draft form and incorporated those comments into the two proposed draft forms. These two proposals were discussed at the Actuarial Committee meeting on November 12, 2013. It was decided by the Committee that Proposal 1 is preferable to Proposal 2 as it provides greater flexibility to reporting systems and would be less burdensome for systems to generate historical gross investment return data.

**B. Adoption of the proposed form, PRB-1000**

There being no further discussion, and based on the Actuarial Committee's recommendation, Chair Braden entertained a motion to approve the proposed PRB Investment Returns and Assumptions Form (PRB-1000) as contained in Proposal 1.

Motion made by Mr. May and seconded by Mr. Cable.

**MOTION CARRIED UNANIMOUSLY**

**9. Legislative Committee – Receive update from staff on the following matters – Wayne Roberts, Chair (40:00)**

**A. Discuss and consider adoption of PRB Rule Review – Texas Administrative Code, Title 40, Part 17, Chapter 601, General Provisions; Chapter 603, Officers and Meetings; and Chapter 605, Standardized Form – Anu**

Anu reported that the Board is conducting the review and amendment of these rules concurrently and that the process involves two stages. She recapped the first stage, and noted that the Board initiated the review of the PRB rules at the August board meeting in accordance with its review plan. The rules under review are contained in chapters 601, 603 and 605 of Title 40 Part 17 of the Texas Administrative Code and relate to general provisions, officers and meetings, and standardized forms. As part of the rule review process, the Board identified the need to amend rules contained in Chapter 605, Title 40, Part 17 of the Texas Administrative Code concerning the standardized form. The Board identified the need for amendments due to the changes made during the 83<sup>rd</sup> legislative session, specifically changes based on Sunset's recommendation to no longer require retirement systems to submit quarterly financial data, and the new reporting

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requirement created by HB 13 requiring retirement systems to submit an Investment Returns and Assumptions Report. Anu noted that the amendment to the rule contained in chapter 605.1 would repeal form *PRB-500* relating to quarterly plan reports from the Board's adopted series of forms as well as adopt by reference a new standardized form, *PRB-1000* relating to the Investment Returns and Assumptions Report. Amendments to rules contained in section 605.3 will remove submission requirements relating to form *PRB-500* and add new submission requirements for form *PRB-1000*. The proposed amendment also creates an exemption for volunteer TLFRA and defined contribution plans. At the August meeting, the Board authorized the publication of the rule review and proposed amendment notices which were published concurrently in the September 27<sup>th</sup> issue of the *Texas Register*. Anu further noted that the board can now, in the 2<sup>nd</sup> stage consider readopting the rules under review and adopting the proposed amendments. The adopted rule review and the amendments will then be published in the *Texas Register* as the Adopted Rule Review notice and the Notice of Adopted Rule amendment which will inform the public of the completion of the review and amendment of PRB rules.

- B. Discuss and consider adoption of PRB Rule Amendment – Texas Administrative Code, Title 40, Part 17, Chapter 605, Standardized Form, §605.1, Adoption of Standardized Forms, and §605.3, Submission of Forms – Anu**

There being no further discussion, Chair Braden entertained a motion to adopt rules contained in Chapter 601, 603 and 605, Title 40, Part 17 of the Texas Administrative Code published in the September 27, 2013 issue of the *Texas Register*.

Motion made by Mr. Roberts and seconded by Mr. May.

**MOTION CARRIED UNANIMOUSLY**

Chair Braden entertained a second motion to adopt amendments contained under Chapter 605, Title 40, Part 17 of the Texas Administrative Code as published in the September 27, 2013 issue of the *Texas Register*.

Motion made by Mr. Roberts and seconded by Mr. May.

**MOTION CARRIED UNANIMOUSLY**

- 10. Actuarial Committee – Receive update from staff on the following matters – Bob May, Chair (45:25)**

- A. Report on Actuarial Committee Meeting – Chris Hanson**

Mr. May noted that in terms of going into an in-depth study, the committee felt it would be best to group some of systems rather than individually analyze each one. Mr. Hanson stated that he spoke with a few members at the Capitol regarding their expectation for the PRB study. The general discussion focused on conducting a study

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that focused on systems not meeting the guidelines and identifying trends as well as making recommendations in regards to best practices.

**B. Financial Health Study – Chris Hanson**

**1. Actuarial Valuations Report**

Mr. Hanson reported that the financial health study was a requirement of HB 13 and that it directs the PRB to conduct a study of the financial health of public retirement systems in Texas. Mr. Hanson presented a summary of the current actuarial valuation reports on file for the PRB. The summary identified the number of systems whose amortization periods are in excess of 40 years, the minimum standard set forth by the PRB guidelines in order to be considered actuarially sound. The summary also identified the number of systems whose amortization periods are between 25 and 40 years which would be within the PRB guidelines, but not within the recommended range of 15 – 25 years. Additionally, the summary identified the number of systems within the recommended range of 15 – 25 years or better.

**2. Discuss and consider establishing the standard for each system's ability to meet its long-term obligations**

Mr. Hanson reported that there has been an increase in the number of systems that are over the 40 year amortization period and stated that the increase has escalated from 20 to 25 systems. He noted that the Teacher Retirement System of Texas (TRS) board meeting was held November 12, 2013 and they will be releasing their August 31, 2013 valuation in December, 2013. The expectation is that they will move from an infinite amortization period to a 28 year amortization period. Legislation passed last session made significant changes to the revenue amounts that TRS receives by increasing the state contribution over a phase and period, increasing the member contribution over a phase and period, as well as having school districts that do not participate in social security to make contributions to TRS.

Mr. Hanson stated that traditionally the "PRB Guidelines for Actuarial Soundness" have served as the minimum litmus test for actuarial soundness stating that some systems have a higher standard but the Guidelines have been in place to guide systems.

**3. Discuss the scope of the study**

Mr. Hanson stated that if the board is agreeable, staff will start working with the board actuary to identify systems that are not currently meeting the guidelines. He noted that staff would work with the board actuary to present to the actuarial committee their findings and start drafting a report that would be brought to the committee and the board at the winter and spring meetings.

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**C. Public retirement system reporting and compliance – Chris Hanson**

Mr. Hanson reported another change to HB 13 included additional language added to 801.209 (b) which directs the PRB to post on its website a list of non-compliant retirement systems who have been non-compliant for more than 60 days past their due date for reports. He noted that the Plainview Firemen's Relief and Retirement Fund submitted their reports after the list was posted online, and the list has been updated since to remove their name.

**11. Discuss and consider adoption of proposed Model Ethical Standards & Conflict-of-Interest Policy – Chris Hanson (01:02:36)**

Mr. Hanson reported that HB 13 directed the PRB to develop model ethical standards and conflict of interest policies, and to make them reasonably accessible on the agency's website. Statute states that these standards and policies are to be voluntary and that systems are not required to adopt them. They are primarily to be a resource for the systems.

There being no further comments, Chair Braden entertained a motion to approve the proposed Model Ethical Standards & Conflict-of-Interest Policy pending the incorporation of any recommendations by the board's assistant attorney general counsel and the final approval by the Chair.

Motion made by Mr. Cable and seconded by Mr. Massengale.

**MOTION CARRIED UNANIMOUSLY**

**12. Research Committee – Receive update from staff on the following matters – Andrew Cable, Chair (01:07:40)**

**A. Update on agency website improvements – Chris Hanson**

Mr. Hanson reported that the PRB and the TLFRA systems have been discussing the transition to have information that was previously accessible through the commissioner's website accessible to some of those systems. He noted that the PRB is looking at options to provide Q&A's online which will enable the PRB to more effectively reach their constituents and obtain their feedback.

**B. Report on agency website – Chris Hanson**

Mr. Hanson stated that the main focus is to make the PRB website more user-friendly and more accessible.



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**C. Discuss and consider live streaming of future PRB meetings -- Chris Hanson**

Mr. Hanson noted that there has been public interest in the live streaming of PRB meetings and mentioned that staff would aim to set up live streaming for the next board meeting.

**13. Administrative Committee – Receive update from staff on the following matters – Paul Braden, Chair (01:18:08)**

**A. FY2014 operating budget**

Mr. Hanson reviewed the operating budget for FY2014.

There being no comments or questions from the board, Chair Braden entertained a motion to adopt the updated FY2014 internal operating budget as presented.

Motion made by Mr. Roberts and seconded by Mr. Cable.

**MOTION CARRIED UNANIMOUSLY**

**B. 2013 Government Law and Liability Conference**

Mr. Hanson provided a brief update on the 2013 Government Law and Liability Conference. He noted that one of the topics discussed related to the changes made to the Open Meetings Act, specifically the ability of a state board to have video conferencing. The feedback received at the Conference was that the Office of the Attorney General still feels that there is a lot of ambiguity in the law and they are not recommending using video conferencing at this time. Two bills were passed which posed a conflict, and those conflicts have not yet been resolved.

**C. New PRB staff -- Chris Hanson**

Mr. Hanson introduced new PRB staff members and noted that per statute, Joey Evans has been designated as the TLFRRRA Program Specialist.

**14. Executive Director Evaluation (1:23:42)**

Enter into Executive Session

**15. Executive Session**

Chair Braden announced at 11:27am that the PRB would enter into executive session pursuant to Texas Government Code, section 551.074, to deliberate personnel matters, including the executive director's performance goals, and thereafter might consider appropriate action in open session. Chair Braden requested that all non-Board members leave the room with the exception of John Perryman and Anne Benites.

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Return to Open Session

Chair Braden announced at 11:55am that the PRB meeting was back in open session. No action was taken during closed session.

**16. Call for future agenda items (01:25:01)**

Chair Braden requested that performance goals be added to the next meeting.

**17. Date and location of next Board meeting (01:25:20)**

Mr. Hanson noted that the PRB will aim to have the next meeting in February, 2014.

**18. Invitation for public comment**

No comments from the audience.

**19. Adjournment**

With the business of the Board completed, Chair Braden entertained a motion to adjourn the meeting at 12:26pm.

**MOTION CARRIED UNANIMOUSLY**

**In Attendance:**

**Staff:**

Anumeha  
John Perryman  
Nickolas Ballard  
Ashley Rendon  
Joey Evans  
Chris Hanson  
Daniel Moore  
Anne Benites

**Guests:**

Todd Clark, Houston Firefighters Retirement System  
Steve Waas, Houston Municipal Employees Pension System  
Michael Trainer, San Antonio Fire and Police Pensioners Association  
Eloise Raphael, Houston Firefighters Relief and Retirement Fund  
Sampson Jordan, Austin Police Department

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Chanley Delk, Texas State Association of Firefighters  
Doreen McGookey, Fort Worth Employees Retirement Fund  
Chuck Campbell, Jackson Walker LLP.  
Ralph Marsh, Houston Police Officers' Pension System  
Tom Harrison, Texas County & District Retirement System  
Jason McElvaney, Texas County & District Retirement System  
William S. Nail, Employees Retirement System of Texas  
Leslee Hardy, Texas Municipal Retirement System  
Bill Wallace, Texas Municipal Retirement System  
Erin Perales, Houston Municipal Employees Pension System  
Paul Brown, Texas Association of Public Employee Retirement Systems  
Eddie Solis, Texas Association of Public Employee Retirement Systems  
Barbara Zlatnik, Texas Association of Public Employee Retirement Systems  
Manuel Vargas, McAllen Firefighters' Pension  
Javier Gutierrez, McAllen Firefighters' Pension  
Pattie Featherston, Legislative Budget Board  
Steve Edmonds, City of Austin Employees Retirement System  
David Mildenberg, Bloomberg  
Mark Clark, Dallas Police Association; Houston Police Officers' Union  
Chris Jones, Combined Law Enforcement Associations of Texas  
John Lawson, Houston Police Officers' Pension System  
Lisa Miller, South Texas Money Management

  
Chair Paul A. Braden

