

**State Pension Review Board
Minutes of December 17, 2014**

1. Meeting called to order

The fourth meeting of 2014 of the State Pension Review Board (PRB) was called to order by Chair Paul Braden on Wednesday, December 17, 2014 at 9:30 AM, at the Capitol Extension Building, Room E1.012 in Austin, Texas.

2. Roll call of Board members

Board Members Present:

Chair Paul Braden
Keith Brainard
Leslie Greco-Pool
Robert Massengale
Robert May
Wayne Roberts

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

3. Discuss and consider Board administration matters, including the following items – Chair Braden

A. Consider approval of the August 28, 2014 Board meeting minutes.

Chair Braden entertained a motion to suspend the reading of the minutes of the PRB meeting held August 28, 2014 and to approve them as circulated.

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

MOTION CARRIED UNANIMOUSLY

B. Consider excusing the absence of board members from the August 28, 2014 Board meeting.

All board members were present at the August 28, 2014 meeting.

4. Recognition of the Educational Training Program Working Group – Chair Braden

Chair Braden recognized each of the Educational Training Program Working Group members for their contribution.

5. Discuss and consider the following items relating to the Minimum Educational Training (MET) Program for trustees and system administrators pursuant to Section 801.211 of the Texas Government Code – Robert Massengale.

A. Consider final adoption of the rules proposed in Texas Administrative Code, Title 40, Part 17, Chapter 607, Subchapter D, relating to Compliance with the Minimum Training Requirements – Michelle Kranes.

Ms. Kranes stated the second set of draft rules for the MET program specifically pertained to reporting and record keeping. The draft was published in the *Texas Register* for public comment for a period of 31 days, and no comments were received.

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Chair Braden entertained a motion to adopt the rules as presented in Texas Administrative Code, Title 40, Part 17, Chapter 607, Subchapter D, relating to the Compliance with Minimum Training Requirements and authorize the staff to post the rule adoption notice in the Texas Register with the preamble to be approved by the assistant attorney general counsel.

Motion made by Mr. Roberts, seconded by Mr. May to adopt the rules in Texas Administrative Code, Title 40, Part 17, Chapter 607, Subchapter D, relating to the Compliance with Minimum Training Requirements and authorize the staff to post the rule adoption notice in the *Texas Register* with the preamble to be approved by the assistant attorney general counsel.

MOTION CARRIED UNANIMOUSLY

B. Review and consider approval of the following forms relating to the MET Program – Michelle Kranes:

i. Certification Letter for Exemption of Certain System Administrators.

Ms. Kranes noted the Certification Letter for Exemption of Certain System Administrators is a form public retirement systems would use in order to apply for an exemption from the training requirements, specifically in cases where the system has either designated an outside entity as the system administrator or in cases where a system does not have an administrator and a trustee is performing the role.

Chair Braden entertained a motion to approve the Certification Letter for Exemption of Certain System Administrators from the MET Program.

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

MOTION CARRIED UNANIMOUSLY

ii. PRB-150 (MET Registration Form).

Ms. Kranes noted that form PRB-150 is a registration form to be used by systems to enable the PRB to track systems' compliance with minimum training requirements.

Chair Braden entertained a motion to approve the Form PRB-150 relating to the MET Program.

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

MOTION CARRIED UNANIMOUSLY

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iii. MET Program Previous Training Approval Form.

Ms. Kranes noted the MET Program Previous Training Approval Form will be used by systems to apply for credit for previous training completed by current trustees and administrators between January 1, 2013 and December 31, 2014.

Chair Braden entertained a motion to approve the Previous Training Approval Form relating to the MET Program.

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

MOTION CARRIED UNANIMOUSLY

iv. PRB-2000 (MET Program Report).

Ms. Kranes noted that Form PRB-2000 will be used by systems to report their trustees' and administrators' minimum required training hours on an on-going basis. Systems are required to report their completed training on September 1st and February 1st of each year.

Chair Braden entertained a motion to approve the Form PRB-2000 relating to the MET Program.

Motion made by Ms. Greco-Pool and seconded by Mr. May.

MOTION CARRIED UNANIMOUSLY

C. Receive reports on the following items – Michelle Kranes.

i. Development of the MET Program compliance database.

Ms. Kranes noted that the PRB and its database architect have been working together to design a database that will enable the PRB to track systems' reported training hours. Additionally, the database architect is working to develop a smaller database that will enable the PRB to manage the accreditation of educational sponsors including the application and renewal process.

ii. Development of PRB training.

Ms. Kranes noted the PRB is working to develop its first online course and hopes to offer courses in the seven core topic areas. The PRB and the Texas Workforce Commission's training and development department have been communicating about the possibility of working together to create high quality online courses.

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6. Receive report from the Actuarial Committee on its November 13, 2014 meeting and consider related matters, including – Bob May:

A. Comments received on the Preliminary Report of the Study of the Financial Health of Public Retirement Systems.

Mr. Hanson reported on the Actuarial Committee meeting held November 13, 2014 stating the meeting focused on comments received in response to the Preliminary Report on the Study of Financial Health of Public Retirement Systems in the state.

Mr. Hanson noted the committee suggested removing recommendation 2B as it appeared that it may give the wrong impression and may be inconsistent with the rest of the report.

Chair Braden noted that throughout the entire process, he was very impressed with the work of the committee and impressed with the comments provided by the various plans.

Mr. May commended PRB staff for their hard work.

B. Recommendations of the committee on comments received on the Study.

Mr. Hanson reviewed the recommendations provided in the draft report included in the meeting packet.

7. Discuss and consider approval of the Study of the Financial Health of Public Retirement Systems in the State as required by Section 7 of House Bill 13 (83rd Texas Legislature), including modifications based on comments received on the Preliminary Report of the Study as required by Section 7(e) – Bob May.

Chair Braden entertained a motion to approve and distribute to the Legislature the Final Report as presented containing the findings of the study of the financial health of public retirement systems in the state, including the Board's recommendations and copies of the responses provided by the public retirement systems, as required by Section 7 of House Bill 13 (83rd Legislature).

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

MOTION CARRIED UNANIMOUSLY

8. Legislative Committee - Receive update from staff on the following matters – Wayne Roberts, Chair:

A. FY 2016-2017 Legislative Appropriations Request – Chris Hanson.

Mr. Hanson reviewed the Legislative Appropriations Request submitted in August, 2014 that includes a summary of the Board's budget request for Fiscal Years 2016 and 2017. He noted the Governor's Office and the Legislative Budget Board had held a joint hearing at the end of August on the PRB budget request.

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Mr. Brainard inquired if the PRB is requesting enough for both the development of the online database and the Executive Director's salary.

Mr. Hanson stated the PRB is comfortable with the amount requested for the online database, noting that there is sufficient funding. He additionally stated the PRB worked with their database programmer to come up with the requested figure. In regards to the Executive Directors salary increase, Mr. Hanson stated that doing so could put pressure on the bottom line budget moving forward noting that generally when the Legislature grants those increases; they do not increase the bottom line budget of the agency.

There was continued discussion amongst the members of the board regarding the Executive Director's salary. Mr. Roberts agreed with Mr. Hanson regarding the pressure to the bottom line of the budget and suggested looking at the State Auditor's report for a recommended salary range, and added that the Executive Director salary should not be posted at the top of the range.

Mr. May inquired about the current range.

Mr. Hanson explained that the position is currently classified as Group 2, while the State Auditor's Report suggests an increase to Group 3 salary for the Executive Director.

Chair Braden summarized the discussion and indicated he would like to achieve an increase without reaching the top of a range.

Mr. Roberts noted that when the PRB testifies before the House Appropriations and Senate Finance Committees, it is most important to have a board member present to discuss the Executive Director's salary. He further noted that with the many changes going on, it is important to have board involvement in the upcoming session.

B. Sunset Legislation Implementation – Chris Hanson.

Mr. Hanson noted that as part of the Sunset process, when an agency goes through Sunset, there is a follow-up to see how the agency has done with implementing what the Legislature has asked through sunset legislation.

Mr. Hanson noted the PRB followed up on the two sunset bills they were involved with, Senate Bill 200 and Senate Bill 220. He stated the PRB is well along with implementing the sunset recommendations and noted this information will be included in the report to the existing Sunset Commission.

C. 2013-2014 Biennial Report – Chris Hanson.

Mr. Hanson noted every two years, the board, by statute, is required to submit a report of all the work that is done over the last two years. The information is included in the Biennial Report which is due to the Legislature and the Governor at the end of each November of each even numbered year.

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9. Discuss and consider updates to Board bylaws – Anumeha.

Anu noted that staff is recommending two updates to the provisions relating to the standing committees of the board contained in Article 3 of the Bylaws. The first update relates to the Board's MET program. Anu stated that staff is recommending to add responsibilities to the existing Research Committee and to rename the committee as the Education and Research Committee. The second update relates to the reduction in the number of board members from nine to seven members. Staff is recommending removing the provision relating to the "Chair serving as the ex-officio member on the standing committees of the board" to avoid any potential issues with regards to inadvertently establishing a quorum of the board at a committee meeting.

Chair Braden entertained a motion to adopt the proposed updated Bylaws of the State Pension Review Board.

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

MOTION CARRIED UNANIMOUSLY

10. Update Committee Assignments – Chair Braden.

Chair Braden proposed making Ms. Greco-Pool Chair of the Education and Research Committee, and Ms. Greco-Pool accepted. The other committee assignments remained standing.

11. Review and discuss report from the Executive Director on the following matters – Chris Hanson:

A. Consider approval of updated Fiscal Year 2015 Operating Budget.

Mr. Hanson reviewed the projected budget for Fiscal Year 2015. He suggested using some of the salary savings that will be generated in the near term to help fund the online training program.

Chair Braden entertained a motion to adopt the updated operating budget for Fiscal Year 2015.

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

MOTION CARRIED UNANIMOUSLY

B. Comptroller of Public Accounts post-payment audit.

Mr. Hanson noted the Comptroller of Public Accounts post-payment audit is a standard audit that agencies go through every two years. He noted there were no errors identified, and commended John Perryman for his outstanding work and attention to detail.

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C. Consider recommendations of the State Office of Risk Management Risk Management Program Review report.

Mr. Hanson noted that every two or three years, the State Office of Risk Management (SORM) will review state agencies risk management programs. Mr. Hanson noted the PRB was able to close out a couple of prior recommendations. The report included a few recommendations, all of which related to purchasing insurance for both the agency and the Board.

Mr. Hanson stated that he responded to SORM notifying them that the PRB would bring the recommendations to the Board's attention at the December 17, 2014 meeting.

Mr. Hanson reviewed the quotes received from SORM. He noted one of the concerns with purchasing insurance for Directors and Officers would be the cost; however, should the Board be interested in pursuing the recommendation further, staff could speak with the Attorney General's Office. In reference to the automobile liability coverage and property insurance, the quotes seemed cost-efficient. With the Directors' and Officers' insurance, he suggested doing some further research, reviewing the contract, and reporting back to the board at the next meeting.

Chair Braden noted he would like to receive more information regarding the Directors' and Officers' insurance coverage at the next board meeting.

D. Update on the list of companies engaged in scrutinized business operations in Iran.

Mr. Hanson stated the Board is required to update the list of companies engaged in scrutinized business operations in Iran at least annually, but not more than quarterly, and to provide that list to the systems. The last update to the list was in October, 2014.

Mr. Brainard stated that maintaining this list and related items is a poor use of public resources.

E. Introduction of new PRB staff.

Mr. Hanson introduced two new PRB staff members, Joshua Warner and Christine Wagner-Powers.

12. Executive Session.

In accordance with Section 551.074, Texas Government Code, the State Pension Review Board met in executive session to deliberate personnel matters, including the resignation of the current Executive Director, the appointment of an interim Executive Director and related matters.

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13. Discuss and consider procedure to hire an Executive Director – Chair Braden.

A. Executive Director’s Letter of Resignation.

Chair Braden noted Mr. Hanson has accepted a position as Executive Director at the City of Austin Employees Retirement System and will be leaving the PRB.

Chair Braden entertained a motion to accept the Executive Director’s letter of resignation.

Motion made by Mr. Roberts and seconded by Ms. Greco-Pool.

MOTION CARRIED UNANIMOUSLY

On behalf of the Board, Chair Braden recognized and thanked Mr. Hanson for his outstanding work.

Mr. May thanked Chris for his work with the Actuarial Committee.

Mr. Roberts thanked Chris for his amazing performance and skills.

Mr. Massengale thanked Chris for his wonderful and tremendous work.

Mr. Brainard noted that the PRB has performed at a higher level than ever before, thanks to Chris Hanson.

Mr. Hanson thanked the Board and staff for the many accomplishments.

B. Recognition of the Executive Director.

C. Appointment of the Interim Executive Director.

Chair Braden entertained a motion to appoint Anumeha as the Interim Executive Director on January 12, 2015 at a salary of \$90k.

Motion made by Mr. Roberts and seconded by Ms. Greco-Pool.

D. Appointment of the Executive Director Search Committee.

Chair Braden reviewed the process of appointing a permanent Executive Director Search Committee.

The Administrative Committee comprised of Chair Braden, Wayne Roberts, and Robert Massengale will be responsible for reviewing the applications.

E. Posting of the Executive Director Position.

Chair Braden directed and requested PRB staff to post the Executive Director position as soon as practical with a closing date of March 31, 2015.

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14. Call for future PRB agenda items and future meeting dates – Chair Braden.

There will not be a PRB meeting during the Legislative Session unless a major occurrence requires one.

15. Invitation for public comment.

David Stacy commended the Actuarial Committee, Board, and staff on their diligence in the Study of Financial Health.

16. Adjournment.

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

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

MOTION CARRIED UNANIMOUSLY

PRB Staff Present:

Chris Hanson
Anumeha
John Perryman
Ashley Rendon
Michelle Kranes
Daniel Moore
Bryan Burnham
Reece Freeman
Jamie Kings
Joshua Warner
Christine Wagner-Powers
Anne Benites

Guests Present

Steve Waas, Houston Employees Municipal Pension System
Dan Wattles, Texas Municipal Retirement System
Alva Littlejohn, Lubbock Fire Pension Fund
Paula Jones, Employees Retirement System
Jennifer Jones, Employees Retirement System
Jason McElvaney, Texas County & District Retirement System
Ann McGeehan, Texas County & District Retirement System

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Diana Hodges, Texas Senate - Senator Huffman
Meredyth Fowler, Texas House of Representatives – Speaker Joe Straus
Barbara Zlatnik, Texas Association of Public Employee Retirement Systems
David Stacy, Midland Firemen’s Relief & Retirement Fund
Eddie Solis, Texas Association of Public Employee Retirement Systems
Michael Trainer, San Antonio Fire and Police Pensioners Association
Eloise Raphael, Houston Firefighters’ Relief and Retirement Fund
Yuniedth Steen, Locke Lord LLP
Lisa Ivie Miller, South Texas Money Management



Chair Paul A. Braden