



**Board Meeting Minutes
November 2, 2021**

1. Meeting called to order (0:10)

The third meeting of the Pension Review Board (PRB) was called to order Tuesday, November 2, 2021, at 10:00 a.m.

2. Roll call of board members (0:18)

Board members present:

Chair Stephanie Leibe

Vice Chair Keith Brainard

Marcia Dush

Christopher "Chris" Gonzales

Robert "Rob" Ries

Christopher Zook via videoconference

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

3. Board administrative matters (0:59)

a. August 30, 2021, meeting minutes

Chair Leibe entertained a motion to suspend the reading of minutes of the August 30, 2021, meeting and approve them as circulated.

The motion was made by Ms. Dush and seconded by Mr. Brainard.

The motion passed unanimously.

b. Excusing the board member absence from the August 30, 2021, meeting

Chair Leibe entertained a motion to excuse her absence from the August 30, 2021, board meeting.

The motion was made by Mr. Brainard and seconded by Ms. Dush.

The motion passed unanimously.

c. Recognition of outgoing board member

Chair Leibe recognized outgoing board member Rossy Fariña-Strauss for her service as a board member.

4. Actuarial Committee (3:36)

a. Intensive actuarial review of Midland Firemen's Relief & Retirement Fund

Mr. Brainard provided a background on the intensive review for Midland Firemen's Relief & Retirement Fund (Midland Fire). He stated it focused more on Midland

Fire's investment program and raised governance and transparency concerns before calling on Robert Munter to deliver the PRB staff report.

Mr. Munter provided an overview of the findings of Midland Fire's intensive actuarial review. He stated between 2000 and 2019, Midland Fire went from a stable funding ratio of 93.7 percent to 51.1 percent and that it is currently projected to run out of assets in 22 years.

Mr. Munter discussed the key findings of the report, including:

- lack of fundamental governance practices;
- transparency and accuracy concerns due to lack of consolidated investment performance data or portfolio evaluation;
- investments underperforming assumptions;
- investment expenses among the highest in the state;
- asset allocation appearing to be a poor fit; and
- significant risk of fund exhaustion.

Ms. Dush discussed how Midland Fire's asset allocation and negative non-investment cash flow meant the fund was currently only able to cover retiree liabilities and was not maintaining assets to pre-fund benefits for active members. She stated an employee's pension benefit should be funded while the employee is actively employed to ensure benefits are secured upon retirement and not dependent upon future active members to pay for it.

Ms. Dush asked about Midland Fire's asset liability study mentioned in the report and stated that she was interested in speaking with the plan's actuary about the benefit projections compared to benefit growth.

Mr. Zook stated the peer group expense comparison highlighted the gap between Midland Fire's investment expenses compared to its peer group, despite its consistent underperforming returns.

Mr. Gonzales asked if the PRB had been given asset allocation reviews or initial reviews that supported the target return from Midland Fire and Mr. Munter responded it had not. Ms. Dush asked for clarification and mentioned she would like to ask the Midland Fire actuary about the system's discount rate.

Mr. Brainard mentioned that in the report, it referred to Midland Fire's asset allocation as following an endowment model and asked whether Midland Fire considers itself to be using this type of model. Mr. Munter noted that the fund's investment practices and performance evaluation described its program as being structured around an endowment model. Mr. Brainard and Mr. Munter discussed the differences in an endowment model compared to a pension fund model.

Robert Patrick, the City Manager of Midland, discussed the city's plan to address the key findings of the report, including actions that had already been taken. Patrick Payton, Mayor of Midland, stated his commitment to working with Midland Fire to ensure the fund is sufficiently funded and sustainable.

David Stacy, a trustee from Midland Fire, discussed historical funding issues he believed contributed to the current underfunding of Midland Fire.

The board and Mr. Stacy discussed Midland Fire's investment portfolio and its poor returns based on materials provided by Midland Fire. Mr. Zook noted investment documentation was lacking and that employing an investment consultant could be beneficial to the fund. He also expressed his belief that a forensic audit was a necessity to establish a factual base of how Midland Fire's fund was performing.

Chair Leibe entertained a motion to adopt the Midland Firemen's Relief & Retirement Fund intensive actuarial review.

The motion was made by Mr. Gonzales and seconded by Ms. Dush.

The motion passed unanimously.

b. Rulemaking relating to the updated Funding Soundness Restoration Plan (FSRP) requirements under Texas Government Code Sections 802.2015 and 802.2016 (1:24:45)

Madilyn Jarman explained that House Bill 3898 adjusted several aspects of the FSRP requirement, and she provided a preliminary timeline for the updated rulemaking process. Ms. Jarman stated the PRB would like to clarify implementation through rulemaking by doing the following: providing guidance and streamlining reporting for FSRPs; preserving the work of systems that have previously submitted effective FSRPs and are committing to following their plan to achieve full funding; and supporting systems in unusual situations due to when they became subject to the FSRP requirement. Ms. Jarman stated the areas where rules could provide clarity were primarily found to be those relating to the transition period until 2025 and those related to FSRPs under the new law. Ms. Dush noted the importance of crediting systems actively engaged in making progress with their FSRP process.

Mr. Brainard entertained a motion to direct staff to work with the Actuarial Committee to develop rules and/or guidance regarding the FSRP statutory requirements.

The motion was made by Ms. Dush and seconded by Mr. Ries.

The motion passed unanimously.

c. Systems subject to the legacy Funding Soundness Restoration Plan (FSRP) requirement

Ms. Jarman presented an updated report on systems subject to FSRPs since the July 2021 board meeting. She noted the report on at-risk systems did not include systems with amortization periods greater than 30 years but stated those systems would be included moving forward.

5. Education Committee

a. Receive report on the August 19, 2021, Education Committee meeting, including the following items: (1:30:43)

i. Updates to the PRB Core courses, including the Actuarial Matters course

Ashley Rendon provided a brief overview of the recent Educational Committee meetings and the courses identified for updating due to new legislation requirements. She stated the updated actuarial course was complete and would become available to the public shortly. Mr. Ries asked if the agency notified stakeholders that a course had been updated, and Ms. Rendon confirmed they would be.

ii. Need for additional Continuing Education course offerings

Ms. Rendon stated staff planned to implement continuing education courses on navigating the updated FSRP requirement process and administrative matters relating to retirement systems by the next legislative session. Ms. Dush and Ms. Kumar discussed partnering with systems to assist in continuing education course development.

6. Executive Director's Report (1:35:48)

a. 2021 TEXPERS Summer Educational Forum

Ms. Kumar discussed the staff's presentation on the updated FSRP requirements given at the TEXPERS Summer Educational Forum.

b. 2021 TLFRA Pension Conference

Ms. Kumar discussed the staff's presentation on Ethical Standards given at the 2021 TLFRA Pension Conference.

c. Revised Government Code publication, Title 8, Subtitle A

Ms. Kumar stated the revised Government Code pamphlet provided by the PRB was available on the agency's website.

d. Staff Update

Ms. Kumar introduced two new staff members: David Fee, Senior Actuary, and Amy Cardona, Director of Programs and Services.

e. Update on PRB website

Ms. Kumar provided examples of the website updates and a timeline for completion.

f. Update on IT projects for 2022-23 biennium

Ms. Kumar provided an update on the agency's current and upcoming IT projects.

g. Updated Fiscal Year 2022 Operating Budget

Ms. Kumar provided an update on the agency's operating budget.

7. Call for future PRB agenda items

There were no calls for future agenda items.

8. Date and location on next PRB meeting- TBD

Chair Leibe noted an Actuarial Committee meeting was likely to take place in January 2022 and that the next board meeting would take place in February 2022, but that the exact dates have not yet been confirmed.

9. Invitation for public comment

There were no comments from the public.

10. Adjournment

Chair Leibe entertained a motion to adjourn.

The motion was made by Mr. Zook and seconded by Mr. Gonzales.

The meeting was adjourned at 10:58 a.m.

PRB staff in attendance:

Anumeha Kumar	David Fee	Mariah Miller	Wes Allen
Amy Cardona	Robert Munter	Madilyn Jarman	
Bryan Burnham	Ashley Rendon	Lindsay Seymour	

Guests present:

Benita Harper- Fort Worth ERS	George Guerrero- HPOPS	Mychael Perry- Rastegar	Mark Fenlaw- Rudd & Wisdom
Robert Patrick- City of Midland	Jason McElvaney- TCDRS/FWERF	Rebecca Morris- Rudd & Wisdom	T.J. Patterson- City of Fort Worth
Patrick Payton- City of Midland	Ben Marts- Odessa FRRF	Eddie Solis- TEXPERS	David Stacy- Midland Fire
Alvin Littlejohn TLFFRA Education Foundation	John Alvarez- Odessa Fire Rescue	David Keller	
Terry Bratton- HPOPS	Erica Brown- Odessa FRRF	Paul Brown- TEXPERS/BSFRRF	
Art Alfaro- TEXPERS	Travis Jones- Odessa Fire	Claude Parenteau- Parenteau Analytics	



Chair Stephanie Leibe