



**Actuarial Committee Meeting Minutes  
September 29, 2020**

**1. Meeting called to order (0:01)**

The fourth meeting of 2020 of the Actuarial Committee began on Wednesday, September 29, 2020, at 1:00 p.m. via videoconference and teleconference.

**2. Roll call of committee members (0:37)**

Committee members present:

Chair Keith Brainard  
Marcia Dush  
Stephanie Leibe

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

**3. Roll call of members of the public (1:14)**

Pre-registered members of the public:

On behalf of Midland Firemen's Relief & Retirement Fund: David Stacy

Representatives from the cities and fire pension systems of Abilene, Orange, Odessa, San Angelo, Wichita Falls, Austin, and Irving:

On behalf of Abilene: Baker Bryant; Mindy Patterson; Rodney Goodman; Mike Rains; Drew Ballard; and Brad Heinrichs

On behalf of Odessa: Jill Jones; Ben Marts; and Steph Boles

On behalf of Orange: Cheryl Zeto and John Bilbo

On behalf of San Angelo: Ron Partusch

On behalf of Wichita Falls: Chris Duncan; Doyle Wood; and Jessica Williams

On behalf of Austin: Bill Stefka; Premal Amin; Jeremy Burke; and Chuck Campbell

On behalf of Irving: Micah Johnson

**4. August 6, 2020, meeting minutes (5:10)**

Chair Brainard entertained a motion to suspend the reading of minutes of the August 6, 2020, meeting and approve them as circulated.

The motion was made by Ms. Dush and seconded by Ms. Leibe.

**The motion passed unanimously.**

**5. Update on review of funding policy requirements under Section 802.2011 and Funding Soundness Restoration Plan (FSRP) requirements under Section 802.2015 and 805.2016 of the Government Code, including the following (5:45):**

- a. **Comments received on *Funding Policy and Funding Restoration Plan Requirements – Policy Objectives and Considerations* (6:25)**

Michelle Downie Kranes provided an overview of public comments received on objectives and potential statutory changes to funding policy and funding soundness restoration plan (FSRP) requirements. The proposed provisions intended to tie a plan's funding policy with its FSRP to provide a continuum of funding support. Chair Brainard requested staff to suggest introductory language for the full Board to consider at its November meeting.

Ms. Kranes discussed comments regarding increased involvement of plan sponsors during the FSRP process. Commentors preferred that if an FSRP were triggered, the plan and sponsor would be required to do two things: adopt an FSRP and revise the funding policy together to ensure both parties were involved in long-term improvement.

Ms. Kranes stated that funding policies could be required to utilize actuarial methods that were based on a closed amortization period, thus moving plans toward achieving 100 percent funding. She noted a comment questioning the enforceability of such a requirement.

Ms. Dush noted recent recommendations concerning reasonable methods of calculating an actuarially determined contribution (ADC). She stated her belief that plans should aim for 100 percent funding due to increased benefit security; fewer volatile contributions required of members, which could affect bond ratings and municipal planning; and intergenerational equity for both taxpayers and plan members.

The committee discussed proposed changes to current statute to prohibit rolling amortization periods over 25 years and amortization policies that do not work toward achieving 100 percent funding using current industry standards. Chair Brainard requested staff to develop language that would prohibit amortization policies not recognized as acceptable by the Conference of Consulting Actuaries (CCA) for consideration of the full Board at its upcoming meeting.

Bill Stefka commented on the reasons Austin Firefighters Relief and Retirement Fund uses a 30-year rolling amortization period and the funding policy provisions to adjust for negative experiences when necessary, such as a contribution rate trigger that would move the system to a 20-year amortization period. He pointed out that a one-size-fits-all solution may not be best.

Chair Brainard explained that industry standards caution against rolling amortization periods greater than 25 years and he requested staff to draft language consistent with those standards.

Brad Heinrichs from Foster & Foster commented that the research being cited by the PRB pertained to annual funding requirements and stated his belief that it was not applicable when developing a funding policy.

Ms. Kranes reviewed recommendations for lowering the current 40-year amortization period and utilizing a tiered trigger system for FSRPs. She noted commenters generally supported lowering the 40-year amortization period but asked that the FSRP statute be amended to mirror *PRB Pension Funding Guidelines* that give plans until 2025 to reach a 30-year amortization period.

Mark Fenlaw from Rudd & Wisdom stated he supported keeping the multiple actuarial valuation (AV) trigger to allow plans time to take corrective action before being subject to an FSRP. The committee discussed staff recommendations to reduce the period before an FSRP is triggered, including a tiered trigger approach and incorporating multiple factors

to immediately trigger an FSRP. Ms. Dush spoke about payroll growth assumptions and the effect on amortization periods.

The committee discussed the role of future actions in FSRPs and the proposed changes to current statute. Ms. Kranes stated staff would like clarification on what documentation must be provided to show that an FSRP met the amortization period requirement. She discussed comments regarding concern over the cost of documentation.

Micah Johnson from Irving Firemen's Relief & Retirement Fund stated that there was currently a lack of statutory mechanisms to require a plan sponsor to contribute the recommended ADC. The committee discussed the importance of enacting statutory funding requirements for plan sponsors.

The committee discussed incentives that could help prevent a plan from having to submit multiple FSRPs over time. Anumeha Kumar reminded the committee of a comment received regarding the 10-year implementation, noting that removing the 10-year period to get to the target amortization period could mitigate the need for multiple FSRPs. The committee requested staff to draft proposed language to deter multiple FSRPs while accommodating plans currently in the FSRP process for the full Board to consider at its November meeting.

The committee discussed changing progress update requirements from plans subject to an FSRP since the 10-year implementation would be recommended to be removed and decided that receiving AVs would act as an ongoing analysis incorporating all changes, therefore sufficiently informing the PRB of a plan's progress toward achieving full funding.

Ms. Kranes discussed proposed changes to the amount of time allowed to develop an FSRP, including extending the time to one year rather than six months. David Stacy stated his concern that one year was not an adequate amount of time for a plan to complete an FSRP. Ms. Dush stated her belief that holding the plan's sponsor accountable in statute would remove a significant barrier in delays in FSRP formulation, resulting in the proposed one-year deadline being attainable for a plan. The committee recommended allowing one year to formulate an FSRP, with an update at six months.

Ron Partusch from San Angelo Firemen's Relief & Retirement Fund commented on the costs to plans of preparing multiple reports.

**b. Possible recommended changes to statutory requirements (1:38:00)**

Chair Brainard entertained a motion to direct staff to draft potential legislative recommendations, incorporating input agreed upon by the committee, for consideration of the full Board at its November meeting.

The motion was made by Ms. Leibe and seconded by Ms. Dush.

**The motion passed unanimously.**

**6. Systems with funding policies that use ADC benchmarking, including the following (1:38:50):**

Chair Brainard invited the plans under the following items to provide prepared testimony.

- a. Abilene Firemen's Relief & Retirement Fund (Abilene Fire)**
- b. Odessa Firemen's Relief & Retirement Fund (Odessa Fire)**

- c. Orange Firemen's Relief & Retirement Fund (Orange Fire)**
- d. San Angelo Firemen's Relief & Retirement Fund (San Angelo Fire)**
- e. Wichita Falls Firemen's Relief & Retirement Fund (Wichita Falls Fire)**
- f. Austin Fire Fighters Relief & Retirement Fund (Austin Fire)**

Anumeha Kumar stated the committee had invited the group of systems to provide clarification regarding their funding policies that utilized rolling ADC benchmarking. Mr. Heinrichs was present as the systems' consulting actuary.

Mr. Heinrichs stated that the systems will achieve 100 percent funding in the recommended 30-year amortization period provided the systems maintain neutral plan experience and he believed that the systems were compliant with current statute. Mr. Heinrichs noted the systems' current funding policies were designed to protect them from rising contribution costs and benefit reductions due to market volatility. Ms. Dush stated her belief that rolling 30-year rolling benchmarks are not adequately responsive to changing conditions since it often takes a few years to trigger a change in a fixed contribution rate. She explained her concerns that this lag time paired with a lengthy amortization period would allow funding problems to become more serious before sponsors are alerted to a system's negative experiences.

Mr. Heinrichs noted that he found 25 years or less preferable when setting contribution rates. Chair Brainard discussed his belief that governance issues left most plans devoid of mechanisms to administer adjustments to contribution rates or benefits. Mr. Heinrichs agreed that governance issues often prevented plans from enforcing corrective actions. Ms. Dush and Mr. Heinrichs discussed specific concerns of each system invited to the committee meeting.

Jessica Williams and Ray Wood from the City of Wichita Falls discussed changes to assumptions, member benefits, and governance issues. Mr. Heinrichs noted that Foster & Foster had applied more conservative assumptions since becoming Wichita Falls Fire's consulting actuary.

Representatives from San Angelo Fire, Wichita Falls Fire, and Abilene Fire stated that funding health was important to their respective boards. Baker Bryant from Abilene Fire asked the committee to be aware of time constraints a plan can experience with reporting requirements.

Ms. Kumar stated the systems had provided funding policies as required by statute, so no systems would be reported as non-compliant to the legislature.

**7. Systems subject to the FSRP Requirement, including the following (2:26:00):**

**a. Irving Firemen's Relief & Retirement Fund (2:26:15)**

Mr. Johnson discussed recent changes the system had made to ensure funding health and the increased contribution from the City of Irving. He noted issues Irving Fire had with its sponsor to negotiate for higher city contributions and how the experience highlighted the governance discrepancies between sponsors that are required by statute to contribute the ADC (such as those in TMRS) compared to sponsors that are able to negotiate contributions with their systems, often involving plan changes that require votes from plan membership. He requested the board urge the legislature to address these differences. Ms. Dush commended Irving Fire on the work it had done to improve funding health.

**b. Longview Firemen's Relief & Retirement Fund (2:38:00)**

Ms. Kumar stated representatives from Longview Firemen's Relief & Retirement Fund

were unable to attend the committee meeting, but it was her understanding they would attend the November meeting of the full Board.

**8. Date and location of next Actuarial Committee meeting-TBD (2:38:28)**

Chair Brainard stated that no future committee meetings were scheduled but noted the upcoming November meeting of the full Board.

**9. Invitation for public comment (2:38:45)**

David Stacy from Midland Firemen's Relief and Retirement Fund noted the system's ongoing commitment to the plan's funding health.

**10. Adjournment (2:44:00)**

Chair Brainard adjourned the meeting at 12:44 p.m.

**In Attendance:**

**PRB Staff Present**

Anumeha Kumar  
Michelle Downie Kranes  
Kenneth J. Herbold  
Bryan Burnham  
James King  
Robert Munter  
Ashley Rendon  
Mariah Miller  
Wes Allen  
Lindsay Seymour  
Joshua White



Chair Keith Brainard