

TEXAS PENSION REVIEW BOARD

BOARD MEETING JULY 25, 2024

P.O. BOX 13498
AUSTIN, TX 78711-3498

(512) 463-1736 WWW.PRB.TEXAS.GOV



TEXAS PENSION REVIEW BOARD MEETING AGENDA

Thursday, July 25, 2024 – 10:00 AM William P. Clements Building, Fourth Floor, Room 402 300 W. 15th Street, Austin, TX, 78701

Board members may attend this meeting by videoconference pursuant to Texas Government Code §551.127. One or more board members, including the presiding officer, will be physically present at the physical location of the meeting listed above. The meeting will be accessible to the public at the physical location listed above. The public may access the meeting virtually by joining via the Zoom link https://us02web.zoom.us/j/83195662601. A livestream of this meeting, agenda materials of the meeting, and a recording of the meeting will be made available at www.prb.texas.gov.

The board may discuss or take action regarding any of the items on this agenda.

- 1. Meeting called to order
- 2. Roll call of board members and consideration to excuse absence
- 3. Consideration and possible action to approve March 6, 2024, board meeting minutes
- 4. Public comment
- 5. Rule adoptions
 - a. Consideration and possible action to adopt a new rule, 40 T.A.C. Section 601.70, pertaining to employee leave pools
 - b. Consideration and possible action to adopt amendments to 40 T.A.C. Sections 605.1 and 605.3, pertaining to the adoption of standardized forms

6. Education Committee

a. Consideration and possible action to propose repeal of 40 T.A.C. Chapter 607 and propose new rules in 40 T.A.C. Chapter 607, pertaining to the minimum educational training program

7. Investment Committee

 a. Consideration and possible action to propose repeal of 40 T.A.C. Section 609.109 and propose amendments to 40 T.A.C. Sections 609.105 and 609.111, pertaining to investment expense reporting

- b. Investment Data Report
- c. Update on Investment Practices and Performance Evaluations and Investment Performance Report
- d. Consideration and possible action to adopt investment policy statement guidelines, guidance, and tools

8. Actuarial Committee

- a. Actuarial Valuation Report
- b. Funding Soundness Restoration Plan (FSRP) report, including compliance
- c. Public retirement system reporting and compliance, including noncompliant retirement systems under Texas Government Code §801.209
- d. Consideration and possible action to adopt PRB Pension Funding Guidelines and Guidance for Developing a Funding Policy
- e. Consideration and possible action to adopt Guidance for Calculating and Administering Lump Sums
- f. Update on Texas Local Fire Fighters Retirement Act (TLFFRA) governance project
- 9. 2024 Customer Service Survey
- 10. 2026-2027 Legislative Appropriations Request
- 11. Executive Director Report
 - a. TEXPERS and TLFFRA conference updates
 - b. 2025-2029 Strategic Plan
 - c. Updated Fiscal Year 2024 Operating Budget
 - d. Approval of Fiscal Year 2025 Operating Budget
- 12. Future meetings: agenda items, dates, locations, and other arrangements
- 13. Adjournment

NOTE: The board may go into closed session concerning any item on this agenda as authorized under the Texas Open Meetings Act, Government Code, Chapter 551. Persons with disabilities who plan to attend this meeting and who may need special assistance are requested to contact Lindsay Seymour at (512) 463-1736 as far in advance as possible, but no less than three business days prior to the meeting date so that appropriate arrangements can be made.

How to provide public comment: Members of the public who wish to provide public comment to the board may attend the meeting in person at the address above or register for the meeting using the Zoom link provided above. If you wish to provide comment remotely by Zoom, you must contact Lindsay Seymour (<u>lindsay.seymour@prb.texas.gov</u>) no later than Wednesday, July 24, 2024. Note that public comments will be limited to no more than three minutes.

Item 3. March 6, 2024 minutes





Board Meeting Minutes March 6, 2024

1. Meeting called to order (0:03)

The first meeting of 2024 of the Pension Review Board (PRB) was called to order Tuesday, March 2024, at 10:06 a.m., in the Capitol Extension Committee Room E2.028, 1100 N. Congress Avenue, Austin, TX, 78701.

2. Roll call of board members and consideration to excuse absence (0:10)

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

Board members present:

Chair Stephanie Leibe Keith Brainard Marcia Dush Christopher Gonzales, via videoconference Christopher Zook, via videoconference

Board members absent:

Rob Ries

Chair Leibe entertained a motion to excuse Rob Ries' absence from the meeting.

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

The motion passed unanimously.

3. Administrative matters (0:59)

a. Consideration and possible action to approve November 21, 2023, board meeting minutes

Chair Leibe entertained a motion to suspend reading the minutes of the November 21, 2023, board meeting and approve them as circulated.

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

The motion passed unanimously.

b. Election of vice chair for 2024

Chair Leibe recognized Vice Chair Brainard for his service in the role during the previous year. Ms. Dush nominated Mr. Brainard to continue serving as vice chair. There were no objections, other nominations, or discussion.

Mr. Brainard was elected as Vice Chair for 2024.

4. Public comment (2:56)

There were no public comments.

5. <u>Update on database and reporting portal projects (3:07)</u>

Ashley Rendon stated that the database rewrite project had been completed. Ms. Dush asked if actuarial reports are uploaded to the database, and Ms. Rendon replied that systems are required to post these reports online, but the goal is to have the information publicly available on the PRB website in the future.

Ms. Rendon stated that the reporting portal project had proceeded on schedule and will be completed by fall.

6. Update on rule review and possible revision of 40 T.A.C. Chapters 601-605 (11:31)

Tamara Aronstein detailed staff recommendations made during the PRB's rule review process.

Chair Leibe entertained a motion to adopt the rule reviews and readopt the rules in Texas Administrative Code, Title 40, Part 17, Chapters 601, 603, and 604.

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

The motion passed unanimously.

Chair Leibe entertained a motion to approve the publication in the Texas Register of proposed new rules and amendments in Texas Administrative Code, Title 40, Part 17, Chapters 601 and 605.

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

The motion passed unanimously.

7. Education Committee (20:48)

a. Update on MET Core noncompliance

Jasmin Loomis informed the board of new continuing education resources on the PRB website and the improved communication staff had with noncompliant systems. The board discussed potential solutions to further remedy noncompliance.

8. Investment Committee (39:54)

a. Investment data report draft

Robert Munter explained that the report was designed to provide publicly available investment-focused data. It contained systems' investment returns, investment expenses, and asset allocations. Quarterly investment data from publicly available reports and liquidity metrics will be included in the future.

The board discussed 10-year net return assumptions listed in the report and how the majority of systems have not met their investment return assumptions. They also discussed how net of fees are reported to the PRB and how the investment data report's formatting could be improved.

b. Investment policy statement guidelines, guidance, and tools

Mr. Munter stated that the draft investment policy statement guidelines, guidance, and tools were developed with the intent to analyze and consolidate best practices as a resource for systems that may benefit from it. The next steps were to review feedback received from systems and to reach out to them to discuss possible improvements.

The board discussed how compiling data on systems' investment returns and expenses could be utilized by the board in the future.

9. Actuarial Committee (1:08:42)

a. Actuarial Valuation Report

David Fee provided an overview of changes systems have made to address funding issues, including increasing contributions, and significant economic changes. He explained a 2022-2024 funding progress report that reflected overall improved funding for all systems. When asked if Midland Fire had submitted its FSRP status update by the March 1 deadline, Mr. Fee replied they had not.

Mr. Fee provided a summary of current metrics, including:

- Expected returns
- Payroll growth rates
 - Mr. Fee presented a chart illustrating the effect that underperforming payroll growth can have on a system, and another that showed systems with actual 10-year payroll growth missing expectations by more than one percent.
- Amortization periods.
 - Mr. Fee noted the that three quarters of Texas public retirement systems had reached 35-year amortization periods or below. Ms. Dush expressed her concern about amortization period calculations for systems with multiple tiers of benefits. Mr. Fee responded that staff had begun collecting data to conduct a more in-depth analysis of normal costs by tier to be presented at a future board meeting.
- Funded ratios
- Fund exhaustion
- Normal cost
- Unfunded liability as a percentage of payroll
- Contributions

b. Funding Soundness Restoration Plan (FSRP) report, including compliance

Mr. Fee stated that Atlanta Fire and Brownwood Fire had submitted FSRP reports. McAllen Fire was added to the list of systems at risk of triggering the 30-year FSRP requirement. Lufkin Fire was removed from the list of systems with amortization periods between 30-40 years.

Mr. Fee provided an overview of FSRP progress updates, including systems immediately subject to 30-year FSRP formulation requirement, and those at risk.

c. Report on FSRP Implementation Update and Case Studies

Bryan Burnham stated that the study was intended to serve as a progress update to provide an overview of FSRP requirement changes, evaluate the functionality of the updated

requirement, and present case studies to identify trends and serve as an educational tool. He informed the board that staff planned to contact case study systems before finalizing the report later this year.

d. Public retirement system reporting and compliance, including noncompliant retirement systems under Texas Government Code §801.209

Bryan Burnham noted that two systems with reports due for fiscal years 2021 and 2022 were noncompliant for over 60 days. The board discussed possible reasons why the systems were noncompliant.

e. Update on PRB Pension Funding Guidelines and Guidance for Developing a Funding Policy

Mariah Miller provided an overview of statutory and industry updates that resulted in a staff review of the board's policy and guidance. She highlighted the major proposed changes to the guidelines and guidance and noted that staff was accepting stakeholder feedback until March 15. The final drafts of updated guidelines, guidance, and an example funding policy will be presented for possible adoption at the July board meeting.

f. Update on Texas Local Firefighters Retirement Act (TLFFRA) governance project

Ms. Miller presented staff-identified issues and proposed recommendations divided into four topic areas. The board discussed the importance of the project and asked staff to extend the period for stakeholder feedback until March 31.

f. Update on research on systems authorized under Texas Government Code Chapter 810 that offer 100 percent lump sum options

Mr. Fee summarized the data compiled by staff, that included:

- Systems that offer complete cash outs
- Actuarial equivalence basics
- Actuarial equivalence for lump sums
- Actuarial valuation assumptions
- Lump sum vs actuarial valuation comparisons
- Sample lump sum calculations
- Administrative practices

The board discussed the importance of benefit equity and noted that there were no requirements for systems to offer a lump sum option.

Mr. Brainard entertained a motion to direct staff to work with the Actuarial Committee to draft lump sum guidance.

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

The motion passed unanimously.

10. Executive Director Report (2:20:37)

a. 2024 TLFFRA Pension Report

Amy Cardona stated that staff was engaged in the final review process for the report and expected it to be distributed shortly.

b. 2024 TEXPERS Annual Conference

Ms. Cardona announced that the conference will happen next month in Dallas. Ms. Cardona and Ms. Rendon will be presenting, and Ms. Loomis will also attend.

c. 2024 Customer Service Survey

Ms. Cardona stated the survey was a required component of the biennial strategic planning process and that the purpose was to obtain stakeholder feedback on agency functions and services. The survey would open mid-March through mid-April.

d. Staff update

Ms. Cardona introduced Miranda Chen as the Actuarial Intern, and Stephanie Perez as the Financial Analyst Intern.

e. Updated Fiscal Year 2024 Operating Budget

Ms. Cardona presented the updated operating budget.

11. Future meetings: agenda items, dates, locations, and other arrangements (2:25:18)

Chair Leibe announced that an Investment Committee meeting will take place at 10:00 a.m. on May 2. An Actuarial Committee meeting will take place at 10:00 a.m. on May 9, with an Education Committee meeting following afterwards. The next board meeting will take place at 10:00 a.m. on July 25. All meeting locations were TBD.

12. Adjournment (2:25:13)

The meeting was adjourned at 12:25 p.m.

PRB staff in attendance:

Fund

Amy Cardona	David Fee	Mariah Miller	Tamara Aronstein
Ashley Rendon	Robert Munter	Wes Allen	Jasmin Loomis
Bryan Burnham	Noah Jones	Lindsay Seymour	Stephanie Perez

Members of the public in attendance:

Dan Wattles- TMRS	Michael Villanueva- TESRS	Art Alfaro- TEXPERS
Ben Marts- Odessa Firemen's Relief and Retirement Fund	Tyler Grossman- El Paso Firemen & Policemen's Pension	Scott Olguin- Dimensional Fund Advisors
Erik Brown- Odessa Firemen's Relief and Retirement Fund	Paul Thompson- El Paso Firemen & Policemen's Pension	MacGregor Beatty- Dimensional Fund Advisors
Brian Hebert- Beaumont Firemen's Relief and Retirement	Joe Gimenez- TEXPERS	Jay Dyer- TCDRS

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Noah Caust – Dimensional Fund

Advisors

Scott Miller-TESRS Lily Tu- Sage Advisory

Stephanie Leibe, Chair

Item 5: Rule adoptions, 40 T.A.C. Sections 601.70, 605.1, and 605.3

Tamara Aronstein



Overview

- Timeline
- Rules for adoption
 - Chapter 601 General Provisions:
 - Section 601.70, State Employee Sick and Family Leave Pools
 - Chapter 605 Standardized Form:
 - Section 605.1, Adoption of Standard Forms
 - Section 605.3, Submission of Forms
- Next steps



Timeline

- September 21, 2023 Presented on notice of intent to review rules (40 T.A.C. Chapters 601-609)
- October 6, 2023 Notice of rule review published in Texas Register
- March 6, 2024 Presented proposed new rule and proposed amendments to the board
- March 22, 2024 Proposed rules published in Texas Register
- July 25, 2024 Rule adoption presentation to board



Section 601.70, State Employee Sick and Family Leave Pools

- Creates new section, 601.70, adopting rules for the operation of two state employee leave pools:
 - Sick leave pool: Intended to assist employees and their immediate families in dealing with catastrophic illnesses or injuries
 - Family leave pool: Intended to provide eligible state employees more flexibility in bonding with and caring for children during a child's first year and for caring for a seriously ill family member or the employee
- Rules specify the purpose of both pools and specify that executive director or designee serves as administrator for the pool and will establish operating policies and procedures.
- The PRB already has these policies and procedures in place.



Chapter 605, Standardized Form

- Statute requires the PRB to adopt a standard form to assist the Board in determining the actuarial soundness and financial condition of each public retirement system.
- Forms initially adopted in 2003.
- Changes to 605.1, Adoption of Standard Forms:
 - Adds reference to statute that requires the PRB to adopt these rules.
 - Splits one form currently required into two separate forms.
 - Update the PRB's website URL.
 - Minor technical changes to amendment as proposed.



Chapter 605, Standardized Form, cont'd

- Changes to 605.3, Submission of Forms:
 - Add reference to new standalone form.
 - Correct a typographical error.



Next Steps

- If board so moves:
 - Publish notice of adopted rules.
 - Rules take effect 20 days after filing with the Secretary of State.



TITLE 40. SOCIAL SERVICES AND ASSISTANCE

PART 17. STATE PENSION REVIEW BOARD

CHAPTER 601. GENERAL PROVISIONS

40 TAC §601.70

The Texas Pension Review Board (Board) adopts a new rule in Texas Administrative Code, Title 40, Part 17, Chapter 601, §601.70, related to employee leave pools. The new rule is adopted without changes to the proposed text published in the March 22, 2024, issue of the Texas Register (49 TexReg 1883). The rule will not be republished.

EXPLANATION OF AND JUSTIFICATION FOR THE RULES

The new rule implements the statutory requirements for state agencies to adopt rules for the operation of two employee leave pools.

The sick leave pool is intended to assist employees and their immediate families in dealing with catastrophic illnesses or injuries that force the employees to exhaust all of their available sick leave. Section 661.002(c), Texas Government Code requires state agencies to adopt rules for the operation of the sick leave pool.

The legislature passed H.B. 2063 in 2021, creating the family leave pool. The family leave pool is intended to provide eligible state employees more flexibility in bonding with and caring for children during a child's first year following birth, adoption, or foster placement and for caring for a seriously ill family member or the employee. Section 661.022(c), Texas Government Code requires the governing body of a state agency to adopt rules and prescribe procedures relating to the operation of the pool.

SECTION-BY-SECTION SUMMARY

The adopted rule adds §601.70, State Employee Sick and Family Leave Pools.

Subsection (a) specifies the purpose of the sick leave pool.

Subsection (b) specifies the purpose of the family leave pool.

Subsection (c) specifies that the executive director or designee administers both leave pools.

Subsection (d) specifies that the executive director or designee will establish operating procedures and forms for the administration of both leave pools.

Subsection (e) specifies that both pools must be operated consistently with Chapter 661, Texas Government Code, which includes the statutory requirements for the state employee leave pools.

PUBLIC COMMENTS

The agency did not receive any comments on the proposed rules during the public comment period.

BOARD ACTION

The Texas Pension Review Board (Board) met on March 6, 2024, to discuss the proposed rule. The Board recommended the proposed rule be published in the Texas Register. At its meeting on July 25, 2024, the Board adopted the proposed rule as published in the Texas Register.

STATUTORY AUTHORITY

The new rule is adopted under Government Code §661.022(c), which requires state agencies to adopt rules relating to the operation of the agency family leave pool, and Government Code, §661.002(c), which requires state agencies to adopt rules relating to the operation of the agency sick leave pool.



TITLE 40. SOCIAL SERVICES AND ASSISTANCE

PART 17. STATE PENSION REVIEW BOARD

CHAPTER 605. STANDARDIZED FORM

40 TAC §605.1, §605.3

The Texas Pension Review Board (Board) adopts amendments to 40 TAC §605.1, Adoption of Standard Forms, and §605.3, Submission of Forms. The amendments to 40 TAC §605.1, Adoption of Standard Forms, are adopted with changes to the proposed text published in the March 22, 2024, issue of the Texas Register (49 TexReg 1885). This rule will be republished.

The Board adopts the amendments to §605.3, Submission of Forms, without changes to the proposed text published in the March 22, 2024, issue of the Texas Register (49 TexReg 1885), and this rule will not be republished.

EXPLANATION OF AND JUSTIFICATION FOR THE RULES

Section 801.201(c), Texas Government Code requires the Board to adopt a standard form to assist the Board in determining the actuarial soundness and financial condition of each public retirement system. The Board initially adopted the standard forms through rulemaking in 2003, with subsequent amendments.

The purpose of the amendments is to make minor technical corrections to the agency's rules, identified as part of the agency's four-year review of rules pursuant to Texas Government Code §2001.039.

The changes to the proposed amendments make technical edits for clarity and consistency.

SECTION-BY-SECTION SUMMARY

The amendments to 40 TAC §605.1 reference the section of state law that requires the Board to adopt these rules. The amendments also split one form currently required into two separate forms, creating an additional form for reporting benefit information. This change better reflects the way in which public retirement systems typically report information to the Board. The amendments also update the Board's website address and make a technical change to reflect the Board's style guidelines.

The proposed amendments to 40 TAC §605.3 reflect the change to create a new, separate form, the benefits report, and correct a typographical error.

PUBLIC COMMENTS

The agency did not receive any comments on the proposed amendments during the public comment period.

BOARD ACTION

The Board met on March 6, 2024, to discuss the proposed amendments. The Board recommended the proposed amendments be published in the Texas Register. At its meeting on July 25, 2024, the Board adopted the proposed amendments as published in the Texas Register.

STATUTORY AUTHORITY

The amendments are adopted under Government Code Section 801.201(c), which requires the Board to adopt by rule standard forms to assist the board in efficiently determining the actuarial soundness and current financial condition of public retirement systems.

<rule>

§605.1 Adoption of Standard Forms

- (a) The Board hereby adopts by reference the standard forms identified under subsection (b) of this section to assist in efficiently determining the actuarial soundness and current financial condition of public retirement systems and to assist in the conduct of the Board's business, <u>pursuant to Section</u> 801.201(c), Texas Government Code.
- (b) The standard forms hereby adopted by the Board are the following:
- (1) Pension System Registration--Form Series PRB-100;
- (2) Benefits and Membership Report--Form Series PRB-200;
- (3) Financial Statement Report--Form Series PRB-300;
- (4) Actuarial Report--Form Series PRB-400;
- (5) Benefits Report--Form Series PRB-500;
- (65) Investment Returns and Assumptions Report--Form Series PRB-1000.
- (c) A public retirement system can obtain the most current version of these forms from the offices of the State Pension Review Board and from its web-site at http://www.prb.state.tx.ustexas.gov.

Item 6a: Consideration and possible action to propose repeal of 40 T.A.C. Chapter 607 and propose new rules in 40 T.A.C. Chapter 607, pertaining to the minimum educational training program

Jasmin Loomis and Tamara Aronstein



Overview

- Background on MET program
- Goal of rule revision
- Timeline
- Stakeholder engagement and input
- Changes since May Education Committee presentation
- Rule recommendations
- Summary of recommended changes
- Next steps



Background on MET Program

- 83rd Texas Legislature required the PRB to establish an educational training program for trustees and system administrators.
- PRB launched MET program and courses at the beginning of 2015.
- Program rules initially adopted in 2014 and were last revised in 2019.
- MET rules in place to ensure that trustees and system administrators pursue the necessary education related to public pension matters to successfully discharge their duties.
- MET statute is broad, and rules provide specific details on:
 - required training hours and content;
 - sponsor and course accreditation; and
 - reporting and recordkeeping.

Goals of Rule Revision

- Increase clarity of the rules and various MET requirements.
- Improve MET compliance through streamlining MET cycles and reporting requirements.
- Increase efficiency in tracking and reporting MET compliance for stakeholders and PRB staff.
- Strengthen PRB oversight of accredited MET activities to ensure high quality MET offerings by sponsors.
- Engage stakeholders to consider and address key stakeholder concerns, where appropriate.



Timeline

- Sept. 1, 2023 Presented on notice of intent to review rules (40 T.A.C. Chapters 601-609).
- Sept.-Oct. 2023 Requested informal stakeholder input on current rules.
- Oct. 6, 2023 Notice of rule review published in Texas Register.
- Nov. 7, 2023 30-day comment period ended. No formal comments received.
- May 9, 2024 Presented proposed revisions to Education Committee.
- May 2024 Sent draft proposed rules to stakeholders for informal input.
- May-June 2024 Revised draft proposed rules based on feedback from Education Committee and stakeholders.
- July 25, 2024 Present proposed Ch. 607 rules to full board.
- August 2024 Proposed rules published in Texas Register for 30-day comment period.
- Sept. 25, 2024 Potential final adoption of Ch. 607 rules.



Stakeholder Engagement

The PRB engaged stakeholders to discuss current MET rules and proposed revisions.

- December 13, 2023 Held a stakeholder meeting to gather feedback.
 - Included representatives from around 20 statewide, municipal, TLFFRA, and 810 systems.
- Followed up individually with some systems and sponsors to further discuss their feedback and potential impact of possible rule changes.
- Sent out a call for informal comments from systems regarding thoughts on current rules and received some feedback.



Stakeholder Input

- Stakeholder input included:
 - Feasibility and considerations for streamlining core and continuing education MET cycles
 - Reporting and recordkeeping requirements and deadlines
 - Changes to MET forms for clarity
 - Changes to in-house training requirements for system sponsors
 - Process for gaining accreditation for MET activities conducted by a non-accredited sponsor



Stakeholder Input, cont'd

- Received three comments on proposed draft rules:
 - Preference for two-year continuing education cycle
 - Request that PRB consider waiving MET requirements for chartered financial analysts
 - Preference for calendar year training cycle rather than based on individual start date
- Staff do not recommend any changes to proposed draft rules based on this input.



Changes Since Education Committee Presentation

- Section 607.104(3)(A) Clarify terminology for date of hire for administrators.
- Section 607.110(d) –Expressly prohibit carrying over excess MET credit hours to subsequent cycles, to reflect current practice.
- Section 607.110(k) Modify transition language for implementation of new rules to provide greater specificity and clarity.
- Minor changes in terminology and correcting typographical errors throughout.



Rule Recommendations – Chapter 607, Subchapter A

General provisions pertaining to MET program, such as purpose and definitions.

- Section 607.101 regarding authority
 - No recommended changes.
- Section 607.103 regarding purpose
 - No recommended changes.
- Section 607.105 regarding applicability
 - No substantive changes.



Rule Recommendations – Section 607.104 – Definitions

- Modify definitions to increase clarity and allow for consistent training cycles for all trustees.
 - "PRS board" rather than "governing body of a PRS."
 - "Training provider" rather than "sponsor."
 - "Date of hire for an administrator" rather than "hiring date."
 - Modify definition for "first year of service" to change core cycle to a calendar year, allowing for a transition period.

On or before Dec. 31, 2024	12-month period beginning on the first day on the board or date of hire.
On or after Jan. 1, 2025	 If first day on the board or date of hire falls: Before Sept. 1: The current calendar year. On or after Sept. 1: The following calendar year.



Rule Recommendations – Section 607.107 – Exemption for Certain System Administrators

- Authorizes the PRB to grant an exemption from MET requirements for certain system administrators:
 - Outside entities banks or financial institutions.
 - Systems that do not have an administrator.
- Create standalone definition for "outside entity" for clarity.
- No other substantive changes.



Rule Recommendations – Section 607.110 – MET Requirements

- Outlines the MET requirements for core (first year of service) training and continuing education. Currently, trustees and administrators must complete:
 - Seven hours of core training within one year of appointment or hire date.
 - Four hours of continuing education every two years thereafter.
- Proposed rules modify training cycle for completing both core and continuing education:
 - Incorporates modified first year of service training period and authorizes systems to apply for a three-month extension for certain trustees/administrators to complete core requirements, in exceptional circumstances.
 - Moves CE cycles to a one-year cycle requiring two credit hours per cycle, rather than a two-year, four-hour requirement, for easier compliance and recordkeeping.



Rule Recommendations – Section 607.110 – MET Requirements, cont'd

- Strike unnecessary provision authorizing PRB to allow CE credit for courses not covered in content areas set in rule.
- Incorporate current practice of not allowing excess credit hours to carry over to subsequent cycles.
- Strike provision exempting trustees from CE requirements in the year in which their term expires.
 - No longer necessary due to new one-year CE cycles.
- Incorporate requirement for trustees/administrators serving on multiple boards to report service on a form(PRB-150).
- Allow trustees/administrators to earn credit for teaching an MET course.



Rule Recommendations – Section 607.110 – MET Requirements, cont'd

 Add transitional steps regarding implementation of rule changes.

First Year of Service Status on December 31, 2024		
Completed	Begin first continuing education cycle in calendar year 2025.	
Not Completed	Complete first year of service training in calendar year 2025.	

Continuing Education Cycle	
Began in 2024	May carry over credit hours completed in 2024 to first one- year continuing education cycle in 2025.
Began in 2023	Begin a new continuing education cycle in 2025 and cannot carry over credit hours completed in 2023 or 2024.



Rule Recommendations – Section 607.113 – MET Requirements for Reappointed and Re-elected Trustees and Rehired System Administrators

- Currently specifies trustees and administrators returning to service after a break of less than two years are not required to repeat core training.
- Proposed rule change would increase time before being required to repeat core training after a break in service from two to five years.
 - Simplifies compliance for returning trustees while ensuring sufficient education to serve successfully.
 - Accommodates trustees with term lengths over two years.
 - Matches PRB recordkeeping for trustee/administrator MET records.



Rule Recommendations – Section 607.120 – Program Standards of All Sponsors

- Provides standards that MET sponsors must meet.
- Currently, sponsors giving online training must provide a code to participants to receive a certificate of completion, but the rule lacks clarity in other potential ways to verify participation.
- Proposed change would also allow sponsors to:
 - require participants to complete a quiz;
 - use software to verify students or attendance checks; or
 - use other methods upon approval from the PRB.
- Require sponsors to review the curriculum guide.



Rule Recommendations – Section 607.122 – MET Credit Hour Computation for Sponsors

- Rule currently provides method of computing credit hours for audio or video MET activities.
- Proposed change would add instruction for credit hour computation for other types of digital media activities.
- Specifies credit hours must be adjusted for attendees who are late or leave early, referencing a requirement that already exists elsewhere in the rules.

Rule Recommendations – Section 607.124 – Sponsor Accreditation

- Specifies the requirements and process for accreditation.
- Propose two changes for clarity and fairness:
 - Remove requirement for the PRB to provide sponsors with a sponsor number to reflect current practice.
 - Specify that only sponsors whose accreditation is terminated or surrendered in lieu of corrective action must wait at least six months to reapply.
- Typographical change from "required in" to "required by" to ensure consistency in rules.



Rule Recommendations – Section 607.126 – Obligations of Accredited Sponsors

- Provides ongoing obligations for accredited sponsors, including recordkeeping and providing for PRB audits.
- Add five-year recordkeeping requirement for course evaluations to align with other recordkeeping requirements.
- Require accredited sponsors to directly provide the PRB participation information within 30 days of the conclusion of an MET activity offered to satisfy the first year of service training requirement.



Rule Recommendations – Section 607.128 – Accreditation of MET Activities from Non-Accredited Sponsors

- Provides for case-by-case accreditation of specific activities through the individual course approval application (ICAA) process.
- Reflect current practice by generally allowing for an ICAA to be submitted after the activity was completed, even if not an exceptional case.
- Expand time an unchanged ICAA activity may be repeated without needing a new application from 12 months to 36 months to:
 - Increase compliance due to not having to reapply.
 - Increase efficiency in the ICAA process for the PRB, sponsors, and systems.



Rule Recommendations – Section 607.130 – Accreditation of In-House Training Activities

- Currently provides that systems may be accredited as sponsors to provide training to their trustees.
- Proposed changes adjust which sponsor obligations must be met by system sponsors providing training in-house, exempting such sponsors from the following:
 - Ensuring participants register attendance.
 - Maintaining a record of non-trustee or non-administrator attendees.
 - Providing certificates of completion.
 - Proposed new requirement to provide participant information for accredited activities satisfying the first year of service.



Rule Recommendations – Section 607.140 – System Reporting

- Establishes annual and ongoing reporting requirements for PRSs.
- Proposed changes adjust and add reporting deadlines and requirements for MET reports:
 - Move MET activity form (PRB-2000) annual reporting deadline from September 1 to April 1.
 - Add an annual reporting deadline of April 1 to PRB-150 form.
 - Currently only required for initial registration and upon change.
 - Form will be updated to streamline reporting for information that has not changed from the preceding year.
 - Add requirement that systems disclose when trustees/administrators are serving on multiple systems/boards on PRB-150.
 - Add requirement for the PRB to report on noncompliance annually to increase reporting frequency and ensure transparency of compliance status of systems, trustees, and administrators.



Rule Recommendations – Section 607.142 – System Records

- Specifies various recordkeeping requirements for PRSs.
- Remove requirement for the PRB to provide sponsors with a sponsor number, to reflect current practice.



Rule Recommendations – Overall Changes

Overall changes made throughout the chapter:

- Non-substantive changes to terminology based on new definitions.
 - Change MET "sponsors" to "training provider."
 - Change "non-core" to "continuing education."
 - Change "governing body of a PRS" to "PRS board."
- Update URLs to reflect prb.texas.gov address.
- Correct typographical errors.



Summary of Recommended Changes

Subchapter	Subject	Key Changes
Subchapter A	General Provisions	 Alter terminology to "PRS board" and "training provider." Modify "first year of service" to reflect calendar year training cycles and a transition period for new rules.
Subchapter B	Training Requirements for Trustees and System Administrators	 Create limited extension process for core requirement. Change CE cycle to a one-year cycle requiring two credit hours. Grant ability to earn credit for teaching an MET activity. Clarify excess credit hours cannot be carried over to subsequent cycles. Add language regarding transition to new rules. Extend time a trustee or system administrator can be off the board before repeating core.



Summary of Recommended Changes, cont'd

Subchapter	Subject	Key Changes
Subchapter C	MET Sponsors	 Add methods for verifying attendee participation. Computation of course credit for certain digital media and for attendees who are late or leave early. Removal of a sponsor number. Recordkeeping for course evaluations. Require sponsors to provide core training participation info directly to the PRB. Match individual course approval applications to current practice. Exemption from certain requirements for systems providing in-house training.
Subchapter D	Compliance with MET	 Move PRB-2000 due date to April 1. Add annual April 1 due date to PRB-150. Add section to PRB-150 notifying the PRB of a trustee or system administrator serving multiple retirement systems. Removal of sponsor number.

Next Steps

- Repeal existing rules and propose new action to streamline stakeholder review and input.
- Publish proposals in Texas Register, kicking off 30day public comment period.
- Anticipate potential final adoption at September board meeting.
- Prepare materials for implementation of new rule changes to present and distribute to stakeholders following final adoption of rules.



TITLE 40. SOCIAL SERVICES AND ASSISTANCE

PART 17. STATE PENSION REVIEW BOARD

CHAPTER 607. PUBLIC RETIREMENT SYSTEM MINIMUM EDUCATIONAL TRAINING PROGRAM

40 TAC §§607.101-607.142

The Texas Pension Review Board (Board) proposes new 40 Texas Administrative Code Chapter 607 relating to the Minimum Educational Training program for public retirement system trustees and administrators.

The purpose of the proposed rules is to increase clarity of the rules, streamline training cycles to improve compliance with the training requirements, increase the efficiency of program tracking and reporting, and strengthen agency oversight for accredited training activities.

BACKGROUND AND PURPOSE

In 2013, the legislature passed House Bill 13, requiring the Board to establish a program to provide educational training to public retirement system trustees and administrators. Section 801.211(e), Texas Government Code authorizes the Board to adopt rules to implement this requirement. The Board initially adopted 40 TAC Chapter 607 in 2014. The Board now proposes new rules to clarify and improve the Minimum Educational Training program, together with the proposed repeal of the rules under separate action.

SUMMARY

The proposed rules in 40 TAC §607.101 provide the authority to adopt these rules.

The proposed rules in 40 TAC §607.103 provide the purpose of the rules, to ensure that trustees and administrators of Texas public retirement systems have the pension education needed to successfully discharge their duties.

The proposed rules in 40 TAC §607.104 provide definitions pertinent to the rules for the Minimum Educational Training program.

The proposed rules in 40 TAC §607.105 provide the applicability of the rules, which apply to trustees, except in certain cases, statutorily authorized designees, and administrators of public retirement systems.

The proposed rules in 40 TAC §607.110 provide the Minimum Educational Training program requirements for trustees and administrators in their first year of service and each calendar year thereafter. Trustees and administrators must complete seven credit hours of core training in the first year of service and two credit hours of training for continuing education each calendar year thereafter. The proposed rules create a one-time extension application process for the first year of service training requirement. The proposed rules specify that continuing education hours completed in excess of the annual requirement may not be carried over to a subsequent calendar year. The proposed rules provide for the transition from current requirements, proposed for repeal under separate action, to the new requirements effective January 1, 2025.

The proposed rules in 40 TAC §607.113 specify that trustees and administrators reappointed to, reelected to, or rehired by a public retirement system are not required to repeat the first year of service training requirement unless more than five years have passed since the last date of the most recent term of service or employment.

The proposed rules in 40 TAC §607.120 provide program standards for training providers offering Minimum Educational Training activities, such as compliance with program requirements and the Board's curriculum guide, method of delivery for training activities, and verification of attendance for online training.

The proposed rules in 40 TAC §607.122 detail the computation of credit hours by training providers. Credit hours are based on net actual instruction time for all activities, with additional parameters provided for both digital and in-person activities.

The proposed rules in 40 TAC §607.124 provide for the accreditation of training providers by the Board. Training providers must conform with Board standards outlined in rule, conduct its business lawfully, and follow the application process provided in rule. This rule also creates a process for complaints regarding training providers and the Board's authority if a training provider is noncompliant with training program standards or Board rules.

The proposed rules in 40 TAC §607.126 create several requirements for accredited training providers, including recordkeeping, allowing review by the Board, and providing participants a certificate of completion.

The proposed rules in 40 TAC §607.128 allow for accreditation of training activities by a non-accredited training provider through a case-by-case application process outlined in the rule. Such activities, once approved, may be offered through repeat presentations for 36 months without requiring a new application.

The proposed rules in 40 TAC §607.130 provide details on accreditation of in-house training activities offered by a public retirement system for its own trustees and/or administrators. In-house training must meet all standards for training providers included in Chapter 607, except that in-house training is exempted from certain requirements listed in the rule.

The proposed rules in 40 TAC §607.140 pertain to Minimum Educational Training program reporting requirements, creating an annual April 1 deadline for two reports to be submitted by public retirement systems to provide the Board information on trustees and administrators and the training they completed during the preceding calendar year. This section also includes a requirement for the Board to report annually on the noncompliance status of trustees and administrators, as reported to the Board pursuant to this section.

The proposed rules in 40 TAC §607.142 create recordkeeping requirements for public retirement systems, which must retain records detailed in the rule for five years from the date a training activity is completed, and provide a copy of these records to the Board upon request.

FISCAL NOTE

The Board's deputy director, Ashley Rendon has determined that for each year of the first five-year period the proposed rules are in effect there will be no fiscal implications for state or local government.

ECONOMIC IMPACT STATEMENT AND REGULATORY FLEXIBILITY ANALYSIS FOR SMALL BUSINESSES, MICROBUSINESSES, AND RURAL COMMUNITIES.

There will be no adverse effect on small businesses or rural communities, micro-businesses, or local or state employment. There will be no additional economic costs to persons required to comply with the proposed rules. An Economic Impact Statement and Regulatory Flexibility Analysis are not required because the proposed rules will not have an adverse economic impact on small businesses, micro-businesses, or rural communities as defined in Texas Government Code §2006.001.

ECONOMIC COSTS TO PERSONS AND IMPACT ON LOCAL EMPLOYMENT.

There are no anticipated economic costs to persons who are required to comply with the proposed rules. There is no effect on local economy for the first five years that the proposed rules are in effect; therefore, no local employment impact statement is required under Government Code, §2001.022 and 2001.024(a)(6).

ENVIRONMENTAL IMPACT STATEMENT

The Board has determined that the proposed rules do not require an environmental impact analysis because the rule is not a major environmental rule under Government Code, §2001.0225.

COSTS TO REGULATED PERSONS

The proposed rules do not impose a cost on regulated persons, including another state agency, a special district, or a local government and, therefore, is not subject to Government Code, §2001.0045.

PUBLIC BENEFIT/COST NOTE

Ms. Rendon has determined that for each year of the first five years the proposed rules will be in effect the public benefit is to improve efficiency of and compliance with the Minimum Educational Training program, ensuring public retirement system trustees and administrators have the pension knowledge needed to successfully discharge their duties.

GOVERNMENT GROWTH IMPACT STATEMENT

The Board provides this Government Growth Impact Statement, pursuant to Texas Government Code §2001.0221, for the proposed rules. For each year of the first five years the proposed rules are in effect, Ms. Rendon has determined:

- (1) The proposed rules do not create or eliminate a government program, but instead relate to the readoption of the rules to make changes to an existing government program.
- (2) Implementation of the proposed rules does not require the creation of new employee positions or the elimination of existing employee positions.
- (3) Implementation of the proposed rules does not require an increase or decrease in future legislative appropriations to the Board.
- (4) The proposed rules do not require a decrease or increase in fees paid to the Board.

- (5) The proposed rules do not create a new regulation, because these rules replace a rule being repealed simultaneously to provide for revisions.
- (6) The proposed rules will not expand or repeal existing rules.
- (7) The proposed rules do not decrease the number of individuals subject to the rule's applicability.
- (8) The proposed rules do not positively or adversely affect the state economy.

TAKINGS IMPACT ASSESSMENT

This proposed rulemaking will not impact private real property as defined by Texas Government Code §2007.002(5), so a takings impact assessment under Government Code §2007.043 is not required.

REQUEST FOR PUBLIC COMMENT

Comments on the proposed rules may be submitted to Tamara Aronstein, General Counsel, Texas Pension Review Board, P.O. Box 13498, Austin, Texas 78711-3498, or via email: rules@prb.texas.gov, no later than 30 days from the date that these proposed rules are published in the Texas Register. Please include the rule name and number in the subject line of any comments submitted by email.

STATUTORY AUTHORITY

These rules are proposed under Government Code §801.211(e), which authorizes the Board to adopt rules necessary to implement the Minimum Educational Training program.

CROSS REFERENCE TO STATUTE

Section 801.211, Texas Government Code.

<rule>

§607.101 Authority

This chapter is promulgated under the authority of Texas Government Code, §801.201, relating to rulemaking, and §801.211, relating to a public retirement system educational training program.

§607.103 Purpose

- (a) The Public Retirement System Educational Training Program, as mandated by §801.211 of the Texas Government Code, is intended to ensure that every trustee and system administrator of a public retirement system in Texas pursues the necessary education relating to public pension matters throughout his or her tenure to successfully discharge their duties.
- (b) This chapter will establish Minimum Educational Training requirements for Trustees and Administrators to help ensure that these trustees and administrators participate in training activities that maintain and improve their core competencies, and keep them abreast of recent developments in public pension matters and issues impacting their respective duties.
- (c) This chapter is not intended to dictate that trustees and system administrators pursue only the Minimum Educational Training, but to set a minimum standard for training/education. Trustees and

system administrators are encouraged to pursue additional educational opportunities in public pension-related areas.

§607.104 Definitions

The following words and terms, for the purposes of this chapter, shall have the following meanings, unless the rule indicates otherwise.

- (1) "Board" means the State Pension Review Board.
- (2) "Credit hour" means the actual amount of instruction time for an MET activity expressed in terms of hours. The number of MET credit hours shall be based on sixty (60) minutes of instruction per hour.
- (3) "First year of service" means
- (A) On or before December 31, 2024, the twelve-month period beginning from the date of assuming one's position on the PRS board or date of hire for an administrator.
- (B) On or after January 1, 2025, the calendar year in which an individual assumes one's position on the PRS board or is hired to serve as administrator if that date occurs before September 1 of that calendar year. For individuals who assume a position on the PRS board or are hired to serve as administrator on or after September 1 of a calendar year, the first year of service refers to the next calendar year.
- (4) "Minimum Educational Training" shall have the same meaning as assigned by §607.110 of this chapter.
- (5) "MET" means Minimum Educational Training.
- (6) "MET activity" means any organized in-person or online pension-related educational activity, which may include, but is not limited to, organized seminars, courses, conferences, lectures, panel discussions, audio, teleconference, video, and digital media presentations, question-and-answer periods, and inhouse education.
- (7) "Net actual instruction time" means time spent on instruction, not including any breaks, or other non-educational activities including promotion of particular products or services as prescribed by §607.120(a)(3) of this chapter (relating to Program Standards for All Training Providers).
- (8) "Public retirement system" shall have the same meaning as assigned by §801.001(2) and §802.001(3) of the Texas Government Code, but shall not include defined contribution plans as defined by Texas Government Code, §802.001(1-a) and retirement systems consisting exclusively of volunteers organized under the Texas Local Fire Fighters' Retirement Act as defined by Texas Government Code, §802.002(d).
- (9) "PRS" means public retirement system.
- (10) "PRS board" has the same meaning as "governing body of a public retirement system," as provided in Texas Government Code §802.001(2).
- (11) "Statutorily authorized designee" means an individual other than the trustee, designated by the trustee as authorized under the governing statute of the PRS or any other statute.

- (12) "System administrator" means as defined by Texas Government Code §801.001(3) and §802.001(4).
- (13) "Training provider" means an individual or organization offering training programs to trustees and system administrators. The training provider may or may not have developed the program materials. However, the training provider is responsible for ensuring the program materials present the necessary learning objectives and for maintaining the documentation required by this chapter.
- (14) "Trustee" means as provided in Texas Government Code §801.001(4).

§607.105 Applicability

This chapter is promulgated to establish the MET requirements for the following.

- (1) Trustees, as defined in Texas Government Code, §801.001(4), in their capacity as members of the governing body of a PRS, as that term is defined in Texas Government Code §802.001(2). However, this chapter does not apply to:
- (A) members of a PRS' sponsoring entity board that is only responsible for the creation, termination and amendment of the PRS; and
- (B) members of a committee appointed by a PRS' sponsoring entity board to act in an advisory or oversight capacity only by providing guidance or recommendations.
- (2) Statutorily authorized designees serving as members of the governing body of a PRS.
- (3) System administrators, as defined by Texas Government Code, §801.001(3) and §802.001(4).
- §607.107 Exemption for Certain System Administrators
- (a) For the purposes of this section, an "outside entity" is a bank or financial institution.
- (b) The Board may grant an exemption to a PRS for certain types of system administrators from the MET requirements on a case-by-case basis if:
- (1) the PRS designates an outside entity as the system administrator, and the PRS board of trustees or its designee completes and forwards to the Board a request for exemption on a form provided by the Board indicating the same; or
- (2) the PRS does not have a system administrator that meets the statutory definition as contained in the Texas Government Code, §801.001(3) and §802.001(4) and the PRS board or its designee completes and forwards to the Board a request for exemption, on a form provided by the Board, certifying that the PRS does not have a system administrator. The request shall include a statement affirming that one or more trustees of the PRS are responsible for the duties of the system administrator and are already subject to the MET requirements.
- (c) If the Board granted an exemption to a PRS under subsection (a) of this section and the exemption is no longer applicable, the PRS shall report the same to the Board, and the exemption shall be revoked.
- §607.110 Minimum Educational Training Requirements

(a) First year of service. A new trustee and a new system administrator shall complete at least seven (7) credit hours of training in the core content areas within the first year of service. The seven credit hours shall include training in all of the core content areas. A trustee or system administrator must earn no less than half a credit hour in each content area. No more than two credit hours earned in any one core content area shall be applied toward meeting the 7-hour minimum requirement contained in this subsection.

The core content areas are:
(1) fiduciary matters;
(2) governance;
_(3) ethics;
_(4) investments;
_(5) actuarial matters;
(6) benefits administration; and
_(7) risk management.
(b) A new trustee or system administrator may submit to the Board an application for a one-time extension period of three months to complete the first year of service core training requirement, which the Board may approve in exceptional circumstances. The request for extension must be approved by the chair of the PRS' board, or, for an extension request by the PRS board chair, approved by the vice chair of the PRS' board or its administrator. The application must be submitted to the Board on a form prescribed by the Board and must include an explanation of the circumstances necessitating the extension
extension. (c) Subsequent years of service. A trustee and a system administrator shall complete at least two (2) credit hours of continuing education in either the core content areas in subsection (a), continuing education content areas, or any combination thereof, within each calendar year after the first year of
service as a new trustee or new system administrator.
(1) The continuing education content areas include: (A) compliance;
(B) legal and regulatory matters;
(C) pension accounting;
(D) custodial issues;
(E) plan administration;
(F) Texas Open Meetings Act; and
(G) Texas Public Information Act.

- (d) A trustee or administrator may not carry over continuing education credit hours earned in excess of the requirement under Section 607.110(c) of this chapter to a subsequent calendar year.
- (e) MET completed up to six months before the trustee's date of assuming position on the PRS board or system administrator's hiring date may be counted for the first-year-of-service requirement in subsection (a).
- (f) A trustee serving concurrently on multiple PRS boards and a system administrator employed concurrently by multiple PRSs shall only be required to complete the MET requirements in this section for service with one PRS, so long as the concurrent service or employment is reported to the Board pursuant to §607.140(b)(3) of this chapter.
- (g) Credit hours for attending MET activities shall be based on net actual instruction time. Credit hours for viewing or listening to audio, video, or digital media shall be based on the running time of the recordings, and credit hours for attending in-person educational programs shall be based on actual instruction time.
- (h) A trustee or administrator may gain credit for teaching an accredited MET activity. Credit hours shall be based on net actual presentation time, but may not include repeated presentations of the same activity in a single calendar year.
- (i) The Board hereby adopts by reference the Curriculum Guide for Minimum Educational Training to provide further direction on core and continuing education content areas as contained in subsections (a) and (c)(1) of this section. Trustees and system administrators are encouraged to review the Curriculum Guide for content area guidance.
- (j) The Board shall make the Curriculum Guide for Minimum Educational Training available to the PRSs. A PRS can obtain the most current version of the Curriculum Guide for Minimum Educational Training from the offices of the State Pension Review Board and from its website at http://www.prb.texas.gov.
- (k) The 2025 calendar year training cycle for trustees and administrators shall be based on their MET compliance status on December 31, 2024, as detailed below. This subsection expires on December 31, 2025.
- (1) Trustees and administrators within their first year of service on December 31, 2024 who have completed by that date the training required by Section 607.110(a) of this chapter shall begin their first continuing education cycle in calendar year 2025.
- (2) Trustees and administrators within their first year of service on December 31, 2024 who have not completed by that date the training required by Section 607.110(a) of this chapter shall complete the first year of service training in calendar year 2025.
- (3) Trustees and administrators who began a continuing education cycle, as required by Section 607.110(c) of this chapter, in calendar year 2024 may carry over any hours completed in that year to the calendar year 2025 continuing education cycle. If a trustee or administrator completed more than two continuing education hours, those hours will not carry over to calendar year 2026.
- (4) Trustees and administrators who began a continuing education cycle, as required by Section 607.110(c) of this chapter, in calendar year 2023 will begin a new continuing education cycle on January

- 1, 2025. Trustees and administrators who did not complete the training hours required in previous cycles will remain noncompliant and must complete all outstanding required credit hours.
- §607.113 Minimum Educational Training Requirements for Reappointed and Re-elected Trustees and Rehired System Administrators
- (a) The following provisions shall apply to:
- (1) A trustee who is reappointed or re-elected to a subsequent term of service for the same PRS or who leaves one PRS and is appointed as a trustee to another PRS;
- (2) A trustee who serves on multiple PRS boards;
- (3) A trustee who is subsequently hired by a PRS to serve as system administrator;
- (4) A system administrator who is rehired to a subsequent term of employment by the same PRS or who leaves one PRS and is hired as system administrator by another PRS;
- (5) A system administrator who is employed by multiple PRSs; and
- (6) A system administrator who is subsequently appointed or elected to a PRS board.
- (b) Unless more than five years have passed since the last date of the most recent term of service or employment, a person under subsection (a) of this section shall not be required to repeat the core training requirement already completed under §607.110(a) of this chapter (relating to Minimum Educational Training Requirements) but shall complete the continuing education requirement in §607.110(c) of this chapter within each calendar-year period served.
- (c) If more than five years have passed since the last date of most recent term of service or employment, a person under subsection (a) of this section shall be subject to both the core training requirement within the first year of service as contained in §607.110(a) of this chapter and the continuing education requirement within each calendar-year period after the first year of service as contained in §607.110(c) of this chapter.
- §607.120 Program Standards for All Training Providers
- (a) MET activities offered by training providers must comply with the following standards.
- (1) An MET activity shall constitute an organized program of learning dealing with matters related to public pensions, including the MET's core or continuing education content areas in §607.110 of this chapter (relating to Minimum Educational Training Requirements). Training providers are required to review the Curriculum Guide as referenced in §607.110 of this chapter for content area guidance.
- (2) An MET activity shall be conducted in a suitable facility by an individual or group qualified by professional or academic experience.
- (3) An MET activity shall be educational in nature and shall not include the promotion of particular products or services.
- (4) An MET activity shall be conducted in person, online via the internet, or by teleconference.
- (5) An MET activity shall meet all of the other requirements contained in this chapter.

- (b) An MET activity training provider shall determine, and inform participants, in advance of the course, of the course's learning or content objectives, any necessary prerequisites, the credit hours the course provides for each core and continuing education content area, and the total credit hours the course provides.
- (c) An MET activity training provider is responsible for ensuring the participants register their attendance during the MET activity. Training providers are responsible for assigning the appropriate number of credit hours for participants, including reduced hours for those participants who arrive late or leave early.
- (d) An MET activity training provider conducting online or other electronically-delivered courses including via pre-recorded audio or video shall verify participation by participants using one of the following methods:
- (1) Provide a completion code to the participant upon successful completion of the course. The participant shall provide the completion code to the training provider to demonstrate attendance and completion. Without receiving such code, the training provider shall not issue a certificate of completion to the participant.
- (2) Require participants to successfully complete a quiz on topics covered in the course.
- (3) Use software-based student verification or attendance checks to verify participation.
- (4) Use of another method to verify participation with approval from the Board.
- (e) Staff meetings and other settings cannot be claimed for fulfilling the MET requirements if they do not meet the provisions of this chapter.
- §607.122 MET Credit Hour Computation for Training Providers
- (a) Credit hours for attending MET activities shall be based on net actual instruction time. Training providers shall calculate the number of credit hours that should be given for an MET activity offered based on the net actual instruction time to be spent, and shall indicate the number on the MET activity materials. Fractional credit hours should be stated as decimals.
- (b) Credit hours for viewing or listening to audio, video, or digital media shall be based on the running time of the recordings. For digital media activities that do not consist entirely of audio or video recordings, training providers shall reasonably estimate the time needed to complete the course.
- (c) Credit hours for attending in-person educational programs shall be based on actual instruction time. Training providers shall adjust the credit hours for attendees who arrive late or leave early, as required by §607.120(c) of this chapter.
- §607.124 Training Provider Accreditation
- (a) The Board may allow any training provider of MET to become Board accredited if the training provider, in the opinion of the Board, demonstrates that it will comply with its obligations to the Board and that its programs will conform to the Board's standards as outlined in:
- (1) §607.120 of this chapter (relating to Program Standards for All Training Providers); and
- (2) §607.122 of this chapter (relating to MET Credit Hour Computation for Training Providers).

- (b) The Board will also require that each organization or individual applying to become a Boardaccredited MET training provider agree that in the conduct of its business it will:
- (1) Not commit fraud, deceit or engage in fiscal dishonesty of any kind;
- (2) Not misrepresent facts or make false or misleading statements;
- (3) Not make false statements to the Board or to the Board's agents; and
- (4) Comply with the laws of the United States and the State of Texas.
- (c) Each organization or individual applying to become a Board accredited MET training provider must submit an application on a form provided by the Board. The Board will consider for approval only applications that are complete. As part of the application process, the Board may require the training provider to submit information regarding its organization, purpose, history of providing educational training activities, course outlines, and such additional information that the Board may deem relevant.
- (d) The Board shall review each application and notify the training provider of its acceptance or rejection. Approval of accredited training provider status will be based upon information received with the application, and such other information the Board shall deem relevant including, but not limited to, course offering and attendance history, approvals and denials of accreditation by other governmental entities, and complaints concerning past programs or the marketing thereof. An acceptance in any given year shall not bind the Board to accept a training provider in any future year.
- (e) Upon accreditation a training provider can represent that it is a Board accredited MET training provider. An accredited training provider shall include in promotional materials the following language: "We are accredited by the State Pension Review Board as a Minimum Educational Training (MET) training provider for Texas public retirement systems. This accreditation does not constitute an endorsement by the Board as to the quality of our MET program."
- (f) An accredited training provider is not required to comply with provisions contained in §607.128 of this chapter (relating to Accreditation of MET Activities from Non-Accredited Training Providers).
- (g) The Board may accredit a training provider to offer MET activities in the core content areas under §607.110(a) of this chapter (relating to Minimum Educational Training Requirements), the continuing education content areas under §607.110(c)(1) of this chapter, or both.
- (h) An accredited training provider shall be reviewed for renewal of accredited training provider status after an initial two-year period of accreditation, and again after each subsequent four-year period of accreditation, or at such other times as the Board deems reasonable. To be considered for renewal, an accredited training provider must submit a renewal application on a form provided by the Board. Review for renewal shall be based on the criteria stated in subsection (d) of this section.
- (i) Complaints concerning accredited training providers and MET activities may be directed to the Board. If the Board determines that a response is necessary from the training provider, the training provider shall be notified in writing and provided a copy of the complaint. The Board shall respond to all complaints within a reasonable time.
- (j) The Board, in its sole and exclusive discretion, may determine that an accredited training provider is not in compliance with the registration requirements, MET standards, or applicable Board rules. The

Board will provide the accredited training provider reasonable notice of such a determination and shall provide the accredited training provider a reasonable opportunity to become compliant. If the Board determines the training provider is not in compliance, the Board may require the training provider to take corrective action and/or may terminate the training provider's accreditation. A training provider that has had its accreditation terminated or that has voluntarily surrendered its accreditation in lieu of corrective action may apply for reinstatement no sooner than six months after the effective date of the termination or surrender.

- (k) A training provider that requests reinstatement may do so by submitting a completed application as required by subsection (c) of this section. The applicant will be subject to all the requirements of this section.
- (I) Board decisions under this chapter are final and are not appealable. No portion of this chapter shall be interpreted or construed to create a right to a hearing, or to acknowledge or create any private right or interest.
- §607.126 Obligations of Accredited Training Providers
- (a) In order to support the reports required of PRSs, a training provider accredited under §607.124 of this chapter (relating to Training Provider Accreditation) shall retain the following records for five years following the date the program is completed:
- (1) an agenda or outline that describes the course content;
- (2) the name and title of each instructor for each topic;
- (3) time devoted to each topic;
- (4) each date and location of the presentation;
- (5) record of participation that reflects:
- (A) the credit hours earned by each trustee and system administrator participant; and
- (B) the number of non-trustee and non-administrator attendees; and
- (6) evaluations completed by trustee and system administrator participants pursuant to §607.126(f) of this chapter.
- (b) The accredited training provider, upon request of the Board, shall immediately submit any of the records retained in subsection (a) of this section for review.
- (c) An accredited training provider shall at any reasonable time allow a member of the Board or Board staff, as part of a review of the training provider, to inspect the training provider's teaching facilities, examine the training provider's records, attend its courses or seminars at no charge, and review its program to determine compliance with the training provider accreditation requirements, MET standards, and all applicable Board rules.
- (d) An accredited training provider shall not use advertising that is false or misleading, or use any communication that, in the training provider's effort to promote its services, is coercive.

- (e) An accredited training provider, promptly upon the conclusion of the activity, but not later than 30 calendar days after the conclusion of the activity, shall provide to each trustee or system administrator participant a certificate of completion, reflecting the following information:
- (1) Name of participant;
- (2) Activity title;
- (3) Date and location of the activity;
- (4) Total accredited MET hours; and
- (5) Training provider name and contact information.
- (f) A training provider accredited to offer MET activities in the core content areas under §607.110(a) of this chapter (relating to Minimum Educational Training Requirements) shall promptly provide the information specified in §607.126(e) of this chapter to the Board within 30 days of the conclusion of a core MET activity offered to satisfy the first year of service training requirement.
- (g) An accredited training provider shall include in each MET activity a process for participants and instructors to evaluate the quality of the activity, including whether:
- (1) Course objectives were met;
- (2) Facilities and technology were satisfactory;
- (3) Each instructor was effective; and
- (4) Program content was timely and effective.
- (h) Training providers shall inform instructors of the results of their performance evaluation in subsection (f) of this section, and should systematically review the evaluation process to ensure its effectiveness.
- §607.128 Accreditation of MET Activities from Non-Accredited Training Providers
- (a) MET activities may be accredited, on a case-by-case basis, upon the written application of a training provider or PRS on behalf of its own trustees or system administrator. All applications for accreditation of an MET activity by a non-accredited training provider shall:
- (1) be submitted at least 30 days in advance of the activity, although the Board, at its discretion, may approve applications filed less than 30 days in advance of the activity, or may approve applications filed after the activity;
- (2) be submitted on a form provided by the Board;
- (3) contain all information requested on the form;
- (4) be accompanied by a sample agenda or course outline that describes the course content, designates the courses sought to be accredited as an MET activity, identifies the instructors, lists the time devoted to each topic, and shows each date and location at which the program will be offered; and
- (5) include a detailed calculation of the total MET hours for the course and the hours that correspond to each core and continuing education topic the course covers.

- (b) A separate application is required for each activity unless the activity is being repeated in exactly the same format but on different dates and/or locations. Repeat presentations may be added to an existing application for a 36-month period following the effective date of accreditation.
- (c) The Board shall review each application and notify the applicant of acceptance or rejection of the activity. An acceptance in any given year shall not bind the Board to accept a training provider or activity in any future year.

§607.130 Accreditation of In-House Training Activities

- (a) MET activities provided by PRSs or their hired consultants primarily for the education of their trustees and/or system administrators are considered in-house training, and may be accredited for MET credit. Education provided in-house must meet the standards in §607.120 of this chapter (relating to Program Standards for All Training Providers) and §607.122 of this chapter (relating to MET Credit Hour Computation for Training Providers), except that in-house training is not required to comply with the following provisions:
- (1) Section 607.120(c) of this chapter, regarding the requirement for ensuring participants register their attendance.
- (2) Section 607.126(a)(5)(B) of this chapter, regarding the requirement to maintain a record of the non-trustee and non-administrator attendees.
- (3) Section 607.126(e) of this chapter, regarding the requirement to provide participants a certificate of completion.
- (4) Section 607.126(f) of this chapter, regarding the requirement to provide the Board participant information for accredited core activities satisfying the first year of service training requirement because this training will be reported as specified in §607.140 of this chapter.
- (b) PRSs that conduct in-house training may apply to become accredited training providers under §607.124 of this chapter (relating to Training Provider Accreditation).
- (c) PRSs that conduct in-house training may submit individual courses for accreditation under §607.128 of this chapter (relating to Accreditation of MET Activities from Non-Accredited Training Providers).

§607.140 PRS Reporting

- (a) By April 1 of each year, a PRS shall accurately report to the Board on behalf of its trustees and system administrator the MET credit hours completed during the preceding calendar year and any previous unreported training, as required by subchapter B. A PRS shall submit the report on a completed PRB-2000 form provided by the Board.
- (b) By April 1 of each year, a PRS shall be responsible for providing the following information to the Board. A PRS shall also notify the Board of any changes in such information within 30 days after the date of the changes. A PRS shall submit this information on a completed PRB-150 form provided by the Board.
- (1) For each trustee: the name, mailing address, phone number, e-mail, position (such as Chair, Vice-Chair, Secretary, etc.), trustee type (such as Active, Retired, Citizen, etc.), term start date, the term length, and the term end date.

- (2) For a system administrator: the name, title, phone number, e-mail, and date of hire.
- (3) For each trustee serving concurrently on multiple PRS boards or system administrator employed concurrently by multiple PRSs, the name of the other PRSs.
- (c) The Board shall report on the noncompliance status of trustees and administrators annually.
- §607.142 PRS Records
- (a) For each trustee and system administrator, a PRS shall retain the following records for five years following the date an MET activity is completed:
- (1) the training provider's name;
- (2) the location of the MET activity;
- (3) date(s) of completion; and
- (4) the credit hours earned by the trustee or system administrator participant.
- (b) The PRS, upon request of the Board, shall immediately submit a copy of any of the records retained in subsection (a) of this section for review.



TITLE 40. SOCIAL SERVICES AND ASSISTANCE

PART 17. STATE PENSION REVIEW BOARD

CHAPTER 607. PUBLIC RETIREMENT SYSTEM MINIMUM EDUCATIONAL TRAINING PROGRAM

40 TAC §§607.101-607.142

The Texas Pension Review Board (Board) proposes the repeal of 40 Texas Administrative Code Chapter 607 relating to the Minimum Educational Training program for public retirement system trustees and administrators. The purpose of the proposed repeal is to eliminate the existing rule and adopt a new rule under separate action.

This repeal is proposed under Sections 801.201(a) and 801.211(e), which grant the Board authority to adopt rules for the conduct of its business and specifically the Minimum Educational Training program, respectively.

FISCAL NOTE

Ashley Rendon, Deputy Director, has determined that for each year of the first five-year period the proposed repeal is in effect there will be no fiscal implications for state or local government.

ECONOMIC IMPACT STATEMENT AND REGULATORY FLEXIBILITY ANALYSIS FOR SMALL BUSINESSES, MICROBUSINESSES, AND RURAL COMMUNITIES.

There will be no adverse effect on small businesses or rural communities, micro-businesses, or local or state employment. There will be no additional economic costs to persons required to comply with the proposed repeal. An Economic Impact Statement and Regulatory Flexibility Analysis are not required because the proposed repeal will not have an adverse economic impact on small businesses, micro-businesses, or rural communities as defined in Texas Government Code §2006.001.

ECONOMIC COSTS TO PERSONS AND IMPACT ON LOCAL EMPLOYMENT.

There are no anticipated economic costs to persons who are required to comply with the proposed repeal. There is no effect on local economy for the first five years that the proposed repeal is in effect; therefore, no local employment impact statement is required under Government Code, §2001.022 and 2001.024(a)(6).

ENVIRONMENTAL IMPACT STATEMENT

The board has determined that the proposed repeal does not require an environmental impact analysis because the repeal is not a major environmental rule under Government Code, §2001.0225.

COSTS TO REGULATED PERSONS

The proposed repeal does not impose a cost on regulated persons, including another state agency, a special district, or a local government and, therefore, is not subject to Government Code, §2001.0045.

PUBLIC BENEFIT/COST NOTE

Ms. Rendon has determined that for each year of the first five years the proposed repeal will be in effect, the public benefit anticipated would be to eliminate an outdated rule while adopting a new, updated rule under separate action.

GOVERNMENT GROWTH IMPACT STATEMENT

The Board provides this Government Growth Impact Statement, pursuant to Texas Government Code §2001.0221, for the proposed repeal of 40 T.A.C. Chapter 607. For each year of the first five years the proposed rules are in effect, Ms. Rendon has determined:

- (1) The proposed repeal does not create or eliminate a government program, but relates to the repeal, and simultaneous rule proposal making changes to the existing Minimum Educational Training program.
- (2) The proposed repeal does not require the creation of new employee positions or the elimination of existing employee positions.
- (3) The proposed repeal does not require an increase or decrease in future legislative appropriations to the Board.
- (4) The proposed repeal does not require a decrease or increase in fees paid to the Board.
- (5) The proposed repeal does not create a new regulation.
- (6) The proposed repeal will repeal existing rules, but is associated with a simultaneous rule proposal making changes to the existing Minimum Educational Training program.
- (7) The proposed repeal does not decrease the number of individuals subject to the rule's applicability.
- (8) The proposed repeal does not positively or adversely affect the state economy.

TAKINGS IMPACT ASSESSMENT

This proposed repeal will not impact private real property as defined by Texas Government Code §2007.003, so a takings impact assessment under Government Code §2007.043 is not required.

REQUEST FOR PUBLIC COMMENT

Comments on the proposed repeal may be submitted to Tamara Aronstein, General Counsel, Texas Pension Review Board, P.O. Box 13498, Austin, Texas 78711-3498, or via email: rules@prb.texas.gov, no later than 30 days from the date that this proposal are published in the Texas Register. Please include the rule name and number in the subject line of any comments submitted by email.

STATUTORY AUTHORITY

These rules are proposed under Government Code §801.211(e), which authorizes the Board to adopt rules necessary to implement the Minimum Educational Training program.

The proposed repeal affects 40 T.A.C. Chapter 607.

§607.101. Authority.

§607.103. Purpose.

§607.104. Definitions.

§607.105. Applicability.

§607.107. Exemption for Certain System Administrators.

§607.110. Minimum Educational Training Requirements.

§607.113. Minimum Educational Training Requirements for Reappointed and Re-elected Trustees and Rehired System Administrators.

§607.120. Program Standards for All Sponsors.

§607.122. MET Credit Hour Computation for Sponsors.

§607.124. Sponsor Accreditation.

§607.126. Obligations of Accredited Sponsors.

§607.128. Accreditation of MET Activities from Non-Accredited Sponsors.

§607.130. Accreditation of In-House Training Activities.

§607.140. PRS Reporting.

§607.142. PRS Records.

The agency certifies that legal counsel has reviewed the proposal and found it to be within the state agency's legal authority to adopt.

Filed with the Office of the Secretary of State on July X, 2024.

Note: This comparison red-line version is provided for reference only. The rule changes are proposed via a repeal and new rule, found above in this packet.

§607.101 Authority

This chapter is promulgated under the authority of Texas Government Code, §801.201, relating to rulemaking, and §801.211, relating to a public retirement system educational training program.

§607.103 Purpose

- (a) The Public Retirement System Educational Training Program, as mandated by §801.211 of the Texas Government Code, is intended to ensure that every trustee and system administrator of a public retirement system in Texas pursues the necessary education relating to public pension matters throughout his or her tenure to successfully discharge their duties.
- (b) This chapter will establish Minimum Educational Training requirements for Trustees and Administrators to help ensure that these trustees and administrators participate in training activities that maintain and improve their core competencies, and keep them abreast of recent developments in public pension matters and issues impacting their respective duties.
- (c) This chapter is not intended to dictate that trustees and system administrators pursue only the Minimum Educational Training, but to set a minimum standard for training/education. Trustees and system administrators are encouraged to pursue additional educational opportunities in public pension-related areas.

§607.104 Definitions

The following words and terms, for the purposes of this chapter, shall have the following meanings, unless the rule indicates otherwise.

- (1) "Board" means the State Pension Review Board.
- (2) "Credit hour" means the actual amount of instruction time for an MET activity expressed in terms of hours. The number of MET credit hours shall be based on sixty (60) minutes of instruction per hour.
- (3) "First year of service" means
- (A) On or before December 31, 2024, the twelve-month period beginning from the date of assuming one's position on the governing body of a PRSPRS board or hiring date of hire for an administrator.
- (B) On or after January 1, 2025, the calendar year in which an individual assumes one's position on the PRS board or is hired to serve as administrator if that date occurs before September 1 of that calendar year. For individuals who assume a position on the PRS board or are hired to serve as administrator on or after September 1 of a calendar year, the first year of service refers to the next calendar year.
- -(4) "Governing body of a PRS" means, as provided in Texas Government Code §802.001(2).
- $(\underline{45})$ "Minimum Educational Training" shall have the same meaning as assigned by §607.110 of this chapter.
- (56) "MET" means Minimum Educational Training.

- (<u>67</u>) "MET activity" means any organized in-person or online pension-related educational activity, which may include, but is not limited to, organized seminars, courses, conferences, lectures, panel discussions, audio, teleconference, video, and digital media presentations, question-and-answer periods, and inhouse education.
- (<u>78</u>) "Net actual instruction time" means time spent on instruction, not including any breaks, or other non-educational activities including promotion of particular products or services as prescribed by \$607.120(a)(3) of this chapter (relating to Program Standards for All Sponsors Training Providers).
- (89) "Public retirement system" shall have the same meaning as assigned by §801.001(2) and §802.001(3) of the Texas Government Code, but shall not include defined contribution plans as defined by Texas Government Code, §802.001(1-a) and retirement systems consisting exclusively of volunteers organized under the Texas Local Fire Fighters' Retirement Act as defined by Texas Government Code, §802.002(d).
- (910) "PRS" means public retirement system.
- (10) "PRS board" has the same meaning as "governing body of a public retirement system," as provided in Texas Government Code §802.001(2).
- (11) "Sponsor" means an individual organization offering training programs to trustees and system administrators. The sponsor may or may not have developed the program materials. However, the sponsor is responsible for ensuring the program materials present the necessary learning objective and for maintaining the documentation required by this chapter.
- (<u>1112</u>) "Statutorily authorized designee" means an individual other than the trustee, designated by the trustee as authorized under the governing statute of the PRS or any other statute.
- (1213) "System administrator" means as defined by Texas Government Code §801.001(3) and §802.001(4).
- (13) "Training provider" means an individual or organization offering training programs to trustees and system administrators. The training provider may or may not have developed the program materials. However, the training provider is responsible for ensuring the program materials present the necessary learning objectives and for maintaining the documentation required by this chapter.
- (14) "Trustee" means as provided in Texas Government Code §801.001(4).

§607.105 Applicability

This chapter is promulgated to establish the MET requirements for the following.

- (1) Trustees, as defined in Texas Government Code, §801.001(4), in their capacity as members of the governing body of a PRS, as that term is defined in Texas Government Code §802.001(2). However, this chapter does not apply to:
- (A) members of a PRS's sponsoring entity board that is only responsible for the creation, termination and amendment of the PRS; and
- (B) members of a committee appointed by a PRS's sponsoring entity board to act in an advisory or oversight capacity only by providing guidance or recommendations.

- (2) Statutorily authorized designees serving as members of the governing body of a PRS.
- (3) System administrators, as defined by Texas Government Code, §801.001(3) and §802.001(4).
- §607.107 Exemption for Certain System Administrators
- (a) For the purposes of this section, an "outside entity" is a bank or financial institution.
- (b) The Board may grant an exemption to a PRS for certain types of system administrators from the MET requirements on a case-by-case basis if:
- (1) the PRS designates an outside entity (a bank or a financial institution) as the system administrator, and the PRS board of trustees or its designee completes and forwards to the Board a request for exemption on a form provided by the Board indicating the same; or
- (2) the PRS does not have a system administrator that meets the statutory definition as contained in the Texas Government Code, §801.001(3) and §802.001(4) and the governing body of the PRS board or its designee completes and forwards to the Board a request for exemption, on a form provided by the Board, certifying that the PRS does not have a system administrator. The request shall include a statement affirming that one or more trustees of the PRS are responsible for the duties of the system administrator and are already subject to the MET requirements.
- (b) If the Board granted an exemption to a PRS under subsection (a) of this section and the exemption is no longer applicable, the PRS shall report the same to the Board, and the exemption shall be revoked.
- §607.110 Minimum Educational Training Requirements
- (a) First year of service. A new trustee and a new system administrator shall complete at least seven (7) credit hours of training in the core content areas within the first year of service. The seven credit hours shall include training in all of the core content areas. A trustee or system administrator must earn no less than half a credit hour in each content area. No more than two credit hours earned in any one core content area shall be applied toward meeting the 7-hour minimum requirement contained in this subsection.

The core content areas are:

- (1) fiduciary matters;
- (2) governance;
- (3) ethics;
- (4) investments;
- (5) actuarial matters;
- (6) benefits administration; and
- (7) risk management.
- (b) A new trustee or system administrator may submit to the Board an application for a one-time extension period of three months to complete the first year of service core training requirement, which

the Board may approve in exceptional circumstances. The request for extension must be approved by the chair of the PRS' board, or, for an extension request by the PRS board chair, approved by the vice chair of the PRS' board or its administrator. The application must be submitted to the Board on a form prescribed by the Board and must include an explanation of the circumstances necessitating the extension.

- (<u>c</u>b) Subsequent years of service. A trustee and a system administrator shall complete at least <u>two (2)</u> four (4) credit hours of continuing education in either the core content areas in subsection (a) or non-core <u>continuing education</u> content areas, or any combination thereof, within each two year period calendar year after the first year of service as a new trustee or new system administrator.
- (1) The non-core continuing education content areas include:
- (A) compliance;
- (B) legal and regulatory matters;
- (C) pension accounting;
- (D) custodial issues;
- (E) plan administration;
- (F) Texas Open Meetings Act; and
- (G) Texas Public Information Act.
- (2) The Board may allow continuing education credit for courses not specifically covered under the non-core content areas on a case-by-case basis.
- (d) A trustee or administrator may not carry over continuing education credit hours earned in excess of the requirement under Section 607.110(c) of this chapter to a subsequent calendar year.
- (<u>ee</u>) MET completed up to six months before the trustee's date of assuming position on the <u>governing</u> body <u>PRS board</u> or system administrator's hiring date may be counted for the first-year-of-service requirement in subsection (a).
- (d) If a trustee's term will expire before the end of the trustee's two-year continuing education cycle, such trustee will be exempt from the continuing education requirement in subsection (b) of this section for that two-year period; provided, however, that the trustee shall be subject to the continuing education requirements of subsection (b) of this section and as prescribed by §607.113(b) of this chapter upon the trustee's re-election or reappointment.
- (<u>fe</u>) A trustee serving concurrently on multiple PRS boards and a system administrator employed concurrently by multiple PRSs shall only be required to complete the MET requirements in this section for service with one PRS, so long as the concurrent service or employment is reported to the Board pursuant to §607.140(b)(3) of this chapter.

- (gf) Credit hours for attending MET activities shall be based on net actual instruction time. Credit hours for viewing or listening to audio, video, or digital media shall be based on the running time of the recordings, and credit hours for attending in-person educational programs shall be based on actual instruction time.
- (hg) A trustee or administrator may gain credit for teaching an accredited MET activity. Credit hours shall be based on net actual presentation time, but may not include repeated presentations of the same activity in a single calendar year.
- (ig) The Board hereby adopts by reference the Curriculum Guide for Minimum Educational Training to provide further direction on core and non-core continuing education content areas as contained in subsections (a) and (b)(1) of this section. Trustees and system administrators are encouraged to review the Curriculum Guide for content area guidance.
- (jh) The Board shall make the Curriculum Guide for Minimum Educational Training available to the PRSs. A PRS can obtain the most current version of the Curriculum Guide for Minimum Educational Training from the offices of the State Pension Review Board and from its website at http://www.prb.state.tx.ushttp://www.prb.texas.gov.
- (k) The 2025 calendar year training cycle for trustees and administrators shall be based on their MET compliance status on December 31, 2024, as detailed below. This subsection expires on December 31, 2025.
- (1) Trustees and administrators within their first year of service on December 31, 2024 who have completed by that date the training required by Section 607.110(a) of this chapter shall begin their first continuing education cycle in calendar year 2025.
- (2) Trustees and administrators within their first year of service on December 31, 2024 who have not completed by that date the training required by Section 607.110(a) of this chapter shall complete the first year of service training in calendar year 2025.
- (3) Trustees and administrators who began a continuing education cycle, as required by Section 607.110(c) of this chapter, in calendar year 2024 may carry over any hours completed in that year to the calendar year 2025 continuing education cycle. If a trustee or administrator completed more than two continuing education hours, those hours will not carry over to calendar year 2026.
- (4) Trustees and administrators who began a continuing education cycle, as required by Section 607.110(c) of this chapter, in calendar year 2023 will begin a new continuing education cycle on January 1, 2025. Trustees and administrators who did not complete the training hours required in previous cycles will remain noncompliant and must complete all outstanding required credit hours.
- §607.113 Minimum Educational Training Requirements for Reappointed and Re-elected Trustees and Rehired System Administrators
- (a) The following provisions shall apply to:
- (1) A trustee who is reappointed or re-elected to a subsequent term of service for the same PRS or who leaves one PRS and is appointed as a trustee to another PRS;
- (2) A trustee who serves on multiple PRS boards;

- (3) A trustee who is subsequently hired by a PRS to serve as system administrator;
- (4) A system administrator who is rehired to a subsequent term of employment by the same PRS or who leaves one PRS and is hired as system administrator by another PRS;
- (5) A system administrator who is employed by multiple PRSs; and
- (6) A system administrator who is subsequently appointed or elected to a PRS board.
- (b) Unless more than two five years have passed since the last date of the most recent term of service or employment, a person under subsection (a) of this section shall not be required to repeat the core training requirement already completed under §607.110(a) of this chapter (relating to Minimum Educational Training Requirements) but shall complete the continuing education requirement in §607.110(cb) of this chapter within each two calendar-year period served. The two-year period shall begin on the first day of assuming or resuming one's position on a governing body or the first day of employment.
- (c) If more than two-five years have passed since the last date of most recent term of service or employment, a person under subsection (a) of this section shall be subject to both the core training requirement within the first year of service as contained in §607.110(a) of this chapter and the continuing education requirement within each two calendar-year period after the first year of service as contained in §607.110(cb) of this chapter.
- §607.120 Program Standards for All Sponsors Training Providers
- (a) MET activities offered by sponsors training providers must comply with the following standards.
- (1) An MET activity shall constitute an organized program of learning dealing with matters related to public pensions, including the MET's core or non-core continuing education content areas in §607.-110 of this chapter (relating to Minimum Educational Training Requirements). Sponsors-Training providers are encouraged required to review the Curriculum Guide as referenced in §607.-110 of this chapter for content area guidance.
- (2) An MET activity shall be conducted in a suitable facility by an individual or group qualified by professional or academic experience.
- (3) An MET activity shall be educational in nature and shall not include the promotion of particular products or services.
- (4) An MET activity shall be conducted in person, online via the internet, or by teleconference.
- (5) An MET activity shall meet all of the other requirements contained in this chapter.
- (b) An MET activity sponsor training provider shall determine, and inform participants, in advance of the course, of the course's learning or content objectives, any necessary prerequisites, the credit hours the course provides for each core and non-core continuing education content area, and the total credit hours the course provides.
- (c) An MET activity sponsor-training provider is responsible for ensuring the participants register their attendance during the MET activity. Sponsors-Training providers are responsible for assigning the

appropriate number of credit hours for participants, including reduced hours for those participants who arrive late or leave early.

- (d) An MET activity sponsor training provider conducting online or other electronically-delivered courses including via pre-recorded audio or video shall verify participation by participants using one of the following methods:
- (1), at a minimum, provide Provide a completion code to the participant upon successful completion of the course. The participant shall provide the completion code to the sponsor training provider to demonstrate attendance and completion. Without receiving such code, the sponsor training provider shall not issue a certificate of completion to the participant.
 - (2) Require participants to successfully complete a quiz on topics covered in the course.
 - (3) Use software-based student verification or attendance checks to verify participation.
 - (4) Use using of an any other method to verify participation with approval approved by from the Board.
- (e) Staff meetings and other settings cannot be claimed for fulfilling the MET requirements if they do not meet the provisions of this chapter.
- §607.122 MET Credit Hour Computation for Sponsors Training Providers
- (a) Credit hours for attending MET activities shall be based on net actual instruction time. Sponsors Training providers shall calculate the number of credit hours that should be given for an MET activity offered based on the net actual instruction time to be spent, and shall indicate the number on the MET activity materials. Fractional credit hours should be stated as decimals.
- (b) Credit hours for viewing or listening to audio, video, or digital media shall be based on the running time of the recordings. For digital media activities that do not consist entirely of audio or video recordings, training providers shall reasonably estimate the time needed to complete the course.
- (c) Credit hours for attending in-person educational programs shall be based on actual instruction time. <u>Training providers shall adjust the credit hours for attendees who arrive late or leave early, as required by</u> §607.120(c) of this chapter.
- §607.124 Sponsor Training Provider Accreditation
- (a) The Board may allow any sponsor training provider of MET to become Board accredited if the sponsor training provider, in the opinion of the Board, demonstrates that it will comply with its obligations to the Board and that its programs will conform to the Board's standards as outlined in:
- (1) §607.120 of this chapter (relating to Program Standards for All Sponsors Training Providers); and
- (2) §607.122 of this chapter (relating to MET Credit Hour Computation for Sponsors Training Providers).
- (b) The Board will also require that each organization or individual applying to become a Board-accredited MET sponsor training provider agree that in the conduct of its business it will:
- (1) Not commit fraud, deceit or engage in fiscal dishonesty of any kind;
- (2) Not misrepresent facts or make false or misleading statements;

- (3) Not make false statements to the Board or to the Board's agents; and
- (4) Comply with the laws of the United States and the State of Texas.
- (c) Each organization or individual applying to become a Board accredited MET sponsor training provider must submit an application on a form provided by the Board. The Board will consider for approval only applications that are complete. As part of the application process, the Board may require the sponsor training provider to submit information regarding its organization, purpose, history of providing educational training activities, course outlines, or and such additional information that the Board may deem relevant.
- (d) The Board shall review each application and notify the sponsor training provider of its acceptance or rejection. Approval of accredited sponsor training provider status will be based upon information received with the application, and such other information the Board shall deem relevant including, but not limited to, course offering and attendance history, approvals and denials of accreditation by other governmental entities, and complaints concerning past programs or the marketing thereof. An acceptance in any given year shall not bind the Board to accept a sponsor training provider in any future year.
- (e) Upon accreditation a sponsor training provider will be assigned a sponsor number and can represent that it is a Board accredited MET sponsor training provider. An accredited sponsor training provider shall include in promotional materials the following language: "We are accredited by the State Pension Review Board as a Minimum Educational Training (MET) sponsor training provider for Texas public retirement systems. This accreditation does not constitute an endorsement by the Board as to the quality of our MET program."
- (f) An accredited sponsor training provider is not required to comply with provisions contained in §607.128 of this chapter (relating to Accreditation of MET Activities from Non-Accredited Sponsors Training Providers).
- (g) The Board may accredit a sponsor training provider to offer MET activities in the core content areas under §607.110(a) of this chapter (relating to Minimum Educational Training Requirements), the continuing education non-core content areas under §607.110(cb)(1) of this chapter, or both.
- (h) An accredited sponsor training provider shall be reviewed for renewal of accredited sponsor training provider status after an initial two-year period of accreditation, and again after each subsequent four-year period of accreditation, or at such other times as the Board deems reasonable. To be considered for renewal, an accredited sponsor training provider must submit a renewal application on a form provided by the Board. Review for renewal shall be based on the criteria stated in subsection (d) of this section.
- (i) Complaints concerning accredited sponsors training providers and MET activities may be directed to the Board. If the Board determines that a response is necessary from the sponsor training provider, the sponsor training provider shall be notified in writing and provided a copy of the complaint. The Board shall respond to all complaints within a reasonable time.
- (j) The Board, in its sole and exclusive discretion, may determine that an accredited sponsor training provider is not in compliance with the registration requirements, MET standards, or applicable Board rules. The Board will provide the accredited sponsor training provider reasonable notice of such a

determination and shall provide the accredited sponsor training provider a reasonable opportunity to become compliant. If the Board determines the sponsor training provider is not in compliance, the Board may require the sponsor training provider to take corrective action and/or may terminate the sponsor's training provider's accreditation. A sponsor training provider that has had its accreditation terminated or that has voluntarily surrendered its accreditation in lieu of corrective action may apply for reinstatement no sooner than six months after the effective date of the termination or surrender.

- (k) A sponsor training provider that requests reinstatement may do so by submitting a completed application as required inby subsection (c) of this section. The applicant will be subject to all the requirements of this section.
- (I) Board decisions under this chapter are final and are not appealable. No portion of this chapter shall be interpreted or construed to create a right to a hearing, or to acknowledge or create any private right or interest.

§607.126 Obligations of Accredited Sponsors Training Providers

- (a) In order to support the reports required of PRSs, a sponsor training provider accredited under §607.124 of this chapter (relating to Sponsor Training Provider Accreditation) shall retain the following records for five years following the date the program is completed:
- (1) an agenda or outline that describes the course content;
- (2) the name and title of each instructor for each topic;
- (3) time devoted to each topic;
- (4) each date and location of the presentation; and
- (5) record of participation that reflects:
- (A) the credit hours earned by each trustee and system administrator participant; and
- (B) the number of non-trustee and non-administrator attendees-; and
- (6) evaluations completed by trustee and system administrator participants pursuant to §607.126(f) of this chapter.
- (b) The accredited sponsor training provider, upon request of the Board, shall immediately submit any of the records retained in subsection (a) of this section for review.
- (c) An accredited sponsor training provider shall at any reasonable time allow a member of the Board or Board staff, as part of a review of the sponsor training provider, to inspect the sponsor's training provider's teaching facilities, examine the sponsor's training provider's records, attend its courses or seminars at no charge, and review its program to determine compliance with the sponsor training provider accreditation requirements, MET standards, and all applicable Board rules.
- (d) An accredited sponsor training provider shall not use advertising that is false or misleading, or use any communication that, in the sponsor's training provider's effort to promote its services, is coercive.

- (e) An accredited sponsor training provider, promptly upon the conclusion of the activity, but not later than 30 calendar days after the conclusion of the activity, shall provide to each trustee or system administrator participant a certificate of completion, reflecting the following information:
- (1) Name of participant;
- (2) Activity title;
- (3) Date and location of the activity;
- (4) Total accredited MET hours; and
- (5) Sponsor Training provider name and contact information.
- (f) A training provider accredited to offer MET activities in the core content areas under §607.110(a) of this chapter (relating to Minimum Educational Training Requirements) shall promptly provide the information specified in §607.126(e) of this chapter to the Board within 30 days of the conclusion of a core MET activity offered to satisfy the first year of service training requirement.
- (gf) An accredited sponsor training provider shall include in each MET activity a process for participants and instructors to evaluate the quality of the activity, including whether:
- (1) Course Oobjectives were met;
- (2) Facilities and technology were satisfactory;
- (3) Each instructor was effective; and
- (4) Program content was timely and effective.
- (<u>hg</u>) Sponsors <u>Training providers</u> shall inform <u>Instructors</u> instructors of the results of their performance evaluation in subsection (f) of this section, and should systematically review the evaluation process to ensure its effectiveness.
- §607.128 Accreditation of MET Activities from Non-Accredited Sponsors Training Providers
- (a) MET activities may be accredited, on a case-by-case basis, upon the written application of a sponsor training provider or public retirement system PRS on behalf of its own trustees or system administrator. All applications for accreditation of an MET activity by a non-accredited sponsor training provider shall:
- (1) be submitted at least 30 days in advance of the activity, although the Board, at its discretion, may approve applications filed less than 30 days in advance of the activity, or may approve applications filed after the activity, in exceptional cases;
- (2) be submitted on a form provided by the Board;
- (3) contain all information requested on the form;
- (4) be accompanied by a sample agenda or course outline that describes the course content, designates the courses sought to be accredited as an MET activity, identifies the instructors, lists the time devoted to each topic, and shows each date and location at which the program will be offered; and

- (5) include a detailed calculation of the total MET hours for the course and the hours that correspond to each core and non-core continuing education topic the course covers.
- (b) A separate application is required for each activity unless the activity is being repeated in exactly the same format but on different dates and/or locations. Repeat presentations may be added to an existing application for a twelve 36-month period following the effective date of accreditation.
- (c) The Board shall review each application and notify the applicant of acceptance or rejection of the activity. An acceptance in any given year shall not bind the Board to accept a sponsor training provider or activity in any future year.

§607.130 Accreditation of In-House Training Activities

- (a) MET activities provided by public retirement systems <u>PRSs</u> or their hired consultants primarily for the education of their trustees and/or system administrators are considered in-house training, and may be accredited for MET credit. Education provided in-house must meet the standards in §607.120 of this chapter (relating to Program Standards for <u>All all Sponsors Training Providers</u>) and §607.122 of this chapter (relating to MET Credit Hour Computation for <u>Sponsors Training Providers</u>), except that in-house training is not required to comply with the following provisions:
- (1) Section 607.120(c) of this chapter, regarding the requirement for ensuring participants register their attendance.
- (2) Section 607.126(a)(5)(B) of this chapter, regarding the requirement to maintain a record of the non-trustee and non-administrator attendees.
- (3) Section 607.126(e) of this chapter, regarding the requirement to provide participants a certificate of completion.
- (4) Section 607.126(f) of this chapter, regarding the requirement to provide the Board participant information for accredited core activities satisfying the first year of service training requirement because this training will be reported as specified in §607.140 of this chapter.
- (b) <u>Public retirement systems</u> <u>PRSs</u> that conduct in-house training may apply to become accredited <u>sponsors training providers</u> under §607.124 of this chapter (relating to <u>Sponsor Training Provider</u> Accreditation).
- (c) <u>Public retirement systems PRSs</u> that conduct in-house training may submit individual courses for accreditation under §607.128 of this chapter (relating to Accreditation of MET Activities from Non-Accredited <u>Sponsors Training Providers</u>).

§607.140 PRS Reporting

- (a) By September April 1 of each year, a PRS shall accurately report to the Board on behalf of its trustees and system administrator the MET credit hours completed during the preceding calendar year and any previous unreported training, as required by subchapter B. A PRS shall submit the report on a completed PRB-2000 form provided by the Board.
- (b) <u>By April</u> In the September 1 report of each year, a PRS shall submit the MET credit hours completed between August 1 of the previous year and July 31 of the current year and any previously unreported

training hours. A PRS shall be responsible for providing the following information to the Board on an ongoing basis. A PRS shall also notify the Board of any changes in such information within 30 days after the date of the changes. A PRS shall submit this information on a completed PRB-150 form provided by the Board.

- (1) For each trustee: the name, mailing address, phone number, e-mail, position (such as Chair, Vice-Chair, Secretary, etc.), trustee type (such as Active, Retired, Citizen, etc.), term start date, the term length, and the term end date.
- (2) For a system administrator: the name, title, phone number, e-mail, and date of hire.
- (3) For each trustee serving concurrently on multiple PRS boards or system administrator employed concurrently by multiple PRSs, the name of the other PRSs.
- (c) The Board shall report on the noncompliance status of trustees and administrators annually.

§607.142 PRS Records

- (a) For each trustee and system administrator, a PRS shall retain the following records for five years following the date an MET activity is completed:
- (1) the sponsor's training provider's name and identification number, if applicable;
- (2) the location of the MET activity;
- (3) date(s) of completion; and
- (4) the credit hours earned by the trustee or system administrator participant.
- (b) The PRS, upon request of the Board, shall immediately submit a copy of any of the records retained in subsection (a) of this section for review.

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§607.101 Authority

CURRENT RULES	PROPOSED CHANGES	COMMENTS
This chapter is promulgated under the	No recommended changes.	
authority of Texas Government Code,		
§801.201, relating to rulemaking, and		
§801.211, relating to a public retirement		
system educational training program.		

§607.103 Purpose

CURRENT RULES	PROPOSED CHANGES	COMMENTS
 (a) The Public Retirement System Educational Training Program, as mandated by §801.211 of the Texas Government Code, is intended to ensure that every trustee and system administrator of a public retirement system in Texas pursues the necessary education relating to public pension matters throughout his or her tenure to successfully discharge their duties. (b) This chapter will establish Minimum Educational Training requirements for Trustees and Administrators to help ensure 	No recommended changes.	

that these trustees and administrators participate in training activities that maintain and improve their core competencies, and keep them abreast of recent developments in public pension matters and issues impacting their respective duties.

(c) This chapter is not intended to dictate that trustees and system administrators pursue only the Minimum Educational Training, but to set a minimum standard for training/education. Trustees and system administrators are encouraged to pursue additional educational opportunities in public pension-related areas.

§607.104 Definitions

CURRENT RULES

The following words and terms, for the purposes of this chapter, shall have the following meanings, unless the rule indicates otherwise.

- (1) "Board" means the State Pension Review Board.
- (2) "Credit hour" means the actual amount of instruction time for an MET activity expressed in terms of hours. The number of

PROPOSED CHANGES

The following words and terms, for the purposes of this chapter, shall have the following meanings, unless the rule indicates otherwise.

- (1) "Board" means the State Pension Review Board.
- (2) "Credit hour" means the actual amount of instruction time for an MET activity expressed in terms of hours. The number of

COMMENTS

MET credit hours shall be based on sixty (60) minutes of instruction per hour.

- (3) "First year of service" means the twelvemonth period beginning from the date of assuming one's position on the governing body or hiring date.
- (4) "Governing body of a PRS" means, as provided in Texas Government Code \$802.001(2).
- (5) "Minimum Educational Training" shall have the same meaning as assigned by §607.110 of this chapter.
- (6) "MET" means Minimum Educational Training.
- (7) "MET activity" means any organized inperson or online pension-related educational activity, which may include, but is not limited to, organized seminars, courses, conferences, lectures, panel discussions, audio, teleconference, video, and digital media presentations, question-and-answer periods, and in-house education.
- (8) "Net actual instruction time" means time spent on instruction, not including any breaks, or other non-educational activities including promotion of particular products or services as prescribed by §607.120(a)(3) of this chapter (relating to Program Standards for All Sponsors).
- (9) "Public retirement system" shall have the same meaning as assigned by §801.001(2) and §802.001(3) of the Texas Government Code, but shall not include defined

MET credit hours shall be based on sixty (60) minutes of instruction per hour.

- (3) "First year of service" means
- (A) On or before December 31, 2024, the twelve-month period beginning from the date of assuming one's position on the governing body of a PRSPRS board or hiring date of hire for an administrator.
- (B) On or after January 1, 2025, the calendar year in which an individual assumes one's position on the PRS board or is hired to serve as administrator if that date occurs before September 1 of that calendar year. For individuals who assume a position on the PRS board or are hired to serve as administrator on or after September 1 of a calendar year, the first year of service refers to the next calendar year.
- -(4) "Governing body of a PRS" means, as provided in Texas Government Code §802.001(2).
- (<u>45</u>) "Minimum Educational Training" shall have the same meaning as assigned by §607.110 of this chapter.
- (<u>56</u>) "MET" means Minimum Educational Training.
- (67) "MET activity" means any organized inperson or online pension-related educational activity, which may include, but is not limited to, organized seminars, courses, conferences, lectures, panel discussions, audio, teleconference, video, and digital media

Act as a transition period for trustees and system administrators while the new MET rules take effect.

Change in terminology; change for clarity.

Provides that after the transition period for the new MET rules, the MET cycle becomes the calendar year in which an individual begins serving on a PRB board or as administrator. Creates a cutoff date for new trustees and administrators — those who begin service on or after September 1 must complete their first year of service training during the next calendar year.

Modifying terminology. See corresponding change in §607.104(10).

contribution plans as defined by Texas Government Code, §802.001(1-a) and retirement systems consisting exclusively of volunteers organized under the Texas Local Fire Fighters' Retirement Act as defined by Texas Government Code, §802.002(d).

- (10) "PRS" means public retirement system.
- (11) "Sponsor" means an individual or organization offering training programs to trustees and system administrators. The sponsor may or may not have developed the program materials. However, the sponsor is responsible for ensuring the program materials present the necessary learning objectives and for maintaining the documentation required by this chapter.
- (12) "Statutorily authorized designee" means an individual other than the trustee, designated by the trustee as authorized under the governing statute of the PRS or any other statute.
- (13) "System administrator" means as defined by Texas Government Code \$801.001(3) and \$802.001(4).
- (14) "Trustee" means as provided in Texas Government Code §801.001(4).

presentations, question-and-answer periods, and in-house education.

- (<u>78</u>) "Net actual instruction time" means time spent on instruction, not including any breaks, or other non-educational activities including promotion of particular products or services as prescribed by §607.120(a)(3) of this chapter (relating to Program Standards for All SponsorsTraining Providers).
- (89) "Public retirement system" shall have the same meaning as assigned by §801.001(2) and §802.001(3) of the Texas Government Code, but shall not include defined contribution plans as defined by Texas Government Code, §802.001(1-a) and retirement systems consisting exclusively of volunteers organized under the Texas Local Fire Fighters' Retirement Act as defined by Texas Government Code, §802.002(d).
- (910) "PRS" means public retirement system.
 (10) "PRS board" has the same meaning as
 "governing body of a public retirement
 system," as provided in Texas Government
 Code §802.001(2).
- (11) "Sponsor" means an individual organization offering training programs to trustees and system administrators. The sponsor may or may not have developed the program materials. However, the sponsor is responsible for ensuring the program materials present the necessary learning objective and for maintaining the documentation required by this chapter.

Change in terminology.

Change in definition for clarity and brevity.

Change in terminology for clarity. See corresponding change in §607.104(13).

(1112) "Statutorily authorized designee" means an individual other than the trustee, designated by the trustee as authorized under the governing statute of the PRS or any other statute.

(1213) "System administrator" means as defined by Texas Government Code \$801.001(3) and \$802.001(4).

(13) "Training provider" means an individual or organization offering training programs to trustees and system administrators. The training provider may or may not have developed the program materials. However, the training provider is responsible for ensuring the program materials present the necessary learning objectives and for maintaining the documentation required by this chapter.

(14) "Trustee" means as provided in Texas Government Code §801.001(4).

Change in terminology for clarity, to avoid confusion between an MET accredited sponsor and a system's sponsoring entity.

§607.105 Applicability

CURRENT RULES	PROPOSED CHANGES	COMMENTS
This chapter is promulgated to establish the MET requirements for the following.	This chapter is promulgated to establish the MET requirements for the following.	

- (1) Trustees, as defined in Texas Government Code, §801.001(4), in their capacity as members of the governing body of a PRS, as that term is defined in Texas Government Code §802.001(2). However, this chapter does not apply to:
- (A) members of a PRS's sponsoring entity board that is only responsible for the creation, termination and amendment of the PRS; and
- (B) members of a committee appointed by a PRS's sponsoring entity board to act in an advisory or oversight capacity only by providing guidance or recommendations.
- (2) Statutorily authorized designees serving as members of the governing body of a PRS.
- (3) System administrators, as defined by Texas Government Code, §801.001(3) and §802.001(4).

- (1) Trustees, as defined in Texas Government Code, §801.001(4), in their capacity as members of the governing body of a PRS, as that term is defined in Texas Government Code §802.001(2). However, this chapter does not apply to:
- (A) members of a PRS's sponsoring entity board that is only responsible for the creation, termination and amendment of the PRS; and
- (B) members of a committee appointed by a PRS's sponsoring entity board to act in an advisory or oversight capacity only by providing guidance or recommendations.
- (2) Statutorily authorized designees serving as members of the governing body of a PRS.
- (3) System administrators, as defined by Texas Government Code, §801.001(3) and §802.001(4).

Correct typographical error.

Correct typographical error.

§607.107 Exemption for Certain System Administrators

CURRENT RULES

(a) The Board may grant an exemption to a PRS for certain types of system administrators from the MET requirements on a case-by-case basis if:

PROPOSED CHANGES

- (a) For the purposes of this section, an "outside entity" is a bank or financial institution.
- (b) The Board may grant an exemption to a PRS for certain types of system administrators

COMMENTS

Create standalone definition of an "outside entity," currently mentioned in \$607.107(a)(1).

- (1) the PRS designates an outside entity (a bank or a financial institution) as the system administrator, and the PRS board of trustees or its designee completes and forwards to the Board a request for exemption on a form provided by the Board indicating the same; or
- (2) the PRS does not have a system administrator that meets the statutory definition as contained in the Texas Government Code, §801.001(3) and §802.001(4) and the governing body of the PRS or its designee completes and forwards to the Board a request for exemption, on a form provided by the Board, certifying that the PRS does not have a system administrator. The request shall include a statement affirming that one or more trustees of the PRS are responsible for the duties of the system administrator and are already subject to the MET requirements. (b) If the Board granted an exemption to a PRS under subsection (a) of this section and the exemption is no longer applicable, the PRS shall report the same to the Board, and the exemption shall be revoked.

from the MET requirements on a case-bycase basis if:

(1) the PRS designates an outside entity (a bank or a financial institution) as the system administrator, and the PRS board of trustees or its designee completes and forwards to the Board a request for exemption on a form provided by the Board indicating the same; or (2) the PRS does not have a system administrator that meets the statutory definition as contained in the Texas Government Code, §801.001(3) and §802.001(4) and the governing body of the PRS board or its designee completes and forwards to the Board a request for exemption, on a form provided by the Board, certifying that the PRS does not have a system administrator. The request shall include a statement affirming that one or more trustees of the PRS are responsible for the duties of the system administrator and are already subject to the MET requirements. (b) If the Board granted an exemption to a PRS under subsection (a) of this section and the exemption is no longer applicable, the PRS shall report the same to the Board, and

Moved to §607.107(a).

Change in terminology.

the exemption shall be revoked.

§607.110 Minimum Educational Training Requirements

CURRENT RULES

(a) First year of service. A new trustee and a new system administrator shall complete at least seven (7) credit hours of training in the core content areas within the first year of service. The seven credit hours shall include training in all of the core content areas. A trustee or system administrator must earn no less than half a credit hour in each content area. No more than two credit hours earned in any one core content area shall be applied toward meeting the 7-hour minimum requirement contained in this subsection.

The core content areas are:

- (1) fiduciary matters;
- (2) governance;
- (3) ethics;
- (4) investments;
- (5) actuarial matters;
- (6) benefits administration; and
- (7) risk management.
- (b) Subsequent years of service. A trustee and a system administrator shall complete at least four (4) credit hours of continuing education in either the core content areas in subsection

PROPOSED CHANGES

(a) First year of service. A new trustee and a new system administrator shall complete at least seven (7) credit hours of training in the core content areas within the first year of service. The seven credit hours shall include training in all of the core content areas. A trustee or system administrator must earn no less than half a credit hour in each content area. No more than two credit hours earned in any one core content area shall be applied toward meeting the 7-hour minimum requirement contained in this subsection.

The core content areas are:

- (1) fiduciary matters;
- (2) governance;
- (3) ethics;
- (4) investments;
- (5) actuarial matters;
- (6) benefits administration; and
- (7) risk management.
- (b) A new trustee or system administrator may submit to the Board an application for a one-time extension period of three months to complete the first year of service core

COMMENTS

Creates one-time extension process for trustees and administrators with shorter core cycles after moving to calendar year cycles. Provides requirements for how extensions

- (a) or non-core content areas, or any combination thereof, within each two-year period after the first year of service as a new trustee or new system administrator.
- (1) The non-core content areas include:
- (A) compliance;
- (B) legal and regulatory matters;
- (C) pension accounting;
- (D) custodial issues;
- (E) plan administration;
- (F) Texas Open Meetings Act; and
- (G) Texas Public Information Act.
- (2) The Board may allow continuing education credit for courses not specifically covered under the non-core content areas on a case-by-case basis.
- (c) MET completed up to six months before the trustee's date of assuming position on the governing body or system administrator's hiring date may be counted for the first-yearof-service requirement in subsection (a). (d) If a trustee's term will expire before the end of the trustee's two-year continuing education cycle, such trustee will be exempt from the continuing education requirement in subsection (b) of this section for that twoyear period; provided, however, that the trustee shall be subject to the continuing education requirements of subsection (b) of this section and as prescribed by §607.113(b) of this chapter upon the trustee's re-election or reappointment.

training requirement, which the Board may approve in exceptional circumstances. The request for extension must be approved by the chair of the PRS' board, or, for an extension request by the PRS board chair, approved by the vice chair of the PRS' board or its administrator. The application must be submitted to the Board on a form prescribed by the Board and must include an explanation of the circumstances necessitating the extension.

- (<u>c</u>b) Subsequent years of service. A trustee and a system administrator shall complete at least <u>two (2)</u> four (4) credit hours of continuing education in either the core content areas in subsection (a) <u>or non-core continuing education</u> content areas, or any combination thereof, within each <u>two-year period-calendar year</u> after the first year of service as a new trustee or new system administrator.
- (1) The non-core continuing education content areas include:
 - (A) compliance;
 - (B) legal and regulatory matters;
 - (C) pension accounting;
 - (D) custodial issues;
 - (É) plan administration;
 - (F) Texas Open Meetings Act; and
 - (G) Texas Public Information Act.
- (2) The Board may allow continuing education credit for courses not specifically

must be approved and submitted and specifies that the PRB will only grant extensions in exceptional circumstances.

Changes continuing education requirement from four credit hours every two years to two credit hours every year. This change would simplify tracking and reporting MET cycles for both systems and PRB staff. Also reflects change in terminology from "non-core" to "continuing education" for clarity.

Change in terminology.

Remove due to lack of need. The PRB has not received any such requests. All CE courses fall

- (e) A trustee serving concurrently on multiple PRS boards and a system administrator employed concurrently by multiple PRSs shall only be required to complete the MET requirements in this section for service with one PRS.
- (f) Credit hours for attending MET activities shall be based on net actual instruction time. Credit hours for viewing or listening to audio, video, or digital media shall be based on the running time of the recordings, and credit hours for attending in-person educational programs shall be based on actual instruction time.
- (g) The Board hereby adopts by reference the Curriculum Guide for Minimum Educational Training to provide further direction on core and non-core content areas as contained in subsections (a) and (b)(1) of this section. Trustees and system administrators are encouraged to review the Curriculum Guide for content area guidance.
- (h) The Board shall make the Curriculum Guide for Minimum Educational Training available to the PRSs. A PRS can obtain the most current version of the Curriculum Guide for Minimum Educational Training from the offices of the State Pension Review Board and from its web site at http://www.prb.state.tx.us.

covered under the non-core content areas on a case by case basis.

- (d) A trustee or administrator may not carry over continuing education credit hours earned in excess of the requirement under Section 607.110(c) of this chapter to a subsequent calendar year.
- (ee) MET completed up to six months before the trustee's date of assuming position on the governing body PRS board or system administrator's hiring date may be counted for the first-year-of-service requirement in subsection (a).
- (d) If a trustee's term will expire before the end of the trustee's two year continuing education cycle, such trustee will be exempt from the continuing education requirement in subsection (b) of this section for that two-year period; provided, however, that the trustee shall be subject to the continuing education requirements of subsection (b) of this section and as prescribed by \$607.113(b) of this chapter upon the trustee's re-election or reappointment.
- (fe) A trustee serving concurrently on multiple PRS boards and a system administrator employed concurrently by multiple PRSs shall only be required to complete the MET requirements in this section for service with one PRS, so long as the concurrent service or employment is reported to the Board pursuant to §607.140(b)(3) of this chapter.

into the broad core and continuing education content areas defined in rule.

Matches current practice and clarifies education requirements to ensure trustees and administrators complete routine, ongoing training.

Change in terminology.

Unnecessary due to change to one-year CE cycles.

Requiring systems to report trustees and system administrators serving on multiple retirement system boards will ensure more accurate tracking and recordkeeping.

(gf) Credit hours for attending MET activities shall be based on net actual instruction time. Credit hours for viewing or listening to audio, video, or digital media shall be based on the running time of the recordings, and credit hours for attending in-person educational programs shall be based on actual instruction time.

(hg) A trustee or administrator may gain credit for teaching an accredited MET activity. Credit hours shall be based on net actual presentation time, but may not include repeated presentations of the same activity in a single calendar year.

(ig) The Board hereby adopts by reference the Curriculum Guide for Minimum Educational Training to provide further direction on core and non-core continuing education content areas as contained in subsections (a) and (b)(1) of this section. Trustees and system administrators are encouraged to review the Curriculum Guide for content area guidance. (jh) The Board shall make the Curriculum Guide for Minimum Educational Training available to the PRSs. A PRS can obtain the most current version of the Curriculum Guide for Minimum Educational Training from the offices of the State Pension Review Board and from its website at

http://www.prb.state.tx.us

http://www.prb.texas.gov.

(k) The 2025 calendar year training cycle for trustees and administrators shall be based on

Allowing trustees and system administrators to earn credit for teaching an MET activity aligns with standard practices for continuing education programs.

Change in terminology.

Reflects PRB's updated website URL.

Provided for transition period that will happen after the new rules take effect to

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their MET compliance status on December 31, 2024, as detailed below. This subsection expires on December 31, 2025.

(1) Trustees and administrators within their first year of service on December 31, 2024 who have completed by that date the training required by Section 607.110(a) of this chapter shall begin their first continuing education cycle in calendar year 2025.

(2) Trustees and administrators
within their first year of service on December
31, 2024 who have not completed by that
date the training required by Section
607.110(a) of this chapter shall complete the
first year of service training in calendar year
2025.

(3) Trustees and administrators who began a continuing education cycle, as required by Section 607.110(c) of this chapter, in calendar year 2024 may carry over any hours completed in that year to the calendar year 2025 continuing education cycle. If a trustee or administrator completed more than two continuing education hours, those hours will not carry over to calendar year 2026.

(4) Trustees and administrators who began a continuing education cycle, as required by Section 607.110(c) of this chapter, in calendar year 2023 will begin a new continuing education cycle on January 1, 2025. Trustees and administrators who did not complete the training hours required in

account for core and continuing education activities completed during the 2024 calendar year.

<u>previous cycles will remain noncompliant and</u> <u>must complete all outstanding required credit</u> hours.

§607.113 Minimum Educational Training Requirements for Reappointed and Re-elected Trustees and Rehired System Administrators

CURRENT RULES

- (a) The following provisions shall apply to:
- (1) A trustee who is reappointed or reelected to a subsequent term of service for the same PRS or who leaves one PRS and is appointed as a trustee to another PRS;
- (2) A trustee who serves on multiple PRS boards;
- (3) A trustee who is subsequently hired by a PRS to serve as system administrator;
- (4) A system administrator who is rehired to a subsequent term of employment by the same PRS or who leaves one PRS and is hired as system administrator by another PRS;
- (5) A system administrator who is employed by multiple PRSs; and
- (6) A system administrator who is subsequently appointed or elected to a PRS board.
- (b) Unless more than two years have passed since the last date of the most recent term of

PROPOSED CHANGES

- (a) The following provisions shall apply to:
- (1) A trustee who is reappointed or reelected to a subsequent term of service for the same PRS or who leaves one PRS and is appointed as a trustee to another PRS;
- (2) A trustee who serves on multiple PRS boards;
- (3) A trustee who is subsequently hired by a PRS to serve as system administrator;
- (4) A system administrator who is rehired to a subsequent term of employment by the same PRS or who leaves one PRS and is hired as system administrator by another PRS;
- (5) A system administrator who is employed by multiple PRSs; and
- (6) A system administrator who is subsequently appointed or elected to a PRS board.
- (b) Unless more than two five years have passed since the last date of the most recent

COMMENTS

Grant additional time to increase compliance while ensuring trustees and administrators

service or employment, a person under subsection (a) of this section shall not be required to repeat the core training requirement already completed under §607.110(a) of this chapter (relating to Minimum Educational Training Requirements) but shall complete the continuing education requirement in §607.110(b) of this chapter within each two-year period served. The two-year period shall begin on the first day of assuming or resuming one's position on a governing body or the first day of employment.

(c) If more than two years have passed since the last date of most recent term of service or employment, a person under subsection (a) of this section shall be subject to both the core training requirement within the first year of service as contained in §607.110(a) of this chapter and the continuing education requirement within each two-year period after the first year of service as contained in §607.110(b) of this chapter.

term of service or employment, a person under subsection (a) of this section shall not be required to repeat the core training requirement already completed under \$607.110(a) of this chapter (relating to Minimum Educational Training Requirements) but shall complete the continuing education requirement in \$607.110(cb) of this chapter within each two calendar-year period served. The two-year period shall begin on the first day of assuming or resuming one's position on a governing body or the first day of employment.

(c) If more than two-five years have passed since the last date of most recent term of service or employment, a person under subsection (a) of this section shall be subject to both the core training requirement within the first year of service as contained in §607.110(a) of this chapter and the continuing education requirement within each two calendar-year period after the first year of service as contained in §607.110(cb) of this chapter.

have previously completed core training within a reasonable time period.

Reflects new continuing education calendar year cycle from §607.110(c).

Reflects change in §607.113(b).

Reflects new continuing education calendar year cycle from §607.110(c).

§607.120 Program Standards for All Sponsors Training Providers

CURRENT RULES

- (a) MET activities offered by sponsors must comply with the following standards.
- (1) An MET activity shall constitute an organized program of learning dealing with matters related to public pensions, including the MET's core or non-core content areas in §607. 110 of this chapter (relating to Minimum Educational Training Requirements). Sponsors are encouraged to review the Curriculum Guide as referenced in §607. 110 of this chapter for content area guidance.
- (2) An MET activity shall be conducted in a suitable facility by an individual or group qualified by professional or academic experience.
- (3) An MET activity shall be educational in nature and shall not include the promotion of particular products or services.
- (4) An MET activity shall be conducted in person, online via the internet, or by teleconference.
- (5) An MET activity shall meet all of the other requirements contained in this chapter.

PROPOSED CHANGES

- (a) MET activities offered by sponsors training providers must comply with the following standards.
- (1) An MET activity shall constitute an organized program of learning dealing with matters related to public pensions, including the MET's core or non-core continuing education content areas in §607.-110 of this chapter (relating to Minimum Educational Training Requirements). Sponsors Training providers are encouraged required to review the Curriculum Guide as referenced in §607. 110 of this chapter for content area guidance.
- (2) An MET activity shall be conducted in a suitable facility by an individual or group qualified by professional or academic experience.
- (3) An MET activity shall be educational in nature and shall not include the promotion of particular products or services.
- (4) An MET activity shall be conducted in person, online via the internet, or by teleconference.

COMMENTS

Change in terminology.

Change in terminology.

Change in terminology; change to "required" to reflect MET accredited sponsor application requirements and to ensure sponsors fully understand required course content.

- (b) An MET activity sponsor shall determine, and inform participants, in advance of the course, of the course's learning or content objectives, any necessary prerequisites, the credit hours the course provides for each core and non-core content area, and the total credit hours the course provides. (c) An MET activity sponsor is responsible for ensuring the participants register their attendance during the MET activity. Sponsors are responsible for assigning the appropriate number of credit hours for participants, including reduced hours for those participants who arrive late or leave early. (d) An MET activity sponsor conducting online or other electronically-delivered courses including via pre-recorded audio or video shall, at a minimum, provide a completion code to the participant upon successful completion of the course. The participant shall provide the completion code to the sponsor to demonstrate attendance and completion. Without receiving such code, the sponsor shall not issue a certificate of completion to the participant. (e) Staff meetings and other settings cannot be claimed for fulfilling the MET requirements if they do not meet the provisions of this chapter.
- (5) An MET activity shall meet all of the other requirements contained in this chapter. (b) An MET activity sponsor training provider shall determine, and inform participants, in advance of the course, of the course's learning or content objectives, any necessary prerequisites, the credit hours the course provides for each core and non-core continuing education content area, and the total credit hours the course provides. (c) An MET activity sponsor-training provider is responsible for ensuring the participants register their attendance during the MET activity. Sponsors-Training providers are responsible for assigning the appropriate number of credit hours for participants, including reduced hours for those participants who arrive late or leave early. (d) An MET activity sponsor training provider conducting online or other electronicallydelivered courses including via pre-recorded audio or video shall verify participation by participants using one of the following methods:
- (1), at a minimum, provide Provide a completion code to the participant upon successful completion of the course. The participant shall provide the completion code to the sponsor training provider to demonstrate attendance and completion. Without receiving such code, the sponsor training provider shall not issue a certificate of completion to the participant.

Change in terminology.

Offers additional ways to verify participation to allow for increased flexibility while ensuring participants complete the activity.

Change in terminology.

- (2) Require participants to successfully complete a quiz on topics covered in the course.
- (3) Use software-based student verification or attendance checks to verify participation.
- (4) Use using of an any other method to verify participation with approval approved by from the Board.
- (e) Staff meetings and other settings cannot be claimed for fulfilling the MET requirements if they do not meet the provisions of this chapter.

Authorizes sponsors to use other methods to verify participation, with approval from the PRB.

§607.122 MET Credit Hour Computation for Sponsors Training Providers

CURRENT RULES

- (a) Credit hours for attending MET activities shall be based on net actual instruction time. Sponsors shall calculate the number of credit hours that should be given for an MET activity offered based on the net actual instruction time to be spent, and shall indicate the number on the MET activity materials. Fractional credit hours should be stated as decimals.
- (b) Credit hours for viewing or listening to audio, video, or digital media shall be based on the running time of the recordings.

PROPOSED CHANGES

- (a) Credit hours for attending MET activities shall be based on net actual instruction time. Sponsors Training providers shall calculate the number of credit hours that should be given for an MET activity offered based on the net actual instruction time to be spent, and shall indicate the number on the MET activity materials. Fractional credit hours should be stated as decimals.
- (b) Credit hours for viewing or listening to audio, video, or digital media shall be based on the running time of the recordings. For

COMMENTS

(c) Credit hours for attending in-person educational programs shall be based on actual instruction time.

digital media activities that do not consist entirely of audio or video recordings, training providers shall reasonably estimate the time needed to complete the course.

(c) Credit hours for attending in-person educational programs shall be based on actual instruction time. <u>Training providers shall adjust the credit hours for attendees who arrive late or leave early, as required by \$607.120(c) of this chapter.</u>

Added for clarity and further direction for computing credit hours for courses that use multiple forms of media.

Reference existing requirement to ensure credit hours are appropriately allocated for individuals who do not participate in the entire activity.

§607.124 Sponsor Training Provider Accreditation

CURRENT RULES

- (a) The Board may allow any sponsor of MET to become Board accredited if the sponsor, in the opinion of the Board, demonstrates that it will comply with its obligations to the Board and that its programs will conform to the Board's standards as outlined in:
- (1) §607.120 of this chapter (relating to Program Standards for All Sponsors); and
- (2) §607.122 of this chapter (relating to MET Credit Hour Computation for Sponsors).
- (b) The Board will also require that each organization or individual applying to become a Board-accredited MET sponsor agree that in the conduct of its business it will:

PROPOSED CHANGES

- (a) The Board may allow any sponsor training provider of MET to become Board accredited if the sponsor training provider, in the opinion of the Board, demonstrates that it will comply with its obligations to the Board and that its programs will conform to the Board's standards as outlined in:
- (1) §607.120 of this chapter (relating to Program Standards for All Sponsors Training Providers); and
- (2) §607.122 of this chapter (relating to MET Credit Hour Computation for Sponsors Training Providers).

COMMENTS

Change in terminology.

Change in terminology.

Change in terminology.

- (1) Not commit fraud, deceit or engage in fiscal dishonesty of any kind;
- (2) Not misrepresent facts or make false or misleading statements;
- (3) Not make false statements to the Board or to the Board's agents; and
- (4) Comply with the laws of the United States and the State of Texas.
- (c) Each organization or individual applying to become a Board accredited MET sponsor must submit an application on a form provided by the Board. The Board will consider for approval only applications that are complete. As part of the application process, the Board may require the sponsor to submit information regarding its organization, purpose, history of providing educational training activities, course outlines, or such additional information that the Board may deem relevant.
- (d) The Board shall review each application and notify the sponsor of its acceptance or rejection. Approval of accredited sponsor status will be based upon information received with the application, and such other information the Board shall deem relevant including, but not limited to, course offering and attendance history, approvals and denials of accreditation by other governmental entities, and complaints concerning past programs or the marketing thereof. An acceptance in any given year shall not bind

- (b) The Board will also require that each organization or individual applying to become a Board-accredited MET sponsor training provider agree that in the conduct of its business it will:
- (1) Not commit fraud, deceit or engage in fiscal dishonesty of any kind;
- (2) Not misrepresent facts or make false or misleading statements;
- (3) Not make false statements to the Board or to the Board's agents; and
- (4) Comply with the laws of the United States and the State of Texas.
- (c) Each organization or individual applying to become a Board accredited MET sponsor training provider must submit an application on a form provided by the Board. The Board will consider for approval only applications that are complete. As part of the application process, the Board may require the sponsor training provider to submit information regarding its organization, purpose, history of providing educational training activities, course outlines, or and such additional information that the Board may deem relevant.
- (d) The Board shall review each application and notify the sponsor training provider of its acceptance or rejection. Approval of accredited sponsor training provider status will be based upon information received with the application, and such other information the Board shall deem relevant including, but

Change in terminology.

Change in terminology.

Change in terminology.

Typographical change to reflect that all listed items are required.

Change in terminology.

the Board to accept a sponsor in any future year.

- (e) Upon accreditation a sponsor will be assigned a sponsor number and can represent that it is a Board accredited MET sponsor. An accredited sponsor shall include in promotional materials the following language: "We are accredited by the State Pension Review Board as a Minimum Educational Training (MET) sponsor for Texas public retirement systems. This accreditation does not constitute an endorsement by the Board as to the quality of our MET program." (f) An accredited sponsor is not required to comply with provisions contained in §607.128 of this chapter (relating to Accreditation of MET Activities from Non-Accredited Sponsors).
- (g) The Board may accredit a sponsor to offer MET activities in the core content areas under \$607.110(a) of this chapter (relating to Minimum Educational Training Requirements), the non-core content areas under \$607.110(b)(1) of this chapter, or both. (h) An accredited sponsor shall be reviewed for renewal of accredited sponsor status after an initial two-year period of accreditation, and again after each subsequent four-year period of accreditation, or at such other times as the Board deems reasonable. To be considered for renewal, an accredited sponsor must submit a renewal application on a form provided by the Board. Review for

not limited to, course offering and attendance history, approvals and denials of accreditation by other governmental entities, and complaints concerning past programs or the marketing thereof. An acceptance in any given year shall not bind the Board to accept a sponsor training provider in any future year. (e) Upon accreditation a sponsor training provider will be assigned a sponsor number and can represent that it is a Board accredited MET sponsor training provider. An accredited sponsor training provider shall include in promotional materials the following language: "We are accredited by the State Pension Review Board as a Minimum Educational Training (MET) sponsor training provider for Texas public retirement systems. This accreditation does not constitute an endorsement by the Board as to the quality of our MET program." (f) An accredited sponsor training provider is

- not required to comply with provisions contained in §607.128 of this chapter (relating to Accreditation of MET Activities from Non-Accredited Sponsors Training Providers).
- (g) The Board may accredit a sponsor training provider to offer MET activities in the core content areas under §607.110(a) of this chapter (relating to Minimum Educational Training Requirements), the continuing education non-core content areas under §607.110(cb)(1) of this chapter, or both.

Change in terminology.
Change in terminology.
Remove to reflect current practice.

Change in terminology. Change in terminology.

Change in terminology.

Change in terminology.

Change in terminology.

Change in terminology.

renewal shall be based on the criteria stated in subsection (d) of this section.

- (i) Complaints concerning accredited sponsors and MET activities may be directed to the Board. If the Board determines that a response is necessary from the sponsor, the sponsor shall be notified in writing and provided a copy of the complaint. The Board shall respond to all complaints within a reasonable time.
- (j) The Board, in its sole and exclusive discretion, may determine that an accredited sponsor is not in compliance with the registration requirements, MET standards, or applicable Board rules. The Board will provide the accredited sponsor reasonable notice of such a determination and shall provide the accredited sponsor a reasonable opportunity to become compliant. If the Board determines the sponsor is not in compliance, the Board may require the sponsor to take corrective action and/or may terminate the sponsor's accreditation. A sponsor that has had its accreditation terminated or that has voluntarily surrendered its accreditation may apply for reinstatement no sooner than six months after the effective date of the termination or surrender.
- (k) A sponsor that requests reinstatement may do so by submitting a completed application as required in subsection (c) of this section. The applicant will be subject to all the requirements of this section.

- (h) An accredited sponsor training provider shall be reviewed for renewal of accredited sponsor training provider status after an initial two-year period of accreditation, and again after each subsequent four-year period of accreditation, or at such other times as the Board deems reasonable. To be considered for renewal, an accredited sponsor training provider must submit a renewal application on a form provided by the Board. Review for renewal shall be based on the criteria stated in subsection (d) of this section.
- (i) Complaints concerning accredited sponsors training providers and MET activities may be directed to the Board. If the Board determines that a response is necessary from the sponsor training provider, the sponsor training provider shall be notified in writing and provided a copy of the complaint. The Board shall respond to all complaints within a reasonable time.
- (j) The Board, in its sole and exclusive discretion, may determine that an accredited sponsor training provider is not in compliance with the registration requirements, MET standards, or applicable Board rules. The Board will provide the accredited sponsor training provider reasonable notice of such a determination and shall provide the accredited sponsor training provider a reasonable opportunity to become compliant. If the Board determines the sponsor training provider is not in

Change in terminology.

Change in terminology.

Change in terminology.

Change in terminology.

Change in terminology. Change in terminology.

Change in terminology.

Change in terminology.

Change in terminology.

(I) Board decisions under this chapter are final and are not appealable. No portion of this chapter shall be interpreted or construed to create a right to a hearing, or to acknowledge or create any private right or interest.

compliance, the Board may require the sponsor training provider to take corrective action and/or may terminate the sponsor's training provider's accreditation. A sponsor training provider that has had its accreditation terminated or that has voluntarily surrendered its accreditation in lieu of corrective action may apply for reinstatement no sooner than six months after the effective date of the termination or surrender.

- (k) A sponsor training provider that requests reinstatement may do so by submitting a completed application as required inby subsection (c) of this section. The applicant will be subject to all the requirements of this section.
- (I) Board decisions under this chapter are final and are not appealable. No portion of this chapter shall be interpreted or construed to create a right to a hearing, or to acknowledge or create any private right or interest.

Change in terminology. Change in terminology. Change in terminology.

Adding for clarity. Sponsors that voluntarily surrender accreditation without any potential for corrective action may reapply sooner than six months.

Change in terminology.

§607.126 Obligations of Accredited Sponsors Training Providers

CURRENT RULES	PROPOSED CHANGES	COMMENTS

- (a) In order to support the reports required of PRSs, a sponsor accredited under §607.124 of this chapter (relating to Sponsor Accreditation) shall retain the following records for five years following the date the program is completed:
- (1) an agenda or outline that describes the course content;
- (2) the name and title of each instructor for each topic;
- (3) time devoted to each topic;
- (4) each date and location of the presentation; and
- (5) record of participation that reflects:
- (A) the credit hours earned by each trustee and system administrator participant; and
- (B) the number of non-trustee and non-administrator attendees.
- (b) The accredited sponsor, upon request of the Board, shall immediately submit any of the records retained in subsection (a) of this section for review.
- (c) An accredited sponsor shall at any reasonable time allow a member of the Board or Board staff, as part of a review of the sponsor, to inspect the sponsor's teaching facilities, examine the sponsor's records, attend its courses or seminars at no charge, and review its program to determine compliance with the sponsor accreditation requirements, MET standards, and all applicable Board rules.

- (a) In order to support the reports required of PRSs, a sponsor training provider accredited under §607.124 of this chapter (relating to Sponsor Training Provider Accreditation) shall retain the following records for five years following the date the program is completed:
- (1) an agenda or outline that describes the course content;
- (2) the name and title of each instructor for each topic;
- (3) time devoted to each topic;
- (4) each date and location of the presentation; and
- (5) record of participation that reflects:
- (A) the credit hours earned by each trustee and system administrator participant; and
- (B) the number of non-trustee and non-administrator attendees-; and
- (6) evaluations completed by trustee and system administrator participants pursuant to §607.126(f) of this chapter.
- (b) The accredited sponsor training provider, upon request of the Board, shall immediately submit any of the records retained in subsection (a) of this section for review.
- (c) An accredited sponsor training provider shall at any reasonable time allow a member of the Board or Board staff, as part of a review of the sponsor training provider, to inspect the sponsor's training provider's teaching facilities, examine the sponsor's training provider's records, attend its courses or seminars at no charge, and review its

Change in terminology.

Change in terminology.

Addition so all MET records are a part of the recordkeeping requirement. Allows for PRB to request evaluations as part of an audit, if needed; change in terminology.

Change in terminology.

Change in terminology. Change in terminology. Change in terminology.

advertising that is false or misleading, or use any communication that, in the sponsor's effort to promote its services, is coercive. (e) An accredited sponsor, promptly upon the conclusion of the activity, but not later than 30 calendar days after the conclusion activity, shall provide to each trustee or system administrator participant a certificate of completion, reflecting the following information:

(d) An accredited sponsor shall not use

- (1) Name of participant;
- (2) Activity title;
- (3) Date and location of the activity;
- (4) Total accredited MET hours; and
- (5) Sponsor name and contact information.
- (f) An accredited sponsor shall include in each MET activity a process for participants and instructors to evaluate the quality of the activity, including whether:
- (1) Course Objectives were met;
- (2) Facilities and technology were satisfactory;
- (3) Each instructor was effective; and
- (4) Program content was timely and effective.
- (g) Sponsors shall inform Instructors of the results of their performance evaluation in subsection (f) of this section, and should systematically review the evaluation process to ensure its effectiveness.

program to determine compliance with the sponsor training provider accreditation requirements, MET standards, and all applicable Board rules.

- (d) An accredited sponsor training provider shall not use advertising that is false or misleading, or use any communication that, in the sponsor's training provider's effort to promote its services, is coercive.
- (e) An accredited sponsor training provider. promptly upon the conclusion of the activity, but not later than 30 calendar days after the conclusion of the activity, shall provide to each trustee or system administrator participant a certificate of completion, reflecting the following information:
- (1) Name of participant;
- (2) Activity title;
- (3) Date and location of the activity;
- (4) Total accredited MET hours; and
- (5) Sponsor Training provider name and contact information.
- (f) A training provider accredited to offer MET activities in the core content areas under §607.110(a) of this chapter (relating to Minimum Educational Training Requirements) shall promptly provide the information specified in §607.126(e) of this chapter to the Board within 30 days of the conclusion of a core MET activity offered to satisfy the first year of service training requirement. (gf) An accredited sponsor training provider

shall include in each MET activity a process

Change in terminology.

Change in terminology.

Change in terminology.

Change in terminology.

Correct typographical error.

Change in terminology.

Requires sponsors providing core training to provide participant information directly to the PRB. This change will increase compliance for trustees and administrators. Will allow PRB staff to cross reference participants who have yet to report the training on a PRB-2000 and contact the necessary systems for complete reports.

	for participants and instructors to evaluate	
	the quality of the activity, including whether:	
	(1) Course Oobjectives were met;	Correct typographical error.
	(2) Facilities and technology were	
	satisfactory;	
	(3) Each instructor was effective; and	
(4) Program content was timely and		
	effective.	
	(hg) Sponsors Training providers shall inform	Change in terminology.
	Instructors instructors of the results of their	Correct typographical error.
	performance evaluation in subsection (f) of	
	this section, and should systematically review	
	the evaluation process to ensure its	

§607.128 Accreditation of MET Activities from Non-Accredited Sponsors Training Providers

effectiveness.

CURRENT RULES	PROPOSED CHANGES	COMMENTS
 (a) MET activities may be accredited, on a case-by-case basis, upon the written application of a sponsor or public retirement system on behalf of its own trustees or system administrator. All applications for accreditation of an MET activity by a non-accredited sponsor shall: (1) be submitted at least 30 days in advance of the activity, although the Board, at its 	(a) MET activities may be accredited, on a case-by-case basis, upon the written application of a sponsor training provider or public retirement system PRS on behalf of its own trustees or system administrator. All applications for accreditation of an MET activity by a non-accredited sponsor training	Change in terminology. Use initialism for brevity. Change in terminology.

discretion, may approve applications filed less than 30 days in advance of the activity, or may approve applications filed after the activity, in exceptional cases;

- (2) be submitted on a form provided by the Board;
- (3) contain all information requested on the form;
- (4) be accompanied by a sample agenda or course outline that describes the course content, designates the courses sought to be accredited as an MET activity, identifies the instructors, lists the time devoted to each topic, and shows each date and location at which the program will be offered; and
- (5) include a detailed calculation of the total MET hours for the course and the hours that correspond to each core and non-core topic the course covers.
- (b) A separate application is required for each activity unless the activity is being repeated in exactly the same format but on different dates and/or locations. Repeat presentations may be added to an existing application for a twelve month period following the effective date of accreditation.
- (c) The Board shall review each application and notify the applicant of acceptance or rejection of the activity. An acceptance in any given year shall not bind the Board to accept a sponsor or activity in any future year.

- (1) be submitted at least 30 days in advance of the activity, although the Board, at its discretion, may approve applications filed less than 30 days in advance of the activity, or may approve applications filed after the activity, in exceptional cases;
- (2) be submitted on a form provided by the Board:
- (3) contain all information requested on the form;
- (4) be accompanied by a sample agenda or course outline that describes the course content, designates the courses sought to be accredited as an MET activity, identifies the instructors, lists the time devoted to each topic, and shows each date and location at which the program will be offered; and
- (5) include a detailed calculation of the total MET hours for the course and the hours that correspond to each core and non-core continuing education topic the course covers.

 (b) A separate application is required for each activity unless the activity is being repeated
- in exactly the same format but on different dates and/or locations. Repeat presentations may be added to an existing application for a twelve 36-month period following the effective date of accreditation.
- (c) The Board shall review each application and notify the applicant of acceptance or rejection of the activity. An acceptance in any given year shall not bind the Board to accept

Specify that systems and sponsors may generally submit individual course approval applications before or after the course was completed, without an exceptional case needed. This will match current practice.

Change in terminology.

Extension of time an approved application is valid for a repeat course to simplify the process for stakeholders and PRB staff.

a sponsor training provider or activity in any future year.

Change in terminology.

§607.130 Accreditation of In-House Training Activities

CURRENT RULES

- (a) MET activities provided by public retirement systems or their hired consultants primarily for the education of their trustees and/or system administrators are considered in-house training, and may be accredited for MET credit. Education provided in-house must meet the standards in §607.120 of this chapter (relating to Program Standards for all Sponsors) and §607.122 of this chapter (relating to MET Credit Hour Computation for Sponsors).
- (b) Public retirement systems that conduct inhouse training may apply to become accredited sponsors under §607.124 of this chapter (relating to Sponsor Accreditation). (c) Public retirement systems that conduct inhouse training may submit individual courses for accreditation under §607.128 of this chapter (relating to Accreditation of MET Activities from Non-Accredited Sponsors).

PROPOSED CHANGES

- (a) MET activities provided by public retirement systems PRSs or their hired consultants primarily for the education of their trustees and/or system administrators are considered in-house training, and may be accredited for MET credit. Education provided in-house must meet the standards in §607.120 of this chapter (relating to Program Standards for All all Sponsors Training Providers) and §607.122 of this chapter (relating to MET Credit Hour Computation for Sponsors Training Providers), except that in-house training is not required to comply with the following provisions:-
- (1) Section 607.120(c) of this chapter, regarding the requirement for ensuring participants register their attendance.
- (2) Section 607.126(a)(5)(B) of this chapter, regarding the requirement to maintain a record of the non-trustee and non-administrator attendees.

COMMENTS

Use initialism for brevity.

Correct typographical error; change in terminology.

Change in terminology; Specify exceptions from certain sponsor requirements to accommodate unique considerations for inhouse training.

Attendance is already registered through meeting minutes and other documents. Only trustees or systems administrators of the system's board attend in-house training activities. This information is generally tracked by system staff and can also be found in meeting minutes.

- (3) Section 607.126(e) of this chapter, regarding the requirement to provide participants a certificate of completion.
- (4) Section 607.126(f) of this chapter, regarding the requirement to provide the Board participant information for accredited core activities satisfying the first year of service training requirement because this training will be reported as specified in §607.140 of this chapter.
- (b) Public retirement systems <u>PRSs</u> that conduct in-house training may apply to become accredited sponsors training <u>providers</u> under §607.124 of this chapter (relating to Sponsor <u>Training Provider</u> Accreditation).
- (c) Public retirement systems <u>PRSs</u> that conduct in-house training may submit individual courses for accreditation under §607.128 of this chapter (relating to Accreditation of MET Activities from Non-Accredited Sponsors Training Providers).

Trustee and system administrator course completion can be verified by system staff or through meeting minutes.

MET activity records for trustees and system administrators attending in-house training are already required to be reported via the PRB-2000.

Use initialism for brevity.

Change in terminology.

Change in terminology.

Use initialism for brevity.

Change in terminology.

§607.140 PRS Reporting

CURRENT RULES (a) By September 1 of each year, a PRS shall accurately report to the Board on behalf of its shall accurately report to the Board on behalf o

trustees and system administrator the MET credit hours completed, as required by subchapter B. A PRS shall submit the report on a form provided by the Board.
(b) In the September 1 report, a PRS shall submit the MET credit hours completed between August 1 of the previous year and July 31 of the current year and any previously unreported training hours. A PRS shall be responsible for providing the following information to the Board on an ongoing basis. A PRS shall notify the Board of any changes in such information within 30 days after the date of the changes. A PRS shall submit this information on a form provided by the Board.

- (1) For each trustee: the name, mailing address, phone number, e-mail, position (such as Chair, Vice-Chair, Secretary, etc.), trustee type (such as Active, Retired, Citizen, etc.), term start date, the term length, and the term end date.
- (2) For a system administrator: the name, title, phone number, e-mail, and date of hire.

of its trustees and system administrator the MET credit hours completed <u>during the preceding calendar year and any previous unreported training</u>, as required by subchapter B. A PRS shall submit the report on a <u>completed PRB-2000</u> form provided by the Board.

- (b) By April In the September 1 report of each year, a PRS shall submit the MET credit hours completed between August 1 of the previous year and July 31 of the current year and any previously unreported training hours. A PRS shall be responsible for providing the following information to the Board-on an ongoing basis. A PRS shall also notify the Board of any changes in such information within 30 days after the date of the changes. A PRS shall submit this information on a completed PRB-150 form provided by the Board.
- (1) For each trustee: the name, mailing address, phone number, e-mail, position (such as Chair, Vice-Chair, Secretary, etc.), trustee type (such as Active, Retired, Citizen, etc.), term start date, the term length, and the term end date.
- (2) For a system administrator: the name, title, phone number, e-mail, and date of hire.
- (3) For each trustee serving concurrently on multiple PRS boards or system administrator employed concurrently by multiple PRSs, the name of the other PRSs.

Addition for clarity and to accommodate new MET cycles.

Reference form name for clarity and specify it must be fully completed to be accepted. Add annual due date for the PRB-150 form to increase compliance and use of the form. Matches due date of the PRB-2000 form. Also ensures staff are notified of all board changes.

Add "also" to ensure that the PRB is still updated on board changes promptly to ensure completed MET activities are recorded.

Reference form name for clarity and specify it must be fully completed to be accepted.

Add requirement to report name of other systems a trustee or administrator serves to increase compliance and streamline PRB staff's work.

(c) The Board shall report on the noncompliance status of trustees and administrators annually.

Add requirement for PRB to annually inform systems and the public of noncompliant trustees and administrators. This information is currently reported biennially.

§607.142 PRS Records

CURRENT RULES

- (a) For each trustee and system administrator, a PRS shall retain the following records for five years following the date an MET activity is completed:
- (1) the sponsor's name and identification number, if applicable;
- (2) the location of the MET activity;
- (3) date(s) of completion; and
- (4) the credit hours earned by the trustee or system administrator participant.
- (b) The PRS, upon request of the Board, shall immediately submit a copy of any of the records retained in subsection (a) of this section for review.

PROPOSED CHANGES

- (a) For each trustee and system administrator, a PRS shall retain the following records for five years following the date an MET activity is completed:
- (1) the sponsor's training provider's name and identification number, if applicable;
- (2) the location of the MET activity;
- (3) date(s) of completion; and
- (4) the credit hours earned by the trustee or system administrator participant.
- (b) The PRS, upon request of the Board, shall immediately submit a copy of any of the records retained in subsection (a) of this section for review.

COMMENTS

Change in terminology.

Remove of identification number to reflect current practice.

Item 7a: Consideration and possible action to propose repeal of 40 T.A.C. Section 609.109 and propose amendments to 40 T.A.C. Sections 609.105 and 609.111, pertaining to investment expense reporting

Tamara Aronstein



Overview

- Timeline
- Stakeholder engagement and input
- Rule recommendations
- Summary of recommended changes
- Next steps



Timeline

- September 21, 2023 Presented on notice of intent to review rules (40 T.A.C. Chapters 601-609).
- September-October 2023 Requested informal stakeholder input on current rules.
- October 6, 2023 Notice of rule review published in Texas Register
- November 7, 2023 30-day comment period ended. No formal comments received.
- May 2, 2024 Present proposed revisions to Investment Committee.
- May 2024 Sent draft rules to stakeholders for informal stakeholder input.
- May-June 2024 Revise draft proposed rules based on feedback from Investment Committee and stakeholders
- July 25, 2024 Present proposed Ch. 609 rules to full board
- August 2024 Proposed rules published in Texas Register for 30-day comment period.
- September 25, 2024 Potential final adoption of Ch. 609 rules.



Stakeholder Engagement and Input

The PRB engaged stakeholders to discuss current investment expense reporting rules and proposed revisions.

- Sept. 2023 Sent call for input on current rules.
 Received two comments:
 - One system requested clarification on definitions and reporting structure.
 - One system noted the existing rules work well and ensure transparency while being workable for systems.



Stakeholder Engagement and Input (cont'd)

- May 2024 Sent out draft proposed rules following Investment Committee meeting. Received two comments:
 - One system asked that we clarify that brokerage commissions only need to be reported as such if paid directly by the system.
 - Made a change reflecting this concern, specifying that systems
 must report commissions paid <u>directly by the public retirement</u>
 <u>system</u> to brokers for trading securities on a per-share basis.
 - Another system was concerned that indirect fees identified in the rules including those not typically directly applicable to an investment would also apply directly to investments such as commingled funds or other investments.
 - No change made.



Rule Recommendations – Sections 609.101, 609.103, 609.107

- No changes proposed for the following sections:
 - Section 609.101 Pertains to authority to adopt the rules.
 - Section 609.103 Outlines the purpose of the rules.
 - Section 609.107 Provides the applicability of the rules.



Rule Recommendations – Section 609.105

- Section 609.105 includes definitions used throughout the rules.
- PRB staff recommends changes to increase the clarity, consistency, and accuracy of investment expense reports:
 - Clarify the definition of "direct and indirect fees and commissions" to include fees netted from returns.
 - Specify that "investment service" includes service provided by in-house investment staff.



Rule Recommendations – Section 609.109

- Consists entirely of provisions pertaining to the first investment expense reporting period.
- The rules specify that these provisions expired April 1, 2022.
- Recommend striking this section to remove obsolete language.



Rule Recommendations – Section 609.111

- Pertains to the investment expense reporting structure.
- Modify the rules to clarify that investment expenses must be reported by type of fees and commissions, to include:
 - Amounts paid to investment managers for managing assets.
 - Commissions paid directly by the system to brokers for trading securities on a per share basis.
 - Profit share as defined by state law.
 - Fees netted from returns.
- Specify that the supplemental schedule containing the investment expense report may be unaudited, addressing a frequent question from systems and reflecting current practice.
- Note: These recommended changes provide clarity while reflecting current practices – there should be no impact to systems from these recommended revisions.



Overview of Recommended Rule Changes

Section	Subject	Recommended Action
609.101	Authority	No changes
609.103	Purpose	No changes
609.105	Definitions	Clarify "direct and indirect fees and commissions" includes fees netted from returns; Clarify "investment service" includes in-house investment staff.
609.107	Applicability	No changes
609.109	Investment expense reporting (for first reporting period)	Strike entire section
609.111	Investment expense reporting structure	Clarify that investment expenses must be reported by type of fees and commissions; and specify the information may be provided in an unaudited supplemental schedule.

Next Steps

- Propose amendments and repeal.
- Publish proposals in Texas Register, kicking off 30day public comment period.
- Anticipate potential final adoption at September board meeting.



TITLE 40. SOCIAL SERVICES AND ASSISTANCE

PART 17. STATE PENSION REVIEW BOARD

CHAPTER 609. PUBLIC RETIREMENT SYSTEM INVESTMENT EXPENSE REPORTING

40 TAC Chapter 609

The Texas Pension Review Board (Board) proposes amendments to 40 TAC §§609.105 and 609.111, pertaining to public retirement system investment expense reporting, and the repeal of the existing rule at 40 TAC §609.109, regarding the initial investment expense reporting period. These proposed changes are referred to as "proposed rules." This rulemaking action was identified as part of the agency's four-year review of rules pursuant to Texas Government Code §2001.039.

BACKGROUND AND PURPOSE

In 2019, the legislature passed Senate Bill 322, enhancing investment expense reporting requirements for public retirement systems. Section 802.103(e), Texas Government Code authorizes the Board to adopt rules to implement this requirement. The Board initially adopted 40 TAC Chapter 609 in 2020. The Board now proposes rules to clarify the requirements.

The Board's investment analyst, Robert Munter, has determined that for each year of the first five-year period the proposed rules are in effect there will be no fiscal implications for state or local government.

There will be no adverse effect on small businesses or rural communities, micro-businesses, or local or state employment. There will be no additional economic costs to persons required to comply with the proposed rules. An Economic Impact Statement and Regulatory Flexibility Analysis are not required because the proposed rules will not have an adverse economic impact on small businesses or rural communities as defined in Texas Government Code §2006.001(1-a) and (2).

Mr. Munter has determined that for each year of the first five years the proposed rules will be in effect the public benefit is to clarify the provisions in the current rule for ease of reference and understanding by the public and improve consistency and accuracy of investment expense reports to improve transparency for the public, members of the systems, and policymakers.

SUMMARY

The proposed rules in 40 TAC §609.105 pertain to definitions for investment expense reporting. The rule would be modified to specify that "direct and indirect fees and commissions" include "fees netted from returns," which is defined in the existing rule language. The amendments would also specify that "investment service" includes "in-house investment staff."

The proposed repeal of 40 TAC §609.109 pertains to the first investment expense reporting period, which has already passed. The rules expressly state that they expired on April 1, 2022. The proposed rules would repeal this entire obsolete section.

The proposed rules in 40 TAC §609.111 pertain to the investment expense reporting structure. The amendments would clarify that direct and indirect fees and commissions must be reported by type of fee and commission, and specifies the types as defined in 40 TAC §609.105(4), as the definition would be amended by this rulemaking. The amendments would also specify that investment expense information

may be reported in an unaudited supplemental schedule within the public retirement system's annual financial report.

FISCAL NOTE

Mr. Munter has determined that for each year of the first five-year period the proposed rules are in effect there will be no fiscal implications for state or local government.

ECONOMIC IMPACT STATEMENT AND REGULATORY FLEXIBILITY ANALYSIS FOR SMALL BUSINESSES, MICROBUSINESSES, AND RURAL COMMUNITIES.

There will be no adverse effect on small businesses or rural communities, micro-businesses, or local or state employment. There will be no additional economic costs to persons required to comply with the proposed rules. An Economic Impact Statement and Regulatory Flexibility Analysis are not required because the proposed rules will not have an adverse economic impact on small businesses, micro-businesses, or rural communities as defined in Texas Government Code §2006.001.

ECONOMIC COSTS TO PERSONS AND IMPACT ON LOCAL EMPLOYMENT.

There are no anticipated economic costs to persons who are required to comply with the proposed rules. There is no effect on local economy for the first five years that the proposed rules are in effect; therefore, no local employment impact statement is required under Government Code, §2001.022 and 2001.024(a)(6).

ENVIRONMENTAL IMPACT STATEMENT

The board has determined that the proposed rules do not require an environmental impact analysis because the rule is not a major environmental rule under Government Code, §2001.0225.

COSTS TO REGULATED PERSONS

The proposed rules do not impose a cost on regulated persons, including another state agency, a special district, or a local government and, therefore, is not subject to Government Code, §2001.0045.

PUBLIC BENEFIT/COST NOTE

Mr. Munter has determined that for each year of the first five years the proposed rules will be in effect the public benefit is consistency and clarity in the agency's investment expense reporting rules, resulting in enhanced transparency and data quality.

GOVERNMENT GROWTH IMPACT STATEMENT

The Board provides this Government Growth Impact Statement, pursuant to Texas Government Code §2001.0221, for the proposed rules, 40 TAC §§609.105, 609.109, and 609.111. For each year of the first five years the proposed rules are in effect, Mr. Munter has determined:

- (1) The proposed rules do not create or eliminate a government program.
- (2) Implementation of the proposed rules does not require the creation of new employee positions or the elimination of existing employee positions.

- (3) Implementation of the proposed rules does not require an increase or decrease in future legislative appropriations to the Board.
- (4) The proposed rules do not require a decrease or increase in fees paid to the Board.
- (5) The proposed rules do not create a new regulation.
- (6) The proposed rules will not expand or repeal existing rules.
- (7) The proposed rules do not decrease the number of individuals subject to the rule's applicability.
- (8) The proposed rules do not positively or adversely affect the state economy.

TAKINGS IMPACT ASSESSMENT

This proposed rulemaking will not impact private real property as defined by Texas Government Code §2007.002(5), so a takings impact assessment under Government Code §2007.043 is not required.

REQUEST FOR PUBLIC COMMENT

Comments on the proposed rules may be submitted to Tamara Aronstein, General Counsel, Texas Pension Review Board, P.O. Box 13498, Austin, Texas 78711-3498, or via email: rules@prb.texas.gov, no later than 30 days from the date that these proposed rules are published in the Texas Register. Please include the rule name and number in the subject line of any comments submitted by email.

STATUTORY AUTHORITY

These rules are proposed under Government Code §802.103(e), which authorizes the Board to adopt rules necessary to implement the Government Code §802.103(a)(3) investment expense reporting requirement.

CROSS REFERENCE TO STATUTE

Sections 802.103(a)(3), 802.103(e), Texas Government Code.

<rule>

§609.105 Definitions

The following words and terms, for the purposes of this chapter, shall have the following meanings, unless the rule indicates otherwise.

- (1) "Annual financial report" means as defined by §802.103 of the Texas Government Code.
- (2) "Asset class" means a group of securities that share similar characteristics, perform comparably in the marketplace, and are generally governed by the same laws and regulations.
- (3) "Board" means the State Pension Review Board.
- (4) "Direct and indirect fees and commissions" means amounts paid to investment managers for managing assets; commissions paid to brokers for trading securities on a per share basis; and profit share as defined by §815.3015(a)(2) of the Texas Government Code; and fees netted from returns.

- (5) "Fees netted from returns" means an amount that an investment manager collects or retains from earned investment returns rather than from the pension trust fund.
- (6) "Governing body of a public retirement system" means as provided by Texas Government Code \$802.001(2).
- (7) "Investment expense" means direct and indirect fees and commissions and amounts retained or paid for investment services.
- (8) "Investment manager" means as defined by §802.204 of the Texas Government Code.
- (9) "Investment service" means a service provided to a public retirement system for general purposes of administering its investment program such as custodial, investment consulting, investment-related legal services, and research, and in-house investment staff.
- (10) "Public retirement system" means as defined by §801.001(2) and §802.001(3) of the Texas Government Code, but shall not include defined contribution plans as defined by Texas Government Code, §802.001(1-a) or retirement systems consisting exclusively of volunteers organized under the Texas Local Fire Fighters' Retirement Act as defined by Texas Government Code, §802.002(d).
- §609.111 Investment Expense Reporting Structure
- (a) Public retirement systems shall:
- (1) report direct and indirect fees and commissions:
- (A) in the fiscal year they are incurred;
- (B) by asset class;
- (C) by type of fees and commissions, specifically:
- (1) amounts paid to investment managers for managing assets;
- (2) commissions paid directly by the public retirement system to brokers for trading securities on a per share basis;
 - (3) profit share as defined by §815.3015(a)(2) of the Texas Government Code; and
- (4) fees netted from returns.
- (<u>D</u>C) in a supplemental schedule, <u>which may be unaudited</u>, as part of the system's annual financial report.; and
- -(2) identify amounts netted from returns separately from those paid from the trust.
- (b) Investment services provided to the system shall be reported in a supplemental schedule contained in the notes to the financial statements that are part of a public retirement system's annual financial report.
- (c) A retirement system shall report expenses incurred for investment services by type of service provided, even if multiple investment services are provided by a single firm. Those expenses should not be reported by asset class.

(d) The asset classes are:
(1) Cash;
(2) Public Equity;
(3) Fixed Income;
(4) Real Assets;
(5) Alternative/Other.
(e) The Board hereby adopts by reference the 2020 Asset Class Categorization Guide (2020 ACC Guide) to assist in categorizing items by asset class.
(f) The Asset Class Categorization Guide is available to all public retirement systems. A public retirement system may obtain the most current version of the Asset Class Categorization Guide from the offices of the State Pension Review Board and from its website at http://www.prb.texas.gov.
(g) For an investment product containing investments in more than one asset class, a public retirement system shall report fees according to the corresponding asset class.
(h) For a fund of funds, reported fees must include the top-layer management fees charged by the fund- of-fund manager and the fees charged by all subsidiary fund managers, and all profit share, reported as a single amount.
(i) A public retirement system must list the types of investment included in the "Alternative/Other" asserblass as described in the 2020 ACC Guide.
The agency certifies that legal counsel has reviewed the proposal and found it to be within the agency's legal authority to adopt.
Filed with the Office of the Secretary of State on <mark>July 26,</mark> 2024.

TITLE 40. SOCIAL SERVICES AND ASSISTANCE

PART 17. STATE PENSION REVIEW BOARD

CHAPTER 609. PUBLIC RETIREMENT SYSTEM INVESTMENT EXPENSE REPORTING

40 TAC §609.109

STATUTORY AUTHORITY

The proposed repeal is authorized under Texas Government Code §801.201, which authorizes the Board to adopt rules and Texas Government Code §802.103(e), which authorizes the Board to adopt rules for investment expense reporting and other annual financial report requirements.

The statutory provisions affected by the proposed repeal are those set forth in Texas Government Code §802.103. No other statutes, articles, or codes are affected by the proposed repeal.

§609.109 – Investment Expense Reporting

The agency certifies that legal counsel has reviewed the proposal and found it to be within the state agency's legal authority to adopt.

Filed with the Office of the Secretary of State on July 26, 2024.

Item 7b: Investment Data Report

Robert Munter



Updates from Investment Committee

 Investment Committee met on May 2, and reviewed the investment data report for further improvements.

Updates:

- 1. Color coded tables
- 2. Added summary sheet
- 3. Ordered systems by 10-yr return vs. assumption
- Future updates tentatively for end of year:
 - Liquidity metrics
 - Quarterly return



Investment Data Returns and Expenses Report

July 25, 2024 (Dollars in Millions) (Fees as Percent of Net Total Assets)

System	Fiscal Year End	Net Total Assets	Funded Ratio	Investment Return Assumption	1-Year Net Return	3-Year Net Return	10-Year Net Return	SB 322 Total Direct & Indirect Expenses	SB 322 Total Investment Expense	Annual Audit Investment Expense	10YR Return Vs Assumption
Houston Municipal Employees Pension System	6/30/2023	\$4,072	71.46%	7.00%	6.00%	15.52%	9.27%	1.08%	1.16%	0.24%	2.27%
Amarillo Firemen's Relief & Retirement Fund	12/31/2022	\$218	90.80%	7.50%	-14.66%	6.93%	9.28%	0.28%	0.32%	0.32%	1.78%
Harris County Hospital District Pension Plan	12/31/2022	\$821	70.46%	5.75%	-16.58%	3.23%	7.35%	0.24%	0.30%	0.00%	1.60%
Guadalupe Regional Medical Center	12/31/2022	\$94	90.31%	6.75%	-15.09%	3.48%	8.12%	0.19%	0.23%	0.08%	1.37%
Sweeny Community Hospital	12/31/2022	\$3	82.96%	5.75%	-16.69%	1.72%	7.08%	0.19%	0.23%	0.09%	1.33%
Houston Police Officers' Pension System	6/30/2023	\$7,208	91.34%	7.00%	7.80%	12.00%	8.30%	2.20%	2.21%	0.11%	1.30%
Citizens Medical Center	2/28/2023	\$140	108.49%	6.75%	-6.75%	7.21%	7.81%	0.17%	0.21%	0.08%	1.06%
Denton Firemen's Relief & Retirement Fund	12/31/2022	\$137	89.80%	6.75%	-4.62%	7.88%	7.76%	0.14%	0.32%	0.26%	1.01%
Employees Retirement System of Texas	8/31/2023	\$34,050	70.95%	7.00%	6.72%	9.63%	7.99%	0.66%	0.68%	0.11%	0.99%
Judicial Retirement System of Texas Plan Two	8/31/2023	\$586	87.19%	7.00%	6.72%	9.63%	7.99%	0.67%	0.68%	0.10%	0.99%
Law Enforcement & Custodial Off Sup. Ret. Fund	8/31/2023	\$1,041	57.83%	7.00%	6.72%	9.63%	7.99%	0.67%	0.68%	0.13%	0.99%
Texas County & District Retirement System	12/31/2022	\$41,969	N/A	7.50%	-5.80%	8.29%	8.27%	0.79%	0.82%	0.12%	0.77%
Teacher Retirement System of Texas	8/31/2023	\$187,171	73.15%	7.00%	3.85%	6.58%	7.62%	0.91%	0.96%	0.45%	0.62%
Houston Firefighters' Relief & Retirement Fund	6/30/2023	\$5,109	98.87%	7.25%	4.11%	11.61%	7.86%	0.98%	1.16%	0.18%	0.61%
Plano Retirement Security Plan	12/31/2022	\$186	92.83%	6.75%	-15.19%	3.90%	7.29%	0.34%	0.40%	0.22%	0.54%
San Antonio Metropolitan Transit Retirement Plan	9/30/2023	\$338	65.96%	7.00%	10.10%	4.74%	7.48%	0.44%	0.47%	0.46%	0.48%
Galveston Wharves Pension Plan	12/31/2022	\$13	79.84%	7.25%	-17.44%	2.54%	7.72%	0.81%	0.81%	0.52%	0.47%
Dallas Co. Hospital Dist. Retirement Income Plan	12/31/2022	\$1,427	66.11%	6.00%	-13.90%	2.97%	6.39%	0.38%	0.42%	0.24%	0.39%
University Health System Pension Plan	12/31/2023	\$596	76.32%	7.00%	12.68%	4.71%	7.39%	0.49%	0.53%	0.27%	0.39%
Travis County ESD #6 FRRF	12/31/2022	\$40	81.90%	6.50%	-14.83%	3.22%	6.81%	0.49%	0.73%	0.33%	0.31%
Austin Fire Fighters Relief & Retirement Fund	12/31/2022	\$1,116	80.00%	7.30%	-10.78%	5.80%	7.57%	0.60%	0.63%	0.31%	0.27%
Capital MTA Admin Employees	12/31/2022	\$48	72.42%	6.75%	-14.86%	3.32%	7.02%	0.35%	0.62%	0.09%	0.27%
Employees of Brownsville Navigation District	12/31/2022	\$9	87.76%	6.00%	-12.80%	3.94%	6.24%	1.02%	1.02%	1.02%	0.24%
JPS - Tarrant County Hospital District	9/30/2023	\$435	94.12%	6.75%	14.52%	5.70%	6.92%	0.23%	0.28%	0.06%	0.17%
Denison Firemen's Relief & Retirement Fund	12/31/2022	\$20	73.50%	7.50%	-17.61%	2.20%	7.41%	0.22%	0.72%	0.50%	-0.09%
DFW Airport Board DPS	12/31/2022	\$254	82.19%	7.00%	-6.20%	5.60%	6.90%	0.70%	0.70%	0.65%	-0.10%
DFW Airport Board	12/31/2022	\$587	80.11%	7.00%	-6.30%	5.60%	6.90%	0.66%	0.66%	0.66%	-0.10%
City of El Paso Employees Retirement Trust	8/31/2023	\$914	76.48%	7.25%	3.17%	6.24%	7.02%	0.50%	0.55%	0.21%	-0.23%
CPS Energy Pension Plan	12/31/2023	\$2,137	82.66%	7.00%	14.39%	5.88%	6.74%	0.46%	0.46%	0.31%	-0.26%
DART Employees	9/30/2023	\$206	81.79%	6.21%	8.24%	4.66%	5.92%	0.26%	0.38%	0.31%	-0.29%
El Paso Firemen's Pension Fund	12/31/2022	\$684	75.76%	7.75%	-10.32%	5.01%	7.45%	0.61%	0.65%	0.28%	-0.30%
El Paso Police Pension Fund	12/31/2022	\$979	75.18%	7.75%	-10.32%	5.01%	7.45%	0.61%	0.65%	0.26%	-0.30%
Colorado River Municipal Water Dist.	12/31/2022	\$6	64.81%	5.75%	-15.82%	0.70%	5.44%	0.78%	1.45%	0.00%	-0.31%
Port of Houston Authority Retirement Plan	7/31/2023	\$201	91.84%	6.00%	7.01%	5.87%	5.64%	0.50%	0.66%	0.22%	-0.36%
Irving Firemen's Relief & Retirement Fund	12/31/2022	\$242	82.90%	7.00%	-9.90%	2.80%	6.60%	0.36%	0.46%	0.14%	-0.40%
Dallas Employees' Retirement Fund	12/31/2022	\$3,516	54.07%	7.25%	-8.38%	3.92%	6.65%	0.54%	0.56%	0.55%	-0.60%

System	Fiscal Year End	Net Total Assets	Funded Ratio	Investment Return Assumption	1-Year Net Return	3-Year Net Return	10-Year Net Return	SB 322 Total Direct & Indirect Expenses	SB 322 Total Investment Expense	Annual Audit Investment Expense	10YR Return Vs Assumption
Odessa Firemen's Relief & Retirement Fund	12/31/2023	\$48	35.00%	7.00%	10.24%	3.69%	6.36%	0.56%	0.68%	0.48%	-0.64%
San Antonio Fire & Police Pension Fund	12/31/2022	\$3,586	80.08%	7.25%	-10.60%	4.60%	6.60%	1.19%	1.22%	0.41%	-0.65%
Houston MTA Workers Union Pension Plan	12/31/2022	\$291	64.26%	6.25%	-14.10%	2.40%	5.60%	0.26%	0.37%	0.29%	-0.65%
Lubbock Fire Pension Fund	12/31/2022	\$240	68.90%	7.50%	-4.72%	7.10%	6.79%	0.72%	0.78%	0.07%	-0.71%
Corpus Christi Regional Transportation Authority	12/31/2022	\$43	79.41%	7.00%	-14.71%	3.26%	6.26%	0.59%	0.59%	0.00%	-0.74%
Texas Municipal Retirement System	12/31/2022	\$35,600	N/A	6.75%	-7.35%	4.02%	5.93%	1.31%	1.33%	0.08%	-0.82%
Houston MTA Non-Union Pension Plan	12/31/2022	\$177	56.49%	6.25%	-14.00%	2.30%	5.40%	0.28%	0.31%	0.31%	-0.85%
Fort Worth Employees' Retirement Fund Staff Plan	9/30/2023	\$9	71.93%	7.00%	8.38%	6.55%	6.12%	1.02%	1.09%	0.15%	-0.88%
Texas Emergency Services Retirement System	8/31/2022	\$124	75.20%	7.50%	-13.21%	4.75%	6.62%	0.62%	0.75%	0.42%	-0.88%
Fort Worth Employees' Retirement Fund	9/30/2023	\$2,605	51.04%	7.00%	8.38%	6.55%	6.12%	1.03%	1.11%	0.15%	-0.88%
Beaumont Firemen's Relief & Retirement Fund	12/31/2022	\$104	40.65%	7.50%	-15.56%	3.69%	6.60%	0.67%	0.78%	0.62%	-0.90%
Wichita Falls Firemen's Relief & Retirement Fund	12/31/2022	\$51	41.46%	7.50%	-14.21%	4.10%	6.59%	0.92%	0.97%	0.84%	-0.91%
Austin Police Retirement System	12/31/2022	\$933	55.21%	7.25%	-11.54%	5.14%	6.27%	0.83%	0.88%	0.21%	-0.98%
Brazos River Authority Retirement Plan	2/28/2023	\$22	70.34%	6.50%	-6.33%	6.55%	5.51%	0.49%	0.65%	0.00%	-0.99%
Guadalupe-Blanco River Authority	12/31/2022	\$32	79.60%	6.25%	-16.19%	2.32%	5.24%	0.15%	0.26%	0.00%	-1.01%
Austin Employees' Retirement System	12/31/2023	\$3,279	58.37%	6.75%	12.30%	2.32%	5.71%	0.22%	0.26%	0.16%	-1.04%
Tyler Firefighters' Relief & Retirement Fund	12/31/2022	\$75	64.05%	7.00%	-14.35%	3.03%	5.90%	0.54%	0.76%	0.76%	-1.10%
Irving Supplemental Benefit Plan	12/31/2022	\$99	90.18%	6.75%	-13.93%	3.39%	5.49%	0.45%	0.53%	0.40%	-1.26%
Weslaco Firemen's Relief & Retirement Fund	9/30/2023	\$17	78.35%	7.25%	15.72%	7.44%	5.83%	0.04%	0.51%	0.51%	-1.42%
Texarkana Firemen's Relief & Retirement Fund	12/31/2022	\$37	75.50%	7.50%	-12.81%	3.89%	6.07%	0.57%	0.66%	0.57%	-1.43%
Port Arthur Firemen's Relief & Retirement Fund	12/31/2022	\$49	65.10%	7.25%	-16.85%	1.01%	5.81%	0.55%	0.71%	0.71%	-1.44%
Corpus Christi Fire Fighters' Retirement System	12/31/2022	\$166	55.30%	7.25%	-14.20%	2.20%	5.78%	0.54%	0.64%	0.29%	-1.47%
Cleburne Firemen's Relief & Retirement Fund	12/31/2022	\$23	55.21%	7.35%	-10.83%	4.22%	5.86%	0.22%	0.78%	0.54%	-1.49%
Corsicana Firemen's Relief & Retirement Fund	12/31/2022	\$11	55.40%	7.00%	-15.16%	5.52%	5.41%	0.46%	0.46%	0.46%	-1.59%
Galveston Employees' Retirement Fund	12/31/2022	\$59	70.08%	7.25%	-16.71%	1.81%	5.65%	0.40%	0.46%	0.18%	-1.60%
Refugio County Memorial Hospital	10/31/2023	\$1	90.97%	6.00%	4.74%	2.71%	4.34%	0.58%	1.16%	0.00%	-1.66%
Anson General Hospital	6/30/2023	\$1	93.75%	6.00%	4.44%	-0.47%	4.31%	0.17%	0.21%	0.06%	-1.69%
Temple Firemen's Relief & Retirement Fund	9/30/2023	\$52	67.88%	7.75%	11.62%	5.03%	5.91%	0.62%	0.75%	0.13%	-1.84%
Lower Colorado River Authority Retirement Plan	12/31/2022	\$426	66.40%	7.00%	-14.40%	3.40%	5.10%	0.43%	0.43%	0.43%	-1.90%
Big Spring Firemen's Relief & Retirement Fund	12/31/2022	\$14	57.10%	7.75%	-15.56%	2.49%	5.80%	0.70%	0.96%	0.21%	-1.95%
Conroe Fire Fighters' Retirement Fund	12/31/2022	\$37	53.60%	7.25%	-13.46%	3.83%	5.28%	0.54%	0.59%	0.59%	-1.97%
Greenville Firemen's Relief & Retirement Fund	12/31/2022	\$14	37.20%	7.25%	-14.82%	1.56%	5.23%	0.41%	0.69%	0.69%	-2.02%
Harlingen Firemen's Relief & Retirement Fund	9/30/2023	\$37	62.04%	7.75%	10.86%	4.07%	5.72%	0.59%	0.83%	0.51%	-2.03%
San Angelo Firemen's Relief & Retirement Fund	12/31/2022	\$69	46.96%	7.80%	-14.39%	1.42%	5.73%	0.55%	0.73%	0.40%	-2.07%
Marshall Firemen's Relief & Retirement Fund	12/31/2022	\$8	33.69%	7.25%	-15.28%	1.09%	5.12%	0.81%	0.81%	0.81%	-2.13%
Lufkin Firemen's Relief & Retirement Fund	12/31/2022	\$21	46.80%	7.25%	-15.03%	1.47%	5.07%	0.43%	0.68%	0.51%	-2.18%
Galveston Employees' Retirement Plan for Police	12/31/2022	\$23	38.58%	7.00%	-14.06%	1.72%	4.81%	0.40%	0.40%	0.26%	-2.19%
Atlanta Firemen's Relief & Retirement Fund	12/31/2022	\$4	66.32%	7.00%	-15.18%	1.10%	4.79%	0.65%	0.87%	0.66%	-2.21%
Laredo Firefighters Retirement System	9/30/2023	\$198	56.81%	7.40%	11.77%	5.70%	5.16%	0.76%	0.82%	0.17%	-2.24%

System	Fiscal Year End	Net Total Assets	Funded Ratio	Investment Return Assumption	1-Year Net Return	3-Year Net Return	10-Year Net Return	SB 322 Total Direct & Indirect Expenses	SB 322 Total Investment Expense	Annual Audit Investment Expense	10YR Return Vs Assumption
Galveston Firefighter's Relief & Retirement Fund	12/31/2022	\$49	58.50%	7.50%	-15.12%	1.98%	5.25%	0.40%	0.76%	0.54%	-2.25%
Killeen Firemen's Relief & Retirement Fund	9/30/2022	\$54	66.22%	7.25%	-14.98%	3.54%	4.98%	0.86%	0.96%	0.26%	-2.27%
University Park Firemen's Relief & Retirement Fund	12/31/2022	\$11	39.40%	7.25%	-15.08%	1.25%	4.97%	0.50%	0.79%	0.79%	-2.28%
Orange Firemen's Relief & Retirement Fund	12/31/2022	\$8	48.26%	7.75%	-17.19%	2.27%	5.41%	0.53%	0.91%	0.00%	-2.34%
San Benito Firemen Relief & Retirement Fund	9/30/2023	\$5	62.19%	7.50%	13.83%	5.31%	4.95%	0.74%	1.47%	0.76%	-2.55%
Brownwood Firemen's Relief & Retirement Fund	12/31/2022	\$5	39.14%	7.00%	-18.92%	0.70%	4.45%	1.22%	2.12%	0.90%	-2.55%
Sweetwater Firemen's Relief & Retirement Fund	12/31/2022	\$8	35.06%	7.50%	-15.61%	1.03%	4.88%	0.47%	0.87%	0.63%	-2.62%
Waxahachie Firemen's Relief & Retirement Fund	9/30/2023	\$22	67.90%	7.00%	11.83%	1.16%	4.35%	0.66%	0.70%	0.10%	-2.65%
Longview Firemen's Relief & Retirement Fund	12/31/2022	\$86	59.85%	7.50%	-11.80%	3.95%	4.79%	0.58%	0.68%	0.58%	-2.71%
McAllen Firemen's Relief & Retirement Fund	9/30/2022	\$53	59.50%	7.50%	-18.14%	1.51%	4.79%	1.56%	1.96%	0.72%	-2.71%
Midland Firemen's Relief & Retirement Fund	12/31/2022	\$81	26.89%	7.00%	-10.79%	2.20%	4.29%	1.02%	1.14%	0.62%	-2.71%
Texas City Firemen's Relief & Retirement Fund	12/31/2022	\$15	38.36%	7.25%	-15.49%	1.04%	4.32%	0.39%	0.67%	0.45%	-2.93%
Capital MTA Bargaining	12/31/2022	\$34	53.77%	6.50%	-18.39%	2.05%	3.55%	0.26%	0.51%	0.37%	-2.95%
Abilene Firemen's Relief & Retirement Fund	9/30/2023	\$54	41.24%	7.50%	11.05%	3.39%	4.51%	0.47%	0.60%	0.36%	-2.99%
Arlington Employees Deferred Income Plan	6/30/2023	\$3	99.66%	5.00%	1.74%	-1.00%	1.93%	0.79%	0.79%	0.00%	-3.07%
Plainview Firemen's Relief & Retirement Fund	12/31/2023	\$7	38.98%	7.50%	11.64%	1.30%	4.39%	0.43%	0.95%	0.76%	-3.11%
Paris Firefighters' Relief & Retirement Fund	12/31/2022	\$16	101.39%	7.25%	-16.02%	1.04%	3.57%	0.23%	0.31%	0.31%	-3.68%
Dallas Police & Fire Pension System-Combined Plan	12/31/2022	\$1,807	34.38%	6.50%	-2.20%	1.50%	2.00%	0.64%	0.80%	0.48%	-4.50%
Dallas Police & Fire Pension System-Supplemental	12/31/2022	\$17	38.64%	6.50%	-2.20%	1.50%	2.00%	0.65%	0.81%	0.48%	-4.50%
The Woodlands Firefighters' Retirement System	12/31/2022	\$56	102.05%	7.00%	-15.43%	4.50%	N/A	0.34%	0.45%	0.28%	N/A
El Paso Firemen & Policemen's Pension Staff Plan	12/31/2022	\$1	110.63%	7.75%	-10.32%	5.01%	N/A	0.62%	0.66%	0.19%	N/A
Lower Neches Valley	12/31/2022	\$12	60.47%	6.50%	-16.22%	3.00%	N/A	0.31%	0.31%	0.27%	N/A
Supplemental Retirement Plan of University Medical Center	8/31/2023	\$5	77.25%	4.00%	1.31%			0.00%	0.24%	0.24%	N/A
Lower Neches Valley	12/31/2022	\$12	60.47%	6.50%	-16.22%	3.00%	N/A	0.31%	0.31%	0.27%	N/A
Supplemental Retirement Plan of University Medical Center	8/31/2023	\$5	77.25%	4.00%	1.31%	N/A	N/A	0.00%	0.24%	0.24%	N/A

Summary Investment Returns and Expenses Report July 25, 2024

Summary of Key Statistics

10YR Return Vs Assumption

	· _ · · · · · · · · · · · · · · · · · ·									
	Cu	rrent Report								
	7/25/2024	Cummulative								
>2%	1	1								
>1%, <2%	7	8								
>0%, <1%	16	24								
<0%, >-1%	26	50								
<-1%, >-2%	17	67								
<-2%	27	94								
N/A	6	100								
Total Plans Registered	100	100								

SB 322 Total Investment Expense

	Cu	rrent Report
	7/25/2024	Cummulative
>2%	2	2
>1.25%, <2%	4	6
>1%, <1.25%	8	14
>0.75%, <1%	25	39
>0.5%, <0.75%	33	72
<0.5%	28	100
Total Plans Registered	100	100

Investment Return Assumption Rates

Current Report										
7/25/2024	Cummulative									
8	8									
15	23									
21	44									
25	69									
9	78									
22	100									
100	100									
	7/25/2024 8 15 21 25 9 22									

Investment Data Services Report July 25, 2024

(Dollars in Millions) (Fees as Percent of Net Total Assets)

(Bondio III)	cent of Net	· · · · · ·						
System	Fiscal Year End	Net Total Assets	Investment Consultant	Custodial	Legal	Research	Other	Total
Abilene Firemen's Relief & Retirement Fund	9/30/2023	\$54	0.09%	0.03%	0.01%	0.00%	0.00%	0.12%
Amarillo Firemen's Relief & Retirement Fund	12/31/2022	\$218	0.01%	0.03%	0.00%	0.00%	0.00%	0.04%
Arlington Employees Deferred Income Plan	6/30/2023	\$3			Not Rep	oorted		
Atlanta Firemen's Relief & Retirement Fund	12/31/2022	\$4	0.13%	0.10%	0.00%	0.00%	0.00%	0.22%
Austin Employees' Retirement System	12/31/2023	\$3,279	0.01%	0.01%	0.00%	0.00%	0.01%	0.03%
Austin Fire Fighters Relief & Retirement Fund	12/31/2022	\$1,116	0.02%	0.01%	0.00%	0.00%	0.00%	0.03%
Austin Police Retirement System	12/31/2022	\$933	0.02%	0.02%	0.00%	0.00%	0.00%	0.05%
Beaumont Firemen's Relief & Retirement Fund	12/31/2022	\$104	0.08%	0.03%	0.00%	0.00%	0.00%	0.11%
Big Spring Firemen's Relief & Retirement Fund	12/31/2022	\$14	0.21%	0.05%	0.00%	0.00%	0.00%	0.26%
Brazos River Authority Retirement Plan	2/28/2023	\$22	0.16%	0.00%	0.00%	0.00%	0.00%	0.16%
Brownwood Firemen's Relief & Retirement Fund	12/31/2022	\$5	0.90%	0.00%	0.00%	0.00%	0.00%	0.90%
Capital MTA Admin Employees	12/31/2022	\$48	0.10%	0.17%	0.00%	0.00%	0.00%	0.28%
Capital MTA Bargaining	12/31/2022	\$34	0.25%	0.00%	0.00%	0.00%	0.00%	0.25%
City of El Paso Employees Retirement Trust	8/31/2023	\$914	0.08%	0.03%	0.00%	0.00%	0.00%	0.11%
Cleburne Firemen's Relief & Retirement Fund	12/31/2022	\$23	0.56%	0.00%	0.00%	0.00%	0.00%	0.56%
Colorado River Municipal Water Dist.	12/31/2022	\$6	0.00%	0.59%	0.00%	0.08%	0.00%	0.67%
Conroe Fire Fighters' Retirement Fund	12/31/2022	\$37	0.05%	0.00%	0.00%	0.00%	0.00%	0.05%
Corpus Christi Fire Fighters' Retirement System	12/31/2022	\$166	0.05%	0.04%	0.00%	0.00%	0.00%	0.09%
Corpus Christi Regional Transportation Authority	12/31/2022	\$43	0.0370	0.0470	Not Re		0.0070	0.0370
Corsicana Firemen's Relief & Retirement Fund	12/31/2022	\$11	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CPS Energy Pension Plan	12/31/2022	\$2,137	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Dallas Co. Hospital Dist. Retirement Income Plan	12/31/2022	\$1,427	0.01%	0.02%	0.00%	0.00%	0.00%	0.03%
Dallas Employees' Retirement Fund	12/31/2022	\$3,516	0.01%	0.00%	0.00%	0.00%	0.00%	0.01%
Dallas Police & Fire Pension System-Combined Plan	12/31/2022	\$1,807	0.02%	0.01%	0.06%	0.00%	0.07%	0.16%
Dallas Police & Fire Pension System-Supplemental	12/31/2022	\$17	0.02%	0.01%	0.06%	0.00%	0.07%	0.16%
DFW Airport Board DPS	12/31/2022	\$254			Not Rep			
DFW Airport Board	12/31/2022	\$587			Not Rep			
DART Employees	9/30/2023	\$206	0.05%	0.07%	0.00%	0.00%	0.00%	0.12%
Denison Firemen's Relief & Retirement Fund	12/31/2022	\$20	0.50%	0.00%	0.00%	0.00%	0.00%	0.50%
Denton Firemen's Relief & Retirement Fund	12/31/2022	\$137	0.15%	0.03%	0.00%	0.00%	0.00%	0.18%
El Paso Firemen & Policemen's Pension Staff Plan	12/31/2022	\$1	0.03%	0.01%	0.01%	0.00%	0.00%	0.04%
El Paso Firemen's Pension Fund	12/31/2022	\$684	0.03%	0.01%	0.01%	0.00%	0.00%	0.04%
El Paso Police Pension Fund	12/31/2022	\$979	0.03%	0.01%	0.01%	0.00%	0.00%	0.04%
Employees Retirement System of Texas	8/31/2023	\$34,050	0.01%	0.00%	0.00%	0.00%	0.00%	0.01%
Fort Worth Employees' Retirement Fund	9/30/2023	\$2,605	0.05%	0.02%	0.01%	0.00%	0.00%	0.07%
Fort Worth Employees' Retirement Fund Staff Plan	9/30/2023	\$9	0.05%	0.02%	0.01%	0.00%	0.00%	0.07%
Galveston Employees' Retirement Fund	12/31/2023	\$68	0.00%	0.05%	0.00%	0.00%	0.00%	0.05%
Galveston Employees' Retirement Plan for Police	12/31/2022	\$23			Not Re	oorted		
Galveston Firefighter's Relief & Retirement Fund	12/31/2022	\$49	0.34%	0.02%	0.00%	0.00%	0.00%	0.36%
Galveston Wharves Pension Plan	12/31/2022	\$13			Not Re	oorted		
Greenville Firemen's Relief & Retirement Fund	12/31/2022	\$14	0.18%	0.10%	0.00%	0.00%	0.00%	0.28%
Guadalupe-Blanco River Authority	12/31/2022	\$32	0.11%	0.00%	0.00%	0.00%	0.00%	0.11%
Harlingen Firemen's Relief & Retirement Fund	9/30/2023	\$37	0.00%	0.00%	0.13%	0.10%	0.00%	0.24%
Harris County Hospital District Pension Plan	12/31/2022	\$821	0.01%	0.04%	0.00%	0.00%	0.00%	0.06%
Houston Firefighters' Relief & Retirement Fund	6/30/2023	\$5,109	0.01%	0.00%	0.01%	0.00%	0.15%	0.18%
Houston MTA Non-Union Pension Plan	12/31/2022	\$177	0.03%	0.00%	0.00%	0.00%	0.00%	0.03%
Houston MTA Workers Union Pension Plan	12/31/2022	\$291	0.03%	0.09%	0.00%	0.00%	0.00%	0.11%
Houston Municipal Employees Pension System	6/30/2023	\$4,072	0.02%	0.02%	0.00%	0.00%	0.03%	0.07%
Houston Police Officers' Pension System	6/30/2023	\$7,208	0.01%	0.00%	0.00%	0.00%	0.00%	0.02%
Irving Firemen's Relief & Retirement Fund	12/31/2022	\$242	0.08%	0.00%	0.02%	0.00%	0.00%	0.10%
Irving Supplemental Benefit Plan	12/31/2022	\$99	0.06%	0.03%	0.00%	0.00%	0.00%	0.09%
JPS - Tarrant County Hospital District	9/30/2023	\$435	0.03%	0.02%	0.00%	0.00%	0.00%	0.05%
	2. 20, 2020	7.00	5.0070	1	1	2.0070	2.0070	2.0070

System	Fiscal Year End	Net Total Assets	Investment Consultant	Custodial	Legal	Research	Other	Total
Judicial Retirement System of Texas Plan Two	8/31/2023	\$586	0.01%	0.00%	0.00%	0.00%	0.00%	0.01%
Killeen Firemen's Relief & Retirement Fund	9/30/2022	\$54	0.08%	0.02%	0.00%	0.00%	0.00%	0.09%
Laredo Firefighters Retirement System	9/30/2023	\$198	0.04%	0.02%	0.00%	0.00%	0.00%	0.07%
Law Enforcement & Custodial Off Sup. Ret. Fund	8/31/2023	\$1,041	0.01%	0.00%	0.00%	0.00%	0.00%	0.01%
Longview Firemen's Relief & Retirement Fund	12/31/2022	\$86	0.11%	0.00%	0.00%	0.00%	0.00%	0.11%
Lower Colorado River Authority Retirement Plan	12/31/2022	\$426			Not Re			• • • • • • • • • • • • • • • • • • • •
Lower Neches Valley	12/31/2022	\$12			Not Re			
Lubbock Fire Pension Fund	12/31/2022	\$240	0.03%	0.02%	0.01%	0.00%	0.00%	0.06%
Lufkin Firemen's Relief & Retirement Fund	12/31/2022	\$21	0.16%	0.10%	0.00%	0.00%	0.00%	0.26%
Marshall Firemen's Relief & Retirement Fund	12/31/2022	\$8			Not Re			
McAllen Firemen's Relief & Retirement Fund	9/30/2022	\$53	0.22%	0.16%	0.03%	0.00%	0.00%	0.40%
Midland Firemen's Relief & Retirement Fund	12/31/2022	\$81	0.05%	0.03%	0.00%	0.04%	0.00%	0.12%
Nacogdoches County Hospital District	6/30/2021	\$51			Not Re			
Northwest Texas Healthcare System Retirement Plan	9/30/2022	\$19	0.09%	0.00%	0.00%	0.00%	0.00%	0.09%
Odessa Firemen's Relief & Retirement Fund	12/31/2023	\$48	0.10%	0.03%	0.00%	0.00%	0.00%	0.12%
Orange Firemen's Relief & Retirement Fund	12/31/2022	\$8	0.30%	0.08%	0.00%	0.00%	0.00%	0.37%
Paris Firefighters' Relief & Retirement Fund	12/31/2022	\$16	0.05%	0.03%	0.00%	0.00%	0.00%	0.08%
Plainview Firemen's Relief & Retirement Fund	12/31/2023	\$7	0.52%	0.00%	0.00%	0.00%	0.00%	0.52%
Plano Retirement Security Plan	12/31/2022	\$186	0.04%	0.02%	0.00%	0.00%	0.00%	0.06%
Port Arthur Firemen's Relief & Retirement Fund	12/31/2022	\$49	0.15%	0.02%	0.00%	0.00%	0.00%	0.17%
Port of Houston Authority Retirement Plan	7/31/2023	\$201	0.04%	0.05%	0.00%	0.04%	0.02%	0.16%
Refugio County Memorial Hospital	10/31/2023	\$1	0.58%	0.00%	0.00%	0.00%	0.00%	0.58%
Anson General Hospital	6/30/2023	\$1	0.03%	0.00%	0.00%	0.00%	0.00%	0.04%
Citizens Medical Center	2/28/2023	\$140	0.03%	0.02%	0.00%	0.00%	0.00%	0.04%
Employees of Brownsville Navigation District	12/31/2022	\$9	0.02 /0	0.0170	Not Re		0.0070	0.0470
Guadalupe Regional Medical Center	12/31/2022	\$94	0.03%	0.01%	0.00%	0.00%	0.00%	0.04%
Sweeny Community Hospital	12/31/2022	\$3	0.03%	0.01%	0.00%	0.00%	0.00%	0.04%
• •		\$69		0.01%			0.00%	0.04%
San Angelo Firemen's Relief & Retirement Fund	12/31/2022		0.06%	0.07%	0.00%	0.05%	0.00%	0.18%
San Antonio Fire & Police Pension Fund	9/30/2023	\$3,586	0.02%	0.01%	0.00%	0.00%	0.00%	0.03%
San Antonio Metropolitan Transit Retirement Plan San Benito Firemen Relief & Retirement Fund		\$338	0.03%			0.00%	0.00%	
	9/30/2023 8/31/2023	\$5 ¢5		0.00%	0.00%			0.73%
Supplemental Retirement Plan of University Medical Center	12/31/2022	\$5 ¢o	0.00%	0.24%		0.00%	0.00%	0.24%
Sweetwater Firemen's Relief & Retirement Fund	-	\$8	0.18%	0.22%	0.00%	0.00%	0.00%	0.40%
Teacher Retirement System of Texas	8/31/2023	\$187,171	0.00%	0.01%	0.00%	0.00%	0.03%	0.05%
Temple Firemen's Relief & Retirement Fund	9/30/2023	\$52	0.09%	0.04%	0.00%	0.00%	0.00%	0.13%
Texarkana Firemen's Relief & Retirement Fund	12/31/2022	\$37	0.05%	0.04%	0.00%	0.00%	0.00%	0.09%
Texas City Firemen's Relief & Retirement Fund	12/31/2022	\$15	0.18%	0.10%	0.00%	0.00%	0.00%	0.28%
Texas County & District Retirement System	12/31/2022	\$41,969	0.01%	0.00%	0.00%	0.00%	0.02%	0.03%
Texas Emergency Services Retirement System	8/31/2023	\$127	0.07%	0.03%	0.00%	0.00%	0.00%	0.10%
Texas Municipal Retirement System	12/31/2022	\$35,600	0.00%	0.00%	0.00%	0.00%	0.02%	0.03%
The Woodlands Firefighters' Retirement System	12/31/2022	\$56	0.07%	0.04%	0.00%	0.00%	0.00%	0.11%
Travis County ESD #6 FRRF	12/31/2022	\$40	0.15%	0.09%	0.00%	0.00%	0.00%	0.24%
Tyler Firefighters' Relief & Retirement Fund	12/31/2022	\$75	0.13%	0.09%	0.00%	0.00%	0.00%	0.22%
University Health System Pension Plan	12/31/2023	\$596	0.02%	0.01%	0.00%	0.00%	0.00%	0.04%
University Park Firemen's Relief & Retirement Fund	12/31/2022	\$11	0.18%	0.12%	0.00%	0.00%	0.00%	0.29%
Waxahachie Firemen's Relief & Retirement Fund	9/30/2023	\$22	0.00%	0.04%	0.00%	0.00%	0.00%	0.04%
Weslaco Firemen's Relief & Retirement Fund	9/30/2023	\$17	0.47%	0.00%	0.00%	0.00%	0.00%	0.47%
Wichita Falls Firemen's Relief & Retirement Fund	12/31/2022	\$51	0.05%	0.00%	0.00%	0.00%	0.00%	0.05%

Investment Data Asset Class and Expenses Report July 25, 2024

(Dollars in Millions) (Fees as Percent of Net Total Assets)

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System	Fiscal Year End Date	Asset Class	Net Total Assets	Asset Allocation	Managment Fees Paid From Trust	Management Fees Netted From Returns	Brokerage Fees and Commissions	Profit Share Carried Interest	Total Asset Class Expenses
		Real Assets	\$54	9.26%	0.00%	0.14%	0.00%	0.00%	0.14%
Abilene Firemen's Relief & Retirement Fund		Fixed Income	\$54	18.99%	0.00%	0.10%	0.00%	0.00%	0.10%
	9/30/2023	Equities	\$54	65.55%	0.06%	0.15%	0.00%	0.00%	0.20%
		Cash	\$54	0.60%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$54	5.63%	0.00%	0.03%	0.00%	0.00%	0.03%
		Fixed Income	\$218	20.33%	0.05%	0.00%	0.00%	0.00%	0.05%
Amarillo Firemen's Relief & Retirement Fund	12/31/2022	Equities	\$218	75.21%	0.21%	0.00%	0.00%	0.00%	0.21%
		Cash	\$218	4.46%	0.01%	0.00%	0.00%	0.00%	0.01%
		Fixed Income	\$3	76.73%	0.41%	0.19%	0.00%	0.00%	0.60%
Arlington Employees Deferred Income Plan	6/30/2023	Equities	\$3	20.02%	0.11%	0.06%	0.00%	0.00%	0.17%
		Cash	\$3	3.23%	0.01%	0.00%	0.00%	0.00%	0.02%
		Fixed Income	\$4	31.07%	0.12%	0.06%	0.00%	0.00%	0.18%
		Equities	\$4	50.29%	0.21%	0.06%	0.00%	0.00%	0.27%
Atlanta Firemen's Relief & Retirement Fund	12/31/2022	Cash	\$4	4.57%	0.02%	0.00%	0.00%	0.00%	0.02%
		Alternative Investments	\$4	0.00%	0.11%	0.07%	0.00%	0.00%	0.18%
		Real Assets	\$2,960	10.64%	0.01%	0.07%	0.00%	0.00%	0.08%
		Fixed Income	\$2,960	18.91%	0.02%	0.01%	0.00%	0.00%	0.03%
Austin Employees' Retirement System	12/31/2022	Equities	\$2,960	53.38%	0.13%	0.03%	0.01%	0.00%	0.16%
		Cash	\$2,960	6.86%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$2,960	9.91%	0.00%	0.00%	0.00%	0.00%	0.00%
		Real Assets	\$1,116	10.05%	0.00%	0.11%	0.00%	0.00%	0.11%
Accepting Films Filmhology Publish 9 Publishers 15 1	40/04/0000	Fixed Income	\$1,116	27.85%	0.05%	0.01%	0.00%	0.00%	0.06%
Austin Fire Fighters Relief & Retirement Fund	12/31/2022	Equities	\$1,116	38.51%	0.13%	0.13%	0.02%	0.00%	0.27%
		Alternative Investments	\$1,116	22.96%	0.00%	0.16%	0.00%	0.00%	0.16%

System	Fiscal Year End Date	Asset Class	Net Total Assets	Asset Allocation	Managment Fees Paid From Trust	Management Fees Netted From Returns	Brokerage Fees and Commissions	Profit Share Carried Interest	Total Asset Class Expenses
		Real Assets	\$933	15.89%	0.00%	0.16%	0.00%	0.21%	0.37%
		Fixed Income	\$933	11.24%	0.01%	0.04%	0.00%	0.00%	0.05%
Austin Police Retirement System	12/31/2022	Equities	\$933	66.08%	0.15%	0.09%	0.01%	0.00%	0.25%
		Cash	\$933	0.77%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$933	5.96%	0.00%	0.12%	0.00%	0.04%	0.16%
Beaumont Firemen's Relief & Retirement Fund		Real Assets	\$104	6.60%	0.14%	0.00%	0.00%	0.00%	0.14%
		Fixed Income	\$104	22.38%	0.14%	0.00%	0.00%	0.00%	0.14%
	12/31/2022	Equities	\$104	58.00%	0.15%	0.12%	0.00%	0.00%	0.27%
		Alternative Investments	\$104	10.52%	0.00%	0.00%	0.00%	0.00%	0.00%
		Real Assets	\$14	3.75%	0.01%	0.02%	0.00%	0.00%	0.02%
		Fixed Income	\$14	23.83%	0.00%	0.13%	0.00%	0.00%	0.13%
Big Spring Firemen's Relief & Retirement Fund	12/31/2022	Equities	\$14	51.46%	0.13%	0.37%	0.00%	0.00%	0.50%
3 1 3		Cash	\$14	1.77%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$14	18.16%	0.00%	0.04%	0.00%	0.00%	0.04%
		Real Assets	\$22	4.44%	0.00%	0.11%	0.00%	0.00%	0.11%
		Fixed Income	\$22	21.62%	0.00%	0.20%	0.00%	0.00%	0.20%
Brazos River Authority Retirement Plan	2/28/2023	Equities	\$22	54.99%	0.00%	0.12%	0.00%	0.00%	0.12%
		Alternative Investments	\$22	18.10%	0.00%	0.05%	0.00%	0.00%	0.05%
		Real Assets	\$5	5.45%	0.00%	0.06%	0.00%	0.00%	0.06%
		Fixed Income	\$5	7.62%	0.00%	0.31%	0.00%	0.00%	0.31%
Brownwood Firemen's Relief & Retirement Fund	12/31/2022	Equities	\$5	79.77%	0.00%	0.75%	0.00%	0.00%	0.75%
		Cash	\$5	2.23%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$5	4.96%	0.00%	0.11%	0.00%	0.00%	0.11%
		Real Assets	\$48	0.00%	0.00%	0.03%	0.00%	0.00%	0.03%
Capital MTA Admin Employees	12/31/2022	Fixed Income	\$48	33.92%	0.00%	0.07%	0.00%	0.00%	0.07%
Capital WITA Admin Employees	12/01/2022	Equities	\$48	65.14%	0.00%	0.25%	0.00%	0.00%	0.25%
		Cash	\$48	0.78%	0.00%	0.00%	0.00%	0.00%	0.00%

System	Fiscal Year End Date	Asset Class	Net Total Assets	Asset Allocation	Managment Fees Paid From Trust	Management Fees Netted From Returns	Brokerage Fees and Commissions	Profit Share Carried Interest	Total Asset Class Expenses
		Real Assets	\$34	0.00%	0.00%	0.01%	0.00%	0.00%	0.01%
	12/31/2022	Fixed Income	\$34	23.99%	0.06%	0.00%	0.00%	0.00%	0.06%
Capital MTA Bargaining	12/31/2022	Equities	\$34	73.69%	0.02%	0.16%	0.00%	0.00%	0.18%
		Cash	\$34	2.14%	0.00%	0.00%	0.00%	0.00%	0.00%
		Real Assets	\$914	10.12%	0.03%	0.06%	0.00%	0.00%	0.09%
		Fixed Income	\$914	15.57%	0.02%	0.00%	0.00%	0.00%	0.02%
City of El Paso Employees Retirement Trust	8/31/2023	Equities	\$914	57.75%	0.12%	0.08%	0.00%	0.00%	0.20%
		Cash	\$914	1.04%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$914	15.28%	0.13%	0.03%	0.00%	0.02%	0.18%
	12/31/2022	Real Assets	\$23	5.43%	0.00%	0.01%	0.00%	0.00%	0.01%
		Fixed Income	\$23	35.96%	0.00%	0.06%	0.00%	0.00%	0.06%
Cleburne Firemen's Relief & Retirement Fund		Equities	\$23	54.99%	0.00%	0.15%	0.00%	0.00%	0.15%
		Cash	\$23	3.37%	0.00%	0.00%	0.00%	0.00%	0.00%
	12/31/2022	Real Assets	\$6	0.00%	0.03%	0.00%	0.00%	0.08%	0.12%
Colorado River Municipal Water Dist.		Fixed Income	\$6	38.40%	0.08%	0.00%	0.00%	0.20%	0.28%
		Equities	\$6	51.68%	0.11%	0.00%	0.00%	0.27%	0.38%
		Real Assets	\$37	1.26%	0.02%	0.00%	0.00%	0.00%	0.02%
Conroe Fire Fighters' Retirement Fund	12/31/2022	Fixed Income	\$37	27.79%	0.14%	0.00%	0.00%	0.00%	0.14%
Combe File Fighters Retirement Fund	12/31/2022	Equities	\$37	69.92%	0.36%	0.00%	0.00%	0.00%	0.36%
		Cash	\$37	0.47%	0.02%	0.00%	0.00%	0.00%	0.02%
Cornus Christi Fire Fighters! Detirement System	12/31/2022	Fixed Income	\$166	33.78%	0.10%	0.00%	0.00%	0.00%	0.10%
Corpus Christi Fire Fighters' Retirement System	12/31/2022	Equities	\$166	53.67%	0.44%	0.00%	0.00%	0.00%	0.44%
		Real Assets	\$43	2.53%	0.01%	0.03%	0.00%	0.00%	0.04%
Cornus Christi Degianal Transportation Authority	10/24/2022	Fixed Income	\$43	37.61%	0.11%	0.09%	0.00%	0.00%	0.20%
Corpus Christi Regional Transportation Authority	12/31/2022	Equities	\$43	55.42%	0.16%	0.17%	0.00%	0.00%	0.33%
		Cash	\$43	2.01%	0.01%	0.00%	0.00%	0.00%	0.01%
		Fixed Income	\$11	26.82%	0.10%	0.00%	0.00%	0.00%	0.10%
Corsicana Firemen's Relief & Retirement Fund	12/31/2022	Equities	\$11	69.90%	0.32%	0.00%	0.00%	0.00%	0.32%
		Cash	\$11	2.82%	0.03%	0.00%	0.00%	0.00%	0.03%

System	Fiscal Year End Date	Asset Class	Net Total Assets	Asset Allocation	Managment Fees Paid From Trust	Management Fees Netted From Returns	Brokerage Fees and Commissions	Profit Share Carried Interest	Total Asset Class Expenses
		Real Assets	\$2,137	6.40%	0.02%	0.04%	0.00%	0.00%	0.06%
		Fixed Income	\$2,137	19.95%	0.04%	0.03%	0.00%	0.00%	0.06%
CPS Energy Pension Plan	12/31/2023	Equities	\$2,137	57.47%	0.03%	0.06%	0.00%	0.00%	0.10%
		Cash	\$2,137	1.41%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$2,137	15.35%	0.00%	0.24%	0.00%	0.00%	0.24%
		Real Assets	\$1,427	12.53%	0.11%	0.00%	0.00%	0.00%	0.11%
Dallas Co. Hospital Dist. Retirement Income Plan	12/31/2022	Fixed Income	\$1,427	28.38%	0.04%	0.03%	0.00%	0.00%	0.06%
Dallas Co. Hospital Dist. Retirement income Plan	12/31/2022	Equities	\$1,427	57.82%	0.09%	0.12%	0.00%	0.00%	0.21%
		Cash	\$1,427	1.38%	0.00%	0.00%	0.00%	0.00%	0.00%
	12/31/2022	Real Assets	\$3,516	9.85%	0.00%	0.07%	0.00%	0.00%	0.07%
		Fixed Income	\$3,516	25.44%	0.00%	0.05%	0.00%	0.00%	0.05%
Dallas Employees' Retirement Fund		Equities	\$3,516	51.30%	0.00%	0.30%	0.00%	0.00%	0.30%
		Cash	\$3,516	3.12%	0.00%	0.00%	0.01%	0.00%	0.01%
		Alternative Investments	\$3,516	10.86%	0.00%	0.10%	0.00%	0.00%	0.10%
		Real Assets	\$1,807	19.08%	0.11%	0.06%	0.02%	0.00%	0.19%
		Fixed Income	\$1,807	18.44%	0.03%	0.04%	0.00%	0.00%	0.07%
Dallas Police & Fire Pension System-Combined Plan	12/31/2022	Equities	\$1,807	45.36%	0.18%	0.12%	0.02%	0.00%	0.31%
		Cash	\$1,807	4.13%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$1,807	12.02%	0.00%	0.00%	0.00%	0.07%	0.07%
		Real Assets	\$17	19.12%	0.12%	0.06%	0.02%	0.00%	0.19%
		Fixed Income	\$17	18.48%	0.03%	0.04%	0.00%	0.00%	0.07%
Dallas Police & Fire Pension System-Supplemental	12/31/2022	Equities	\$17	45.46%	0.18%	0.12%	0.02%	0.00%	0.32%
		Cash	\$17	4.14%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$17	12.05%	0.00%	0.00%	0.00%	0.07%	0.07%

System	Fiscal Year End Date	Asset Class	Net Total Assets	Asset Allocation	Managment Fees Paid From Trust	Management Fees Netted From Returns	Brokerage Fees and Commissions	Profit Share Carried Interest	Total Asset Class Expenses
		Real Assets	\$254	7.60%	0.15%	0.00%	0.00%	0.05%	0.20%
DFW Airport Board DPS		Fixed Income	\$254	25.66%	0.12%	0.00%	0.00%	0.01%	0.13%
	12/31/2022	Equities	\$254	38.27%	0.14%	0.00%	0.00%	0.00%	0.14%
		Cash	\$254	3.04%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$254	25.41%	0.19%	0.00%	0.00%	0.04%	0.24%
DFW Airport Board		Real Assets	\$587	7.60%	0.15%	0.00%	0.00%	0.04%	0.19%
		Fixed Income	\$587	25.66%	0.11%	0.00%	0.00%	0.01%	0.12%
	12/31/2022	Equities	\$587	38.27%	0.13%	0.00%	0.00%	0.00%	0.13%
		Cash	\$587	3.04%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$587	25.41%	0.18%	0.00%	0.00%	0.04%	0.22%
		Real Assets	\$183	15.88%	0.00%	0.05%	0.00%	0.00%	0.05%
DART Employees	9/30/2022	Fixed Income	\$183	37.67%	0.00%	0.05%	0.00%	0.00%	0.05%
DAIN Employees	9/30/2022	Equities	\$183	43.40%	0.08%	0.10%	0.00%	0.00%	0.18%
		Cash	\$183	2.42%	0.01%	0.00%	0.00%	0.00%	0.01%
		Real Assets	\$20	4.69%	0.00%	0.00%	0.00%	0.00%	0.00%
		Fixed Income	\$20	11.68%	0.00%	0.22%	0.00%	0.00%	0.22%
Denison Firemen's Relief & Retirement Fund	12/31/2022	Equities	\$20	73.07%	0.00%	0.00%	0.00%	0.00%	0.00%
		Cash	\$20	5.46%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$20	5.00%	0.00%	0.00%	0.00%	0.00%	0.00%
		Real Assets	\$137	11.01%	0.03%	0.00%	0.00%	0.00%	0.03%
Denton Firemen's Relief & Retirement Fund	12/31/2022	Fixed Income	\$137	14.57%	0.03%	0.02%	0.00%	0.00%	0.04%
		Equities	\$137	59.95%	0.05%	0.01%	0.00%	0.00%	0.06%

System	Fiscal Year End Date	Asset Class	Net Total Assets	Asset Allocation	Managment Fees Paid From Trust	Management Fees Netted From Returns	Brokerage Fees and Commissions	Profit Share Carried Interest	Total Asset Class Expenses
		Real Assets	\$1	9.20%	0.01%	0.10%	0.00%	0.00%	0.11%
		Fixed Income	\$1	18.45%	0.03%	0.05%	0.01%	0.00%	0.09%
El Paso Firemen & Policemen's Pension Staff Plan	12/31/2022	Equities	\$1	51.15%	0.18%	0.03%	0.01%	0.00%	0.22%
		Cash	\$1	2.56%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$1	18.66%	0.12%	0.08%	0.00%	0.00%	0.20%
		Real Assets	\$684	9.52%	0.01%	0.09%	0.00%	0.00%	0.11%
		Fixed Income	\$684	19.08%	0.03%	0.04%	0.01%	0.00%	0.08%
El Paso Firemen's Pension Fund	12/31/2022	Equities	\$684	52.92%	0.18%	0.03%	0.01%	0.00%	0.22%
		Alternative Investments	\$684	19.31%	0.12%	0.08%	0.00%	0.00%	0.20%
	12/31/2022	Real Assets	\$979	9.52%	0.01%	0.09%	0.00%	0.00%	0.11%
		Fixed Income	\$979	19.37%	0.03%	0.04%	0.01%	0.00%	0.08%
El Paso Police Pension Fund		Equities	\$979	53.73%	0.18%	0.03%	0.01%	0.00%	0.22%
		Alternative Investments	\$979	19.60%	0.12%	0.08%	0.00%	0.00%	0.20%
		Real Assets	\$34,050	0.00%	0.15%	0.00%	0.00%	0.06%	0.21%
		Fixed Income	\$34,050	17.23%	0.01%	0.00%	0.00%	0.00%	0.01%
Employees Retirement System of Texas	8/31/2023	Equities	\$34,050	32.32%	0.00%	0.02%	0.03%	0.01%	0.06%
		Cash	\$34,050	2.64%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$34,050	46.65%	0.24%	0.00%	0.00%	0.14%	0.38%
		Real Assets	\$2,605	13.58%	0.04%	0.12%	0.00%	0.09%	0.26%
		Fixed Income	\$2,605	28.09%	0.04%	0.00%	0.00%	0.00%	0.04%
Fort Worth Employees' Retirement Fund	9/30/2023	Equities	\$2,605	43.61%	0.07%	0.01%	0.00%	0.00%	0.08%
		Alternative Investments	\$2,605	22.40%	-0.01%	0.32%	0.00%	0.35%	0.65%
		Real Assets	\$9	13.59%	0.04%	0.12%	0.00%	0.09%	0.25%
		Fixed Income	\$9	27.93%	0.04%	0.00%	0.00%	0.00%	0.04%
Fort Worth Employees' Retirement Fund Staff Plan	9/30/2023	Equities	\$9	43.27%	0.07%	0.01%	0.00%	0.00%	0.08%
, ,		Cash	\$9	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$9	22.27%	-0.01%	0.31%	0.00%	0.34%	0.65%

System	Fiscal Year End Date	Asset Class	Net Total Assets	Asset Allocation	Managment Fees Paid From Trust	Management Fees Netted From Returns	Brokerage Fees and Commissions	Profit Share Carried Interest	Total Asset Class Expenses
		Fixed Income	\$68	21.59%	0.08%	0.03%	0.00%	0.00%	0.11%
Galveston Employees' Retirement Fund	12/31/2023	Equities	\$68	67.57%	0.10%	0.11%	0.00%	0.00%	0.20%
		Alternative Investments	\$68	8.03%	0.05%	0.00%	0.00%	0.00%	0.06%
		Fixed Income	\$23	29.32%	0.07%	0.04%	0.00%	0.00%	0.11%
		Equities	\$23	59.70%	0.14%	0.04%	0.00%	0.00%	0.19%
Galveston Employees' Retirement Plan for Police	12/31/2022	Cash	\$23	3.00%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$23	5.77%	0.02%	0.09%	0.00%	0.00%	0.10%
		Real Assets	\$49	2.69%	0.00%	0.00%	0.00%	0.00%	0.00%
		Fixed Income	\$49	19.48%	0.02%	0.00%	0.00%	0.00%	0.02%
Galveston Firefighter's Relief & Retirement Fund	12/31/2022	Equities	\$49	61.05%	0.16%	0.04%	0.00%	0.00%	0.20%
		Cash	\$49	5.93%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$49	10.73%	0.00%	0.18%	0.00%	0.00%	0.18%
	12/31/2022	Fixed Income	\$13	19.38%	0.10%	0.00%	0.00%	0.00%	0.10%
Galveston Wharves Pension Plan		Equities	\$13	79.18%	0.40%	0.29%	0.00%	0.00%	0.69%
		Cash	\$13	0.62%	0.02%	0.00%	0.00%	0.00%	0.02%
		Fixed Income	\$14	32.04%	0.06%	0.06%	0.00%	0.00%	0.12%
		Equities	\$14	48.90%	0.10%	0.06%	0.00%	0.00%	0.15%
Greenville Firemen's Relief & Retirement Fund	12/31/2022	Cash	\$14	3.66%	0.01%	0.00%	0.00%	0.00%	0.01%
		Alternative Investments	\$14	15.50%	0.05%	0.08%	0.00%	0.00%	0.13%
		Fixed Income	\$32	0.00%	0.05%	0.00%	0.00%	0.00%	0.05%
		Equities	\$32	13.01%	0.06%	0.00%	0.00%	0.00%	0.06%
Guadalupe-Blanco River Authority	12/31/2022	Cash	\$32	6.52%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$32	80.44%	0.04%	0.00%	0.00%	0.00%	0.04%
		Real Assets	\$37	10.99%	0.07%	0.00%	0.00%	0.00%	0.07%
		Fixed Income	\$37	20.84%	0.00%	0.11%	0.00%	0.00%	0.11%
Harlingen Firemen's Relief & Retirement Fund	9/30/2023	Equities	\$37	64.55%	0.30%	0.11%	0.00%	0.00%	0.41%
		Cash	\$37	0.27%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$37	3.34%	0.00%	0.00%	0.00%	0.00%	0.00%

System	Fiscal Year End Date	Asset Class	Net Total Assets	Asset Allocation	Managment Fees Paid From Trust	Management Fees Netted From Returns	Brokerage Fees and Commissions	Profit Share Carried Interest	Total Asset Class Expenses
		Real Assets	\$821	5.23%	0.02%	0.00%	0.00%	0.00%	0.02%
		Fixed Income	\$821	30.75%	0.04%	0.00%	0.00%	0.00%	0.04%
Harris County Hospital District Pension Plan	12/31/2022	Equities	\$821	58.75%	0.18%	0.00%	0.00%	0.00%	0.18%
, .		Cash	\$821	4.93%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$821	4.70%	0.00%	0.00%	0.00%	0.00%	0.00%
		Real Assets	\$5,109	7.75%	0.00%	0.13%	0.00%	0.02%	0.15%
		Fixed Income	\$5,109	18.25%	0.03%	0.02%	0.00%	0.00%	0.05%
Houston Firefighters' Relief & Retirement Fund	6/30/2023	Equities	\$5,109	27.39%	0.07%	0.00%	0.00%	0.00%	0.07%
		Cash	\$5,109	2.23%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$5,109	44.17%	0.01%	0.59%	0.00%	0.12%	0.71%
Houston MTA Non-Union Pension Plan		Real Assets	\$177	17.08%	0.00%	0.16%	0.00%	0.00%	0.16%
	12/31/2022	Fixed Income	\$177	25.94%	0.00%	0.04%	0.00%	0.00%	0.04%
Houston With Non-Official Ension Figure	12/01/2022	Equities	\$177	55.57%	0.00%	0.08%	0.00%	0.00%	0.08%
		Cash	\$177	1.47%	0.00%	0.00%	0.00%	0.00%	0.00%
	12/31/2022	Real Assets	\$291	16.47%	0.00%	0.15%	0.00%	0.00%	0.15%
Houston MTA Workers Union Pension Plan		Fixed Income	\$291	25.33%	0.00%	0.04%	0.00%	0.00%	0.04%
Tiouston WTA Workers Official Clision Figure	12/01/2022	Equities	\$291	57.47%	0.00%	0.07%	0.00%	0.00%	0.07%
		Cash	\$291	0.79%	0.00%	0.00%	0.00%	0.00%	0.00%
		Real Assets	\$4,072	9.99%	0.01%	0.12%	0.00%	-0.21%	-0.08%
		Fixed Income	\$4,072	28.79%	0.01%	0.24%	0.00%	0.22%	0.47%
Houston Municipal Employees Pension System	6/30/2023	Equities	\$4,072	28.39%	0.09%	0.00%	0.01%	0.00%	0.10%
		Cash	\$4,072	1.12%	0.00%	0.01%	0.00%	0.00%	0.01%
		Alternative Investments	\$4,072	31.55%	0.06%	0.29%	0.00%	0.23%	0.58%
		Real Assets	\$7,208	10.67%	0.00%	0.01%	0.00%	0.81%	0.81%
		Fixed Income	\$7,208	24.17%	0.03%	0.00%	0.00%	0.00%	0.03%
Houston Police Officers' Pension System	6/30/2023	Equities	\$7,208	32.01%	0.02%	0.00%	0.01%	0.00%	0.03%
		Cash	\$7,208	0.00%	0.01%	0.00%	0.00%	0.00%	0.01%
		Alternative Investments	\$7,208	32.69%	0.00%	0.15%	0.00%	1.17%	1.32%

System	Fiscal Year End Date	Asset Class	Net Total Assets	Asset Allocation	Managment Fees Paid From Trust	Management Fees Netted From Returns	Brokerage Fees and Commissions	Profit Share Carried Interest	Total Asset Class Expenses
		Real Assets	\$242	10.59%	0.02%	0.08%	0.00%	0.00%	0.10%
		Fixed Income	\$242	39.23%	0.00%	0.03%	0.00%	0.00%	0.03%
Irving Firemen's Relief & Retirement Fund	12/31/2022	Equities	\$242	47.27%	0.13%	0.06%	0.01%	0.00%	0.20%
		Cash	\$242	1.37%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$242	1.47%	0.00%	0.01%	0.00%	0.01%	0.02%
		Real Assets	\$99	6.22%	0.00%	0.00%	0.00%	0.00%	0.00%
		Fixed Income	\$99	32.29%	0.07%	0.04%	0.00%	0.00%	0.12%
Irving Supplemental Benefit Plan	12/31/2022	Equities	\$99	51.94%	0.18%	0.05%	0.00%	0.00%	0.23%
		Cash	\$99	2.09%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$99	5.37%	0.00%	0.10%	0.00%	0.00%	0.10%
	9/30/2022	Fixed Income	\$370	25.38%	0.00%	0.01%	0.00%	0.00%	0.01%
JPS - Tarrant County Hospital District		Equities	\$370	70.37%	0.13%	0.19%	0.00%	0.00%	0.32%
		Cash	\$370	4.25%	0.00%	0.00%	0.00%	0.00%	0.00%
	8/31/2023	Real Assets	\$586	0.44%	0.15%	0.00%	0.00%	0.06%	0.21%
		Fixed Income	\$586	17.01%	0.01%	0.00%	0.00%	0.00%	0.01%
Judicial Retirement System of Texas Plan Two		Equities	\$586	32.65%	0.00%	0.02%	0.03%	0.01%	0.06%
		Cash	\$586	2.76%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$586	47.14%	0.25%	0.00%	0.00%	0.14%	0.38%
		Real Assets	\$54	7.64%	0.00%	0.00%	0.00%	0.00%	0.00%
		Fixed Income	\$54	27.94%	0.43%	0.14%	0.00%	0.00%	0.57%
Killeen Firemen's Relief & Retirement Fund	9/30/2022	Equities	\$54	49.63%	0.00%	0.13%	0.00%	0.00%	0.13%
		Cash	\$54	9.65%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$54	4.93%	0.16%	0.00%	0.00%	0.01%	0.17%
		Real Assets	\$198	0.00%	0.00%	0.05%	0.00%	0.00%	0.05%
		Fixed Income	\$198	15.66%	0.00%	0.07%	0.00%	0.00%	0.07%
Laredo Firefighters Retirement System	9/30/2023	Equities	\$198	66.46%	0.11%	0.13%	0.01%	0.00%	0.25%
		Cash	\$198	0.26%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$198	17.64%	0.00%	0.33%	0.00%	0.05%	0.38%

System	Fiscal Year End Date	Asset Class	Net Total Assets	Asset Allocation	Managment Fees Paid From Trust	Management Fees Netted From Returns	Brokerage Fees and Commissions	Profit Share Carried Interest	Total Asset Class Expenses
		Real Assets	\$1,042	0.00%	0.16%	0.00%	0.00%	0.11%	0.27%
		Fixed Income	\$1,042	17.33%	0.02%	0.00%	0.00%	0.00%	0.02%
Law Enforcement & Custodial Off Sup. Ret. Fund	8/31/2022	Equities	\$1,042	33.43%	0.00%	0.04%	0.01%	0.01%	0.06%
		Cash	\$1,042	2.11%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$1,042	46.52%	0.16%	0.00%	0.00%	0.33%	0.50%
		Fixed Income	\$86	32.54%	0.00%	0.16%	0.00%	0.00%	0.16%
		Equities	\$86	59.68%	0.00%	0.32%	0.00%	0.00%	0.32%
Longview Firemen's Relief & Retirement Fund	12/31/2022	Cash	\$86	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$86	7.69%	0.09%	0.00%	0.00%	0.00%	0.09%
	12/31/2022	Real Assets	\$426	7.57%	0.00%	0.00%	0.00%	0.00%	0.00%
		Fixed Income	\$426	26.87%	0.05%	0.00%	0.00%	0.00%	0.05%
Lower Colorado River Authority Retirement Plan		Equities	\$426	58.98%	0.11%	0.00%	0.00%	0.00%	0.11%
,		Cash	\$426	1.41%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$426	6.10%	0.00%	0.28%	0.00%	0.00%	0.28%
		Fixed Income	\$12	28.10%	0.03%	0.01%	0.00%	0.00%	0.04%
Lower Neches Valley	12/31/2022	Equities	\$12	71.81%	0.24%	0.04%	0.00%	0.00%	0.27%
		Cash	\$12	0.09%	0.00%	0.00%	0.00%	0.00%	0.00%
		Real Assets	\$240	15.76%	0.00%	0.16%	0.00%	0.00%	0.16%
		Fixed Income	\$240	19.02%	0.00%	0.11%	0.00%	0.00%	0.11%
Lubbock Fire Pension Fund	12/31/2022	Equities	\$240	50.83%	0.00%	0.28%	0.00%	0.00%	0.28%
		Cash	\$240	0.61%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$240	13.65%	0.03%	0.13%	0.00%	0.00%	0.16%
		Real Assets	\$21	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
		Fixed Income	\$21	31.12%	0.08%	0.06%	0.00%	0.00%	0.14%
Lufkin Firemen's Relief & Retirement Fund	12/31/2022	Equities	\$21	49.47%	0.13%	0.05%	0.00%	0.00%	0.18%
		Cash	\$21	3.83%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$21	15.70%	0.07%	0.04%	0.00%	0.00%	0.11%

System	Fiscal Year End Date	Asset Class	Net Total Assets	Asset Allocation	Managment Fees Paid From Trust	Management Fees Netted From Returns	Brokerage Fees and Commissions	Profit Share Carried Interest	Total Asset Class Expenses	
	10/04/0000	Fixed Income	\$8	26.17%	0.16%	0.06%	0.00%	0.00%	0.22%	
		Equities	\$8	45.59%	0.28%	0.06%	0.00%	0.00%	0.34%	
Marshall Firemen's Relief & Retirement Fund	12/31/2022	Cash	\$8	3.73%	0.02%	0.00%	0.00%	0.00%	0.02%	
		Alternative Investments	\$8	23.57%	0.15%	0.08%	0.00%	0.00%	0.23%	
		Real Assets	\$53	0.00%	0.00%	0.19%	0.00%	0.19%	0.38%	
		Fixed Income	\$53	8.11%	0.02%	0.06%	0.00%	0.00%	0.09%	
McAllen Firemen's Relief & Retirement Fund	9/30/2022	Equities	\$53	54.26%	0.28%	0.09%	0.00%	0.00%	0.37%	
		Cash	\$53	3.04%	0.00%	0.00%	0.00%	0.00%	0.00%	
		Alternative Investments	\$53	34.45%	0.00%	0.31%	0.00%	0.41%	0.72%	
		Real Assets	\$81	14.12%	0.12%	0.00%	0.00%	0.00%	0.12%	
		Fixed Income	\$81	11.74%	0.07%	0.00%	0.00%	0.00%	0.07%	
Midland Firemen's Relief & Retirement Fund	12/31/2022	Equities	\$81	36.24%	0.21%	0.00%	0.00%	0.00%	0.21%	
		Cash	\$81	16.87%	0.00%	0.00%	0.00%	0.00%	0.00%	
		Alternative Investments	\$81	22.70%	0.06%	0.00%	0.00%	0.55%	0.61%	
		Fixed Income	\$51	40.06%			Not Reported		,	
Nacogdoches County Hospital District Retirement Plan	6/30/2021	Equities	\$51	54.05%	Not Reported					
		Real Assets	\$51	5.89%		Not Reported				
		Fixed Income	\$19	42.01%	0.07%	0.00%	0.01%	0.00%	0.08%	
Northwest Texas Healthcare System Retirement Plan	9/30/2022	Equities	\$19	52.75%	0.09%	0.00%	0.01%	0.00%	0.10%	
		Cash	\$19	4.21%	0.01%	0.00%	0.00%	0.00%	0.01%	
		Real Assets	\$48	23.25%	0.00%	0.25%	0.00%	0.00%	0.25%	
Odessa Firemen's Relief & Retirement Fund	12/31/2023	Fixed Income	\$48	9.05%	0.00%	0.07%	0.00%	0.00%	0.07%	
Odessa i liellieli s ivelieli & ivelilellieli i uliu	12/31/2023	Equities	\$48	58.83%	0.00%	0.23%	0.00%	0.00%	0.23%	
		Cash	\$48	3.88%	0.00%	0.00%	0.00%	0.00%	0.00%	
		Real Assets	\$8	14.05%	0.00%	0.15%	0.00%	0.00%	0.15%	
		Fixed Income	\$8	19.07%	0.00%	0.06%	0.00%	0.00%	0.06%	
Orange Firemen's Relief & Retirement Fund	12/31/2022	Equities	\$8	66.87%	0.08%	0.23%	0.00%	0.00%	0.31%	
		Cash	\$8	1.68%	0.00%	0.00%	0.00%	0.00%	0.00%	
		Alternative Investments	\$8	0.00%	0.00%	0.01%	0.00%	0.00%	0.01%	
		Fixed Income	\$16	24.25%	0.04%	0.02%	0.00%	0.00%	0.05%	
	12/31/2022	Equities	\$16	57.36%	0.06%	0.06%	0.00%	0.00%	0.12%	
Paris Firefighters' Relief & Retirement Fund		Cash	\$16	2.37%	0.00%	0.00%	0.00%	0.00%	0.00%	
		Alternative Investments	\$16	15.76%	0.03%	0.02%	0.00%	0.00%	0.05%	

System	Fiscal Year End Date	Asset Class	Net Total Assets	Asset Allocation	Managment Fees Paid From Trust	Management Fees Netted From Returns	Brokerage Fees and Commissions	Profit Share Carried Interest	Total Asset Class Expenses
		Fixed Income	\$7	25.71%	0.04%	0.07%	0.00%	0.00%	0.11%
		Equities	\$7	67.77%	0.17%	0.10%	0.00%	0.00%	0.27%
Plainview Firemen's Relief & Retirement Fund	12/31/2023	Cash	\$7	6.20%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$7	0.24%	0.00%	0.06%	0.00%	0.00%	0.06%
		Real Assets	\$186	11.01%	0.00%	0.12%	0.00%	0.00%	0.12%
		Fixed Income	\$186	23.45%	0.00%	0.04%	0.00%	0.00%	0.04%
Plano Retirement Security Plan	12/31/2022	Equities	\$186	65.36%	0.00%	0.13%	0.00%	0.00%	0.13%
riano romonioni occurity rian	12/01/2022	Cash	\$186	0.19%	0.03%	0.00%	0.00%	0.00%	0.03%
		Alternative Investments	\$186	0.00%	0.00%	0.03%	0.00%	0.00%	0.03%
		Real Assets	\$49	3.08%	0.00%	0.01%	0.00%	0.00%	0.01%
		Fixed Income	\$49	33.67%	0.00%	0.17%	0.00%	0.00%	0.17%
Port Arthur Firemen's Relief & Retirement Fund	12/31/2022	Equities	\$49	61.97%	0.00%	0.33%	0.00%	0.00%	0.33%
		Cash	\$49	1.03%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$49	0.00%	0.00%	0.03%	0.00%	0.00%	0.03%
		Fixed Income	\$201	39.66%	0.06%	0.13%	0.01%	0.00%	0.20%
Port of Houston Authority Retirement Plan	7/31/2023	Equities	\$201	59.21%	0.18%	0.12%	0.01%	0.00%	0.30%
		Cash	\$201	0.97%	0.00%	0.00%	0.00%	0.00%	0.00%
		Real Assets	\$2	2.55%	0.00%	0.00%	0.00%	0.00%	0.00%
Refugio County Memorial Hospital	10/31/2022	Fixed Income	\$2	17.83%	0.00%	0.21%	0.00%	0.00%	0.21%
Relugio County Memorial Hospital	10/31/2022	Equities	\$2	63.41%	0.00%	0.26%	0.00%	0.00%	0.26%
		Cash	\$2	16.09%	0.00%	0.09%	0.00%	0.00%	0.09%
		Fixed Income	\$1	57.84%	0.00%	0.00%	0.00%	0.00%	0.00%
Anson General Hospital	6/30/2023	Equities	\$1	40.61%	0.06%	0.11%	0.00%	0.00%	0.16%
		Cash	\$1	1.09%	0.00%	0.00%	0.00%	0.00%	0.00%

System	Fiscal Year End Date	Asset Class	Net Total Assets	Asset Allocation	Managment Fees Paid From Trust	Management Fees Netted From Returns	Brokerage Fees and Commissions	Profit Share Carried Interest	Total Asset Class Expenses
	2/28/2023	Fixed Income	\$140	24.26%	0.00%	0.00%	0.00%	0.00%	0.00%
Citizens Medical Center		Equities	\$140	73.99%	0.06%	0.11%	0.00%	0.00%	0.17%
		Cash	\$140	1.02%	0.00%	0.00%	0.00%	0.00%	0.00%
		Fixed Income	\$9	16.82%	0.18%	0.00%	0.00%	0.00%	0.18%
Employees of Brownsville Navigation District	12/31/2022	Equities	\$9	68.50%	0.74%	0.00%	0.00%	0.00%	0.74%
		Cash	\$9	14.68%	0.10%	0.00%	0.00%	0.00%	0.10%
		Fixed Income	\$94	24.22%	0.00%	0.07%	0.00%	0.00%	0.07%
Guadalupe Regional Medical Center	12/31/2022	Equities	\$94	74.74%	0.06%	0.06%	0.00%	0.00%	0.12%
		Cash	\$94	1.03%	0.00%	0.00%	0.00%	0.00%	0.00%
		Fixed Income	\$3	24.22%	0.00%	0.07%	0.00%	0.00%	0.07%
Sweeny Community Hospital	12/31/2022	Equities	\$3	74.74%	0.06%	0.06%	0.00%	0.00%	0.12%
		Cash	\$3	1.03%	0.00%	0.00%	0.00%	0.00%	0.00%
	12/31/2022	Fixed Income	\$69	16.80%	0.00%	0.05%	0.00%	0.00%	0.05%
San Angelo Firemen's Relief & Retirement Fund		Equities	\$69	63.37%	0.26%	0.22%	0.00%	0.00%	0.48%
		Cash	\$69	19.83%	0.00%	0.02%	0.00%	0.00%	0.02%
	12/31/2022	Real Assets	\$3,586	9.12%	0.00%	0.12%	0.00%	0.15%	0.27%
		Fixed Income	\$3,586	31.53%	0.00%	0.20%	0.02%	0.14%	0.36%
San Antonio Fire & Police Pension Fund		Equities	\$3,586	43.26%	0.00%	0.20%	0.00%	0.00%	0.21%
		Cash	\$3,586	1.74%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$3,586	14.56%	0.00%	0.16%	0.01%	0.18%	0.35%
		Real Assets	\$338	11.24%	0.12%	0.00%	0.00%	0.00%	0.12%
San Antonio Metropolitan Transit Retirement Plan	9/30/2023	Fixed Income	\$338	27.49%	0.08%	0.00%	0.00%	0.00%	0.08%
San Antonio Metropolitari Transit Retirement Fian	9/30/2023	Equities	\$338	60.13%	0.23%	0.00%	0.01%	0.00%	0.24%
		Cash	\$338	1.63%	0.00%	0.00%	0.00%	0.00%	0.00%
		Fixed Income	\$5	34.31%	0.00%	0.00%	0.00%	0.00%	0.00%
San Benito Firemen Relief & Retirement Fund	9/30/2023	Equities	\$5	63.61%	0.00%	0.00%	0.00%	0.00%	0.00%
		Cash	\$5	3.22%	0.74%	0.00%	0.00%	0.00%	0.74%
Supplemental Retirement Plan of University Medical Center	8/31/2023	Fixed Income	\$5	99.71%	0.00%	0.00%	0.00%	0.00%	0.00%
		Fixed Income	\$8	42.64%	0.07%	0.06%	0.00%	0.00%	0.13%
	12/31/2022	Equities	\$8	48.61%	0.10%	0.09%	0.00%	0.00%	0.19%
Sweetwater Firemen's Relief & Retirement Fund		Cash	\$8	3.57%	0.01%	0.00%	0.00%	0.00%	0.01%
		Alternative Investments	\$8	6.13%	0.09%	0.05%	0.00%	0.00%	0.14%

System	Fiscal Year End Date	Asset Class	Net Total Assets	Asset Allocation	Managment Fees Paid From Trust	Management Fees Netted From Returns	Brokerage Fees and Commissions	Profit Share Carried Interest	Total Asset Class Expenses
		Real Assets	\$187,171	0.00%	0.00%	0.16%	0.00%	0.08%	0.23%
		Fixed Income	\$187,171	19.84%	0.00%	0.00%	0.00%	0.00%	0.00%
Teacher Retirement System of Texas	8/31/2023	Equities	\$187,171	33.42%	0.02%	0.06%	0.03%	0.13%	0.24%
		Cash	\$187,171	0.26%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$187,171	55.36%	0.00%	0.20%	0.00%	0.22%	0.43%
		Real Assets	\$52	3.35%	0.02%	0.00%	0.00%	0.00%	0.02%
		Fixed Income	\$52	18.34%	0.00%	0.17%	0.00%	0.00%	0.17%
Temple Firemen's Relief & Retirement Fund	9/30/2023	Equities	\$52	67.05%	0.00%	0.31%	0.00%	0.00%	0.31%
		Cash	\$52	0.69%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$52	10.32%	0.00%	0.12%	0.00%	0.00%	0.12%
		Real Assets	\$37	4.60%	0.00%	0.00%	0.00%	0.00%	0.00%
		Fixed Income	\$37	25.53%	0.08%	0.00%	0.00%	0.00%	0.08%
Texarkana Firemen's Relief & Retirement Fund	12/31/2022	Equities	\$37	34.09%	0.25%	0.14%	0.00%	0.00%	0.38%
		Cash	\$37	3.41%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$37	32.31%	0.11%	0.00%	0.00%	0.00%	0.11%
		Fixed Income	\$15	32.19%	0.05%	0.06%	0.00%	0.00%	0.11%
Torres Oite Finance de Delief & Detiene est Found	40/04/0000	Equities	\$15	49.39%	0.09%	0.06%	0.00%	0.00%	0.15%
Texas City Firemen's Relief & Retirement Fund	12/31/2022	Cash	\$15	3.11%	0.01%	0.00%	0.00%	0.00%	0.01%
		Alternative Investments	\$15	15.40%	0.04%	0.08%	0.00%	0.00%	0.12%
		Real Assets	\$41,969	1.82%	0.01%	0.00%	0.00%	0.00%	0.01%
Texas County & District Retirement System		Fixed Income	\$41,969	2.18%	0.00%	0.00%	0.00%	0.00%	0.00%
	12/31/2022	Equities	\$41,969	24.66%	0.02%	0.00%	0.02%	0.00%	0.03%
		Cash	\$41,969	2.53%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$41,969	68.58%	0.04%	0.86%	0.00%	-0.16%	0.75%

System	Fiscal Year End Date	Asset Class	Net Total Assets	Asset Allocation	Managment Fees Paid From Trust	Management Fees Netted From Returns	Brokerage Fees and Commissions	Profit Share Carried Interest	Total Asset Class Expenses
		Real Assets	\$124	11.84%	0.00%	0.00%	0.00%	0.00%	0.00%
		Fixed Income	\$124	21.12%	0.06%	0.00%	0.00%	0.00%	0.06%
Texas Emergency Services Retirement System	8/31/2022	Equities	\$124	54.26%	0.19%	0.32%	0.01%	0.00%	0.51%
		Cash	\$124	2.54%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$124	8.59%	0.05%	0.00%	0.00%	0.00%	0.05%
		Real Assets	\$35,600	13.45%	0.00%	0.13%	0.00%	0.17%	0.31%
		Fixed Income	\$35,600	24.99%	0.01%	0.12%	0.00%	0.05%	0.18%
Texas Municipal Retirement System	12/31/2022	Equities	\$35,600	37.55%	0.04%	0.00%	0.01%	0.00%	0.05%
		Cash	\$35,600	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$35,600	23.72%	0.00%	0.40%	0.00%	0.37%	0.77%
	12/31/2022	Fixed Income	\$56	18.46%	0.04%	0.02%	0.00%	0.00%	0.06%
The Manual Continue of Continue		Equities	\$56	65.98%	0.00%	0.16%	0.00%	0.00%	0.16%
The Woodlands Firefighters' Retirement System		Cash	\$56	0.40%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$56	14.74%	0.12%	0.00%	0.00%	0.00%	0.12%
		Real Assets	\$40	0.03%	0.00%	0.03%	0.00%	0.00%	0.03%
Travis County ESD #6 Firefighter's Relief & Retirement	12/31/2022	Fixed Income	\$40	31.84%	0.07%	0.09%	0.00%	0.00%	0.16%
Fund	12/31/2022	Equities	\$40	66.66%	0.03%	0.28%	0.00%	0.00%	0.30%
		Cash	\$40	0.99%	0.00%	0.00%	0.00%	0.00%	0.00%
		Real Assets	\$75	2.72%	0.00%	0.01%	0.00%	0.00%	0.01%
Tyler Firefighters' Relief & Retirement Fund	12/31/2022	Fixed Income	\$75	31.67%	0.00%	0.17%	0.00%	0.00%	0.17%
Tyler Firengitters Tremer & Trement Fund	12/31/2022	Equities	\$75	63.51%	0.00%	0.34%	0.00%	0.00%	0.34%
		Cash	\$75	1.79%	0.00%	0.01%	0.00%	0.00%	0.01%
University Health System Pension Plan		Real Assets	\$596	6.26%	0.05%	0.02%	0.00%	0.00%	0.07%
		Fixed Income	\$596	20.40%	0.03%	0.04%	0.00%	0.00%	0.07%
	12/31/2023	Equities	\$596	45.40%	0.18%	0.13%	0.00%	0.00%	0.31%
		Cash	\$596	1.31%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$596	26.70%	0.00%	0.04%	0.00%	0.00%	0.04%

System	Fiscal Year End Date	Asset Class	Net Total Assets	Asset Allocation	Managment Fees Paid From Trust	Management Fees Netted From Returns	Brokerage Fees and Commissions	Profit Share Carried Interest	Total Asset Class Expenses
		Fixed Income	\$11	32.36%	0.08%	0.06%	0.00%	0.00%	0.15%
		Equities	\$11	49.27%	0.14%	0.06%	0.00%	0.00%	0.20%
University Park Firemen's Relief & Retirement Fund	12/31/2022	Cash	\$11	3.04%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$11	15.46%	0.08%	0.08%	0.00%	0.00%	0.15%
		Real Assets	\$22	6.41%	0.00%	0.05%	0.00%	0.00%	0.05%
	9/30/2023	Fixed Income	\$22	28.37%	0.00%	0.13%	0.00%	0.00%	0.13%
Waxahachie Firemen's Relief & Retirement Fund		Equities	\$22	53.75%	0.06%	0.41%	0.00%	0.00%	0.47%
		Cash	\$22	4.07%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$22	6.96%	0.00%	0.00%	0.00%	0.00%	0.00%
		Real Assets	\$17	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Weslaco Firemen's Relief & Retirement Fund	9/30/2023	Fixed Income	\$17	24.30%	0.00%	0.00%	0.00%	0.00%	0.00%
Westaco Filemens Relief & Retirement Fund	9/30/2023	Equities	\$17	74.15%	0.02%	0.00%	0.00%	0.00%	0.02%
		Cash	\$17	1.55%	0.02%	0.00%	0.00%	0.00%	0.02%
		Real Assets	\$51	11.43%	0.01%	0.20%	0.00%	0.07%	0.27%
		Fixed Income	\$51	23.52%	0.16%	0.01%	0.00%	0.01%	0.18%
Wichita Falls Firemen's Relief & Retirement Fund	12/31/2022	Equities	\$51	58.69%	0.37%	0.07%	0.00%	0.00%	0.44%
		Cash	\$51	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
		Alternative Investments	\$51	6.39%	0.01%	0.03%	0.00%	0.00%	0.03%

Item 7c: Investment Practices and Performance Evaluation (IPPE) Update

Robert Munter



IPPE Status Update

- Investment Practices and Performance Evaluations were due to the PRB June 1, 2024.
- Based on FY 2022 audits, 38 reports are expected to cover 42 systems with > \$100 million in assets.
- As of July, four systems still need to submit their evaluations:
 - 1. JPS Pension Tarrant County Hospital (No update)
 - 2. Citizens Medical (Expected September)
 - 3. Laredo Fire (Expected July)
 - 4. Denton Fire (No update)



IPPE Findings

- Some evaluations extremely similar to 2020 evaluation.
- Some evaluators used this report to also discuss how the previous evaluation and recommendations were implemented and the outcomes.
- Some systems commented to evaluators that the previous recommendations created very beneficial changes in governance.
- So far 161 recommendations provided to systems.



PRB Duties Required under §802.109

- Texas Government Code §802.109(i)
 - The PRB must submit in our biennial report a report that must "compile and summarize the information received under this section by the board during the preceding two fiscal years."
 - In 2020 the PRB submitted three items to satisfy this requirement:
 - 1. Summary of each evaluation report by system.
 - Investment Performance Report (IPR) summarizing the findings of all evaluations.
 - 3. Summarized recommendations made by evaluators.



Preliminary Recommended Legislative Updates

Combination of statutory changes and rules may be needed.

- 1. Clarify and clean up language around evaluation due date timelines.
 - Conducted every three years with report due in the fourth year or conducted and submitted every three years.

Preliminary Recommendations:

- Consider creating two cycles (3 year and 6 year) to help simplify reporting schedule with systems at asset breakpoints.
- If a system's assets increase to a threshold requiring the evaluation or a more frequent evaluation they will submit whenever the next cycle date is scheduled.



Preliminary Recommended Legislative Updates

- Clarify asset criteria for determining applicability of IPPE requirement.
 - Current statute "if the total assets of the retirement system as of the last day of the preceding fiscal year" is used to determine how often an evaluation must be completed.
 - Creates an issue when assets can fluctuate lower before an evaluation is completed.

Preliminary Recommendation:

 Update language so that the assets of a retirement system will initially place a system into the required reporting schedule but then the total pension liability (TPL) will be used to determine if the requirement should be removed or frequency lowered.

Statute	Assets 2024	TPL 2024	Assets 2025	TPL 2025	Requirement
Current	\$120 mil	\$175 mil	\$130 mil	\$178 mil	3 years
Current	\$105 mil	\$190 mil	\$98 mil	\$195 mil	6 years
Suggested	\$105 mil	\$190 mil	\$98 mil	\$195 mil	3 years



PRB Duties Required Under §802.109 Update

Staff tasks:

- (In progress) Make available all received IPPE reports on the PRB website.
- (Completed) Review all received IPPE reports and create summaries.
- (In progress) Create the IPR and tentatively plans to have a draft available in September for the board.
- (In progress) Create a draft of the summarized and compiled recommendations document for September.
- Request for feedback from systems on recommendations will go out and due tentatively <u>September 6th</u>.
- Targeting December board meeting for approval with potential early approval at September meeting if systems do not have significant concerns.



Item 7d: Investment policy statement guidelines, guidance, and tools

Robert Munter



IPS Documents Progression

July 14, 2022

Board tasked the IC to work with staff on developing investment guidelines

- Investment Policy Statement (IPS) guidelines selected as the first investment topic to create guidelines for.
- Project goal: Analyze and consolidate best practices to assist systems in ensuring a high-quality IPS that meets their needs and helps them achieve their goals.

November 21, 2023

First draft of the IPS documents and analysis of system practices presented

- Four documents were presented to the Investment Committee, with subsequent feedback request from systems:
 - IPS Guidelines Covers the policies and governing procedures that are generally relevant to all systems.
 - <u>IPS Guidance</u> Elaborates on policies described in IPS guidelines and provides key details relevant to policies based on best practices.
 - IPS Example Template Provides examples of policies found in an IPS.
 - IPS Tool Presents an optional checklist tool for systems to use when reviewing IPS documents.

May 2, 2024

Updated IPS documents presented to IC after system feedback

- Received feedback from six systems
- Requested additional feedback from systems following meeting, based on new redline draft

July 25, 2024

Presenting draft for board approval

Did not receive additional feedback



Summarized Feedback	PRB Changes
Add language allowing IPS to reference external documents	Added language to multiple sections
Adjust specifics of example language in guidance and template document	Adjusted specific language and added suggested language clarifying specifics are examples and not mandatory
Add language for benchmarks that SAMURAI mnemonic may not apply to alternative investments	Added a note that alternative investments may require more customized benchmarks
Adjust proxy voting language example	Adjusted language to reference in best fiduciary interest of plan and adjusted language to reporting requirement



Summarized Feedback	PRB Changes
Investment expense reporting requirement example can be costly or overly complex	Added language to take into account complexity and potentially cost prohibitive nature of investments
Add language that allows or discusses other investment monitoring practices instead of a watch list policy	Added language that other alternatives to a watch list policy are allowed such as active monitoring
Adjust language in fund mission or goals sections to not consider system sponsors but instead acknowledge their involvement in contributions	Adjusted language as suggested
The IPS tool would be more effective if simplified to the core policies identified in the guidance doc and used with the Investment Practices and Performance Evaluations to monitor progress	Accepted suggestion and adjusted tool to be more simplified and focused on the core policies



Summarized Feedback	No action
Fund mission should not be in the IPS	No changes as the policy is for fund mission or goals
Roles and responsibilities example language that describe evaluation metrics, who will evaluate, and evaluation timeline will clutter the IPS	No changes as the language is an example of what should generally be found in the section, but the IPS should be customized to each plan's needs
Suggested adding additional examples or sections covering additional topics	No additions at this time to keep documents as concise as possible
Create two IPS templates with one structured to be high level with many external document references and one highly detailed	No changes as current example template has a mix of policy detail levels



Summarized Feedback	No action
Governance procedures list in the guidance document is good and should be expanded	No changes at this time but will consider creating other resources that discuss governance best practices
Remove specific benchmark examples and make them more generic	No changes as we have disclosures that any specifics in our examples are for illustrative purposes



Questions, Comments, and Possible Approval

 All documents have gone through several rounds of request for feedback from systems.

Questions or comments?

Potential adoption by the board





Investment Policy Statement Guidelines

State law requires Texas public retirement system governing bodies in management of their investments to develop and adopt a written investment policy. This policy must be maintained for public review and filed with the Pension Review Board (PRB). ¹

The PRB provides these guidelines to assist systems in developing and maintaining a complete, well-developed investment policy statement (IPS) consistent with various industry best practices. They offer a high-level overview and minimum framework but also allow flexibility for systems and their investment consultants, advisors, and/or investment staff to construct an IPS that fits their needs. A complete, well-developed IPS forms the foundation of any well-managed investment program and establishes clear goals and direction. The IPS aids trustees in understanding the expectations of various roles involved in investing a system's assets. Clearly articulated roles and responsibilities in the IPS also ensure continuity between outgoing and newly appointed trustees.

An IPS may contain sections and language that are very similar among Texas retirement systems. However, each system will naturally have some differences based on their unique needs and decisions and need to tailor their IPS to reflect those differences. The following recommended policy categories reflect accepted industry best practices established by the Chartered Financial Analyst Institute and the Government Finance Officers Association as well as investment expert reports analyzing Texas retirement system investment practices and performance summarized in the PRB's 2020 Investment Performance Report. References are listed at the end of this document.

A thorough investment policy statement should contain the policies listed below.

- 1. Fund mission or goals
- 2. Roles and responsibilities
- 3. Investment objective
- 4. Liquidity
- 5. Risk tolerance
- 6. Investment assets
- 7. Proxy voting²
- 8. Performance evaluation
- 9. Cost management
- 10. Investment manager selection and monitoring
- 11. Ethics

¹ Sec. 802.202, Texas Government Code

² While not all systems pursue investments that have proxy voting rights, every system should have a default policy in place acknowledging that the system expects investment managers to vote proxies in the best fiduciary interest of the respective fund and beneficiaries.

Governance procedures based on best practices and state law

- 1. The system's board should periodically review the IPS and related governing documents at least every two years if not annually and should re-adopt them at least every five years. By statute, changes to an IPS are required to be filed with the PRB not later than 90 days after the change is adopted.³
- 2. The board should acknowledge and consider both the individual system's pension funding constraints and benefit payment requirements when creating the IPS.
- 3. The IPS should document existing practices for future trustees' benefit and overall investment program continuity.
- 4. The system is required by statute to make the IPS available on a publicly available website and make a physical copy available at a system's main office.⁴



³ Sec. 802.202, Texas Government Code

⁴ Sec. 802.202

Reference Materials

Bailey, J & Richards, T (2017). A Primer for Investment Trustees: Understanding Investment Committee Responsibilities

Chambers, D, Black, K & Lacey, N (2018). Alternative Investments: A Primer for Investment Professionals

Drew, M & Walk, A (2019). Investment Governance for Fiduciaries

Stewart, Scott (2013). Manager Selection

Government Finance Officers Association (GFOA), *Adopting Financial Policies*, accessed November 5, 2023, https://www.gfoa.org/materials/adopting-financial-policies

GFOA, *Investment Policies for Defined Benefit Plans*, accessed November 5, 2023, https://www.gfoa.org/materials/investment-policies-for-defined-benefit-plans

GFOA, *Investment Fee Guidelines*, accessed November 5, 2023, https://www.gfoa.org/materials/investment-fee-guidelines

GFOA, Alternative Investments Checklist, accessed November 5, 2023, https://gfoaorg.cdn.prismic.io/gfoaorg/7f4e42b6-8b46-4124-b62d-93d76fd9fe24 Alternative Investments Checklist.pdf

GFOA, *GFOA Sample Investment Policy*, accessed November 5, 2023, https://gfoaorg.cdn.prismic.io/gfoaorg/76b137b8-17e3-42bd-ae9f-7f7be8be50bd GFOA sample investment policy.pdf



Guidance for Developing Investment Policy Statements

This guidance is intended to provide more in-depth descriptions of the high-level policies identified and recommended in the Guidelines for Investment Policy Statements. Some of the policies described below may not be necessary for all systems, may be referenced in external documents, and may only apply to unique situations, such as systems with specific governing laws or those with more complex investments. These types of policies are generally distinguished by the designation "(if appropriate)." Specific descriptions included below (including defined roles and responsibilities, defined percentages, etc.) are not intended to be prescriptive but to help inform users about the types of elements that should be included in an Investment Policy. Similar to the Guidelines for Investment Policy Statements, this guidance reflects accepted industry best practices established by the Chartered Financial Analyst Institute and the Government Finance Officers Association as well as investment expert reports analyzing retirement system investment practices and performance summarized in the PRB's 2020 Investment Performance Report. Examples of these policies and a glossary of common terms can be found in the PRB Investment Policy Statement Example document.

Description of each type of recommended policy:

- 1. **Fund mission or goal:** This section states the foundational beliefs, purpose of the fund, and any laws that govern the fund.
 - a. State fund mission that acknowledges all relevant parties This section at its core can appear obvious; however, a holistic view of the defined benefit fund is encouraged. A holistic view acknowledges major parties involved including active members, retired members, and the system's sponsor. It should also define the goals related to the benefits being provided, such as providing benefits that are both equitable and serve as an employer retention tool. This section should reference the system's funding policy and recognize the sponsor as an integral part of meeting the fund's mission to pay benefits.

Fiduciary Responsibility

In making and supervising investments of the reserve fund of a public retirement system, an investment manager or the governing body shall discharge its duties solely in the interest of the participants and beneficiaries:

- Providing benefits to participants and their beneficiaries; and
- Defraying reasonable expenses of administering the system

- b. State investment program purpose This section should also focus on the specific purpose of the investment program. (If appropriate) Reference relevant governing statutes.
- 2. **Roles and responsibilities:** This section specifies the parties involved in the investment program and describes each party's responsibilities.
- a. Identify fiduciary standards and related requirements Various roles will follow certain fiduciary responsibilities and prudent investor standards consistent with applicable statute, as described in the textbox.¹
- b. List the important roles and define corresponding responsibilities This policy should thoroughly cover the responsibilities of all major parties such as the board trustees, investment consultants, investment managers, custodians, and others. It should also define

¹ Sec. 802.203, Texas Government Code

their levels of authority and reporting requirements and include clear descriptions for monitoring and accountability of the assigned responsibilities. With these important roles clearly defined, the IPS helps provide continuity of the investment program by ensuring this important information can be passed on to future trustees.

- c. Describe how a role is reviewed Role policies should include a description of how roles will be reviewed including what metrics will be used, how frequently they will be reviewed, and who is responsible for reviewing the results.
 - Example: "The consultant will use the IPS-specified performance metrics to review investment managers quarterly and present to the board for review."
- d. Document the frequency of competitive procurement For third-party consultants and other relevant service providers, the policy should provide for a regular competitive procurement process, typically every 3-5 years. Regular re-procurement helps ensure quality services for a competitive cost.
 - i. With sufficient expertise and procedures in place, systems can instead constantly monitor third-parties and have triggers in place for ad-hoc RFPs if not meeting performance expectations.
- 3. Investment objective: This policy defines the focus of the investment program using objective goals that can be measured and monitored. These objectives can be both short-term and long-term in nature and should be used to evaluate the overall success of the investment program. Examples of investment objectives are listed in the textbox, Example Investment Objectives.
 - a. Document the investment objective The goal or goals should be actionable, attainable, unambiguous, and specified in advance. See examples in the textbox.
- 4. **Liquidity:** Liquidity policies can influence different aspects of a pension fund depending on the specific funding situation. For example, mature plans will require more cash flow liquidity to make benefit payments. A liquidity policy can be a subsection to a larger policy—such as risk tolerance or investment assets—but may be a significant enough factor to merit a dedicated policy section.
 - a. Liquidity as a standalone policy This section should include procedures for staff or the system to notify investment managers of expected future distribution
 - needs, fund liquidity level requirements, illiquid
 - investment restrictions, and notification policies or actions that the fund will take in the case of insufficient liquid assets.
 - b. Liquidity as a relevant subsection to another policy Since the term liquidity can have different meanings in investments and in terms of pension funds, subsections can sometimes be a better option.
 - c. Liquidity policies and procedures might also exist in another external document manual used by staff or the fund that contains higher levels of detail. In these situations, a policy can provide an overview of liquidity goals and reference the additional resource documents.
- 5. Risk tolerance: This policy defines the risks that the fund accepts in exchange for investment returns. Identifying acceptable risk can be done in several ways, which may include risk budgeting, statements

Example Investment Objectives

- Achieve a long-term rate of return that exceeds the assumed actuarial rate of return.
- The fund's nominal net of fee return should meet or exceed the investment return assumption of 7 percent over a rolling five-year, 10year, and 20-year period.
- The actively managed investments performance should net return 1 percent alpha (excess return over a benchmark).

accepting market volatility in exchange for believed higher returns over the long term, risk measures or metrics, and diversification goals. The identification of fund risks can be done routinely during asset allocation and asset liability studies, these processes can be referenced. Additionally, identified risk metrics should not be overly prescriptive as changes in market environments or goals can require different views. The goal of this section is to identify the risk factors that could impede success and how the system will ensure the risk is monitored and managed. This policy should:

- a. Identify risk factors Examples can include market risk, economic risk, interest rate risk, inflation risk, and credit risk.²
- b. Define risk metrics Examples can include standard deviation, expected volatility, value-at-risk (VaR), and drawdown risk.
- c. (If appropriate) Liquidity Depending on the funding level or cashflow requirements to meet benefit
 payments, adequate liquidity levels might be a significant risk that requires detailed policies and
 monitoring.
- 6. Investment assets: This policy describes the asset classes considered investable by the fund and determines what percentage the fund will invest in each asset class, also known as the asset allocation. Refer to the example IPS document for more information and an example asset allocation. Assets can be grouped in different ways by various distinctions. However, the most common asset classes include equities, fixed income, real assets, alternatives, and cash. The policy should:
 - a. Establish investable asset classes Specify asset class allocation targets and rebalancing ranges.
 - b. Specify portfolio process Establish portfolio asset allocation target determination process and frequency of review.
 - c. (If appropriate) Define expected volatility and risk levels, including expected volatility and risk levels in any asset allocation target tables.
 - d. (If appropriate) Specify how often an asset liability study is to be performed or reconsidered after consultation with the investment consultant and actuary. Every three to five years is generally identified as industry best practice.
 - e. (If appropriate) If investing in alternative assets, document additional policies, such as legal reviews, valuation methodologies, liquidity, and others. These documents can be external to the IPS and referenced for brevity.
 - f. (If appropriate) Document any cash flow or liquidity concerns or needs that would impact the investment options or allocation.
- 7. **Proxy voting:** Systems that have investment proxy voting rights should include this policy in the IPS. A proxy policy should state which party is responsible for voting, define guidelines or limitations that must be followed, and specify notification/reporting procedures to the board on votes placed such as having vote records available upon request by the board. If a system chooses not to have investments with proxy voting rights and therefore has no related guidelines or procedures, the IPS should still include this section to have a default statement that investment managers to vote proxies in the best fiduciary interest of the fund and beneficiaries.
- 8. **Performance evaluation:** This section describes how the system's board will assess the success of the investment program and use that information to improve future decision making. The evaluation of

² PRB, MET Investments Course, accessed November 5, 2023, https://education.prb.texas.gov/course/investments/

performance can be delegated to a third party such as an investment consultant, who can consolidate, validate, analyze, and present the findings to the system's board.

- a. Specify metrics Time-weighted, or internal rate of returns (TWR, IRR). Net of fee returns should always be provided, and gross returns are optional.
- b. Identify benchmarks An acronym to use when identifying benchmarks is SAMURAI. See the textbox, SAMURAI, for a description of each aspect of benchmarks meeting this standard. Note: Alternative investments may not always have investable assets such as private equity. Therefore, benchmarks may not always comply with SAMURAI and may require a different approach.
- c. Cost management This section can be written as a standalone section or as subsection to the performance evaluation policy. In any case, it should require that that both direct and indirect fees be monitored and specify frequency of review. The policy should include:
 - i. Reporting requirements of investment expenses, both net and gross of fees.
 - ii. Statutory reporting requirements Texas retirement systems are required to report investment expenses in their annual financial reports. As a result, a fee policy should be tailored to capture and use the required information. This policy should require that both direct and indirect fees be evaluated and indicate the party responsible for providing this information using the reporting requirement as a guide.³

SAMURAI

- Specified in advance The benchmark should be specified prior to evaluation.
- Appropriate The benchmark should be a good proxy for the investment and its characteristics.
- Measurable The benchmark should be easily calculable and available.
- Unambiguous The benchmark should be clearly understood by all parties involved.
- Reflective of current investment opinion
 The benchmark should match the investment style deployed by the fund.
- Accountable The benchmark should be accepted as appropriate by the party who is ultimately accountable for the investment's performance.
- Investable The benchmark should be purchasable or able to passively replicate.
- d. (If appropriate) Performance attribution This policy would specify if performance attribution should be required with performance evaluations. These additional details can be extremely useful for a board to understand investment performance while making it easier to engage investment staff or consultants on potential actions.
- e. (If appropriate) Performance appraisal and active vs. passive This policy would focus on evaluating investment managers' ability to deliver alpha using metrics and excess return analysis. The policy could include procedures to review active managed investments vs. passive investment alternatives.
- 9. **Investment manager selection and monitoring:** Investment managers are those who manage a portion of the system's assets. As such, the IPS should include policies to specify the due diligence necessary to ensure those assets are invested in the best interest of fund. As conducting investment manager due diligence is a

³ Sec. 802.103, Texas Government Code, 40 TAC, §609.105(9)

⁴ <u>Secs. 802.206, Texas Government Code</u> directs the governing body of a retirement system to monitor investments in no specific means and as such the options listed are reflections of general best practices and not all inclusive.

skilled practice, it is highly encouraged that systems that lack internal expertise rely on a third-party consultant with relevant expertise to create or provide policies and guidance to govern the process.⁵

- a. Selection criteria Include qualitative, quantitative, or other factors.
- b. Procedure and metrics used for monitoring Use benchmarks established in the performance evaluation section. Performance should be reviewed at least quarterly.
- c. Compliance Review compliance with all applicable laws, fund guidelines, and monitoring policies.
- d. Monitoring policy One option is to include a watch list process in the policy as part of the monitoring process for investment managers. This type of policy allows a system to notify managers of their watch list status, which occurs when performance deficiencies or other issues arise that can lead to termination and withdrawal of assets. This process may include:
 - i. A notification to the investment manager of their placement on the watch list and the reason for the decision.
 - ii. A request for the manager to respond or provide any qualitative or quantitative analysis regarding the underlying issue.
 - iii. A contingency to research alternative investment opportunities if the investment manager is terminated.
 - iv. A requirement to review watch list managers every year to decide on removing, maintaining watch list status, or terminating.
- e. (If appropriate) Alternative active monitoring policy Instead of using a watch list policy an alternative that requires a high level of investment expertise and policies is an active monitoring approach. This requires a proactive approach to identify and address performance deficiencies before they would normally meet a watchlist's criteria.
- 10. **Ethics:** A section can be created to outline the core ethical principles that all parties should follow. Alternatively, this section may reference an external document the system maintains, such as a code of conduct or broader ethics policy. These types of polices help clarify acceptable practices and document the core ethical beliefs trustees and other third parties will follow.

⁵ Secs. 802.204-802.207, Texas Government Code



Investment Policy Statement Example

Overview

The Guidance for Developing an Investment Policy Statement, adopted by the Pension Review Board (PRB), provides a description of policies and sections that systems are encouraged to include in their investment policy statement (IPS), as applicable. This IPS example is an additional reference tool provided by the PRB to demonstrate what each type of policy might look like in an IPS. <u>Specific requirements included below (including defined roles and responsibilities, defined percentages, etc.) are not intended to be prescriptive but to help inform users about the types of elements that should be included in an Investment Policy. In addition, this document is not intended to be a fully functioning IPS since certain policy sections have been shortened for brevity and each IPS should be tailored to each system's needs. Furthermore, this IPS example is not intended to replace any system's existing IPS, but systems may use it as a starting point of a new IPS or to develop new policy language to update an existing policy.</u>

This document contains example language from industry entities such as the Government Finance Officers Association (GFOA) and the Chartered Financial Analyst Institute (CFAI). Specific references are provided at the end of this document. The PRB also used policy language from actual IPS documents adopted by several Texas public retirement systems including, but not limited to, the Texas Municipal Retirement System (TMRS), Texas County and District Retirement System (TCDRS), Teacher Retirement System of Texas (TRS), City of Austin Employees' Retirement System (COAERS), Irving Firemen's Relief and Retirement Fund, City of El Paso Employees Retirement Trust, and Abilene Firemen's Relief and Retirement Fund, among others. In addition, a glossary of common terms used in IPS documents can be found at the end of this example IPS as an additional resource.

Example Language

I. Fund Mission

The investment policy statement (IPS) governs the pension system investment program and is established to provide a framework for management of those assets to conform with governing legislation and other legal requirements. This IPS outlines the foundational beliefs, purpose, objectives, benchmarks, restrictions, risks, and responsibilities of the board, staff, investment managers, service providers, sponsoring entity, members, and other stakeholders in how they impact the investment program.

The board has a fiduciary duty to the members and beneficiaries of the system to prudently allocate contributions from the sponsoring governmental entity and system members in accordance with the IPS to pay future benefits. The investment program relies on incoming funds in accordance with the established funding policy to meet a reasonable investment return assumption that matches future benefits.

II. Roles and Responsibilities

All parties involved in the investment program will act responsibly in accordance with their fiduciary duty and standards of care.¹

Prudence: The standard of prudence to be used by investment officials shall be the Uniform Prudent Investor Act standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures, this investment policy, and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

Ethics and Conflicts of Interest: Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business, in accordance with applicable laws. They shall further disclose any personal financial or investment positions that could be related to the performance of the investment portfolio. Trustees and investment officials shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the system.

- 1. The board of trustees is ultimately responsible for the administration of the system and its investment program assets following governing statute and applicable law. The board establishes investment objectives and policy, contracts with experts for advice and expertise, oversees the distribution of benefit payments, actively monitors investment performance, and as part of its fiduciary duty, ensures any delegated authority of investment assets are invested in accordance with the Prudent Investor Act. The board's fiduciary duty can be delegated to service providers but the board is ultimately responsible for monitoring the investment program. The board:
 - a. Establishes the fund mission, investment objectives, and investment philosophy consistent with the funding policy.
 - b. Creates and maintains a written IPS consistent with the identified mission and objectives and applicable laws.
 - c. Approves an investment asset allocation that diversifies the assets to reduce risk of loss.
 - d. Monitors and evaluates the system's investment performance and compliance with provisions outlined in the IPS or manager contracts and all applicable state or federal laws.
 - e. Efficiently manages the costs associated with implementation of its investment program.
 - f. Periodically reviews the performance of all service providers that directly report to the board including investment staff, investment managers, investment consultants, and custodians.
- 2. The **investment consultant** is hired by, and reports to, the board. The consultant provides advice and expertise on all investment-related matters, including:
 - a. Developing investment objectives and relevant policies.
 - b. Determining optimal asset allocation targets and investment strategies.
 - c. Leading investment manager searches, selection process, monitoring, and termination

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¹ Sec. 802.203, Texas Government Code

- following the policies outlined in the IPS.
- d. Providing monthly investment performance reports net of fees and liquidity status.
- e. Providing quarterly reviews of investment fees incurred.
- f. Providing the board with educational opportunities to improve trustees' investment knowledge.
- g. Reviewing the IPS annually and providing the board any suggestions for improvement.
- 3. The **investment managers** are retained by the board to manage or advise on specific strategies and asset classes, through a manager search process and according to specific criteria as set forth in this IPS. The manager must be registered under the Investment Advisers Act of 1940 and remain in good standing with all applicable laws. Investment managers:
 - a. Manage allocated assets in accordance with the policy guidelines and objectives as set forth in the investment management agreement between the manager and the board.
 - b. On a quarterly basis, provide a written report affirming compliance with the policy guidelines and any separate written agreement with the board.
 - c. On a quarterly basis, provide a report detailing the performance of allocated assets, a forecast of the market and economy, and portfolio analysis of invested assets.
 - d. Provide immediate written notice to the system of any significant market related or non-market related event that has impacted or may impact investment objectives.
- 4. The **custodian bank** serves as the master custodian of the system's assets and is responsible for maintaining the official book of record under the supervision of the board, calculating investment performance, and using the system's assets in accordance with the terms of a separate agreement.

III. Investment Objectives

The investment objective is to maximize the probability of achieving the actuarial return assumption without exceeding the risk tolerance specified by the board. The actuarial consultant's recommended return assumption for the system should be created after consulting with the system's investment consultant to determine appropriate expectations surrounding long-term investment returns for a well-diversified investment portfolio considering system future liabilities.

- 1. The investment assets nominal net of fee return should meet or exceed the return assumption of 7 percent over a rolling five-year, 10-year, and 20-year period. The total fund portfolio performance will be compared using the relative benchmarks and asset weights specified in the IPS.
- 2. The actively managed investment performance should net return 1 percent alpha (excess return over the specified benchmark).

IV. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active

secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

The investment consultant is responsible for monitoring and providing a liquidity report monthly to the board. As liquidity can vary by asset class and investment vehicle, the board shall limit portfolio asset investments based on redemption periods. The consultant will provide notice of known distribution liquidity needs to the investment managers in advance.

- 1. No more than 60 percent of the portfolio can be invested in vehicles that provide liquidity on a greater than annual basis.
- 2. No more than 20 percent of the portfolio can be invested in vehicles that provide liquidity on a greater than three-year lock-up period.

V. Risk Tolerance

The investment consultant will establish a framework for measuring the total fund portfolio and specifically the policy benchmarks for asset classes and investment managers. At a minimum, this framework must include a quantitative risk assessment for downside risk (e.g., value-at-risk (VaR), estimated shortfall, or various parametric and non-parametric statistics).

Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate market risk, credit risk, inflation risk, and interest rate risk. These risk factors are further evaluated and discussed in the routinely conducted asset allocation and asset liability studies.

1. Market Risk

The system will minimize market risk, which is the risk that prices for stocks, bonds, and other assets may fall, by:

- Limiting investments to the types of securities listed in Section VI of this investment policy.
- Pre-qualifying and conducting ongoing due diligence of the financial institutions, broker/dealers, intermediaries, and advisers with which the system will do business in accordance with Section VI.
- Diversifying the investment portfolio so that the impact of potential losses from any one type
 of security or from any one individual issuer will be minimized.

2. Credit Risk

The system will minimize credit risk, which is the risk of loss of all or part of the investment due to the failure of the security issuer or backer, by:

- Limiting investments to the types of securities listed in Section VI of this investment policy.
- Pre-qualifying and conducting ongoing due diligence of the financial institutions, broker/dealers, intermediaries, and advisers with which the system will do business in accordance with Section VI.
- Requiring a minimum credit quality for certain investments and counterparties in accordance

with Section VI.

• Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

3. Interest Rate Risk

The system will minimize interest rate risk, which is the risk that rising of falling interest rates will reduce the value of the system's assets, by:

- Structuring the investment portfolio so that security maturities match cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting individual security maturity as well as the average maturity of the portfolio in accordance with this policy.

VI. Investment Assets

The board recognizes that the asset allocation decision will be the single most important factor determining the long-term performance of the fund. The board therefore wishes to retain complete discretion with respect to the asset allocation decision. Investment managers are expected to manage the funds for which they have been allocated at their discretion within the constraints of their mandates.

The current needs of the fund require a diversified portfolio, and the asset allocation percentages specified in this section are determined by the board as the optimal allocation for the fund. The determination of the optimal allocation is reviewed annually and is based on the advice of the investment consultant and available asset-liability studies. This should be performed generally every 3-5 years or after consulting with the actuary and investment consultant for appropriateness. The fund's time horizon is long-term, and the allocation considers the various preferences, risk tolerances, return objective, and the desired diversification from this IPS.

Strategic Asset Allocation

Asset Class	Minimum Range	Strategic Target	Maximum Range
Public Equity	40%	50%	60%
Fixed Income	15%	30%	40%
Real Assets	5%	10%	15%
Alternative Investments	5%	10%	15%
Cash	0%	0%	5%

Rebalancing Policy

The goal of the rebalancing policy is to maintain the board-approved strategic allocation and its risk-to-return profile. The board has delegated rebalancing to the investment consultant which will review allocation levels for rebalancing at least quarterly.

Authorized Investments

1. Public Equity

- a. Investments in public equity securities must be traded on a national exchange or electronic network.
- b. No more than 5 percent of the system's total assets may be invested in the common stock, capital stock or convertible stock of any single issuing company. Additionally, the aggregate investment in any single company shall not exceed 5 percent of the outstanding capital stock of that company.
- c. Investable options:
 - i. Index fund, mutual fund, common stocks, exchange traded funds (ETFs), preferred stocks, or broad market benchmarks
 - ii. Active and passive commingled funds
 - iii. Separately managed accounts for actively managed, rules-based, passively managed, or custom strategies.
 - iv. Other equity instruments including exchange-traded futures, options, or other derivatives are permitted only with approval from the board.

2. Fixed Income

- a. Domestic and Yankee Bonds, mortgages and mortgage-backed securities, asset-backed securities, global corporate bonds, global sovereign debt, fixed income futures, interest rate futures.
- b. No more than 5 percent of the fund' total assets may be invested in the securities of any single corporate issuer.
- c. All securities must be rated at least B- or equivalent.
- d. Competitive bids shall be obtained from at least three brokers or financial institutions on all purchases and sales of investment instruments transacted on the secondary market if possible.

3. Real Assets

a. Inflation-linked securities, commodities, REITS, real estate, listed infrastructure, natural resources.

4. Alternative Investments

a. Private equity, hedge funds, private real estate

5. **Cash**

a. Custodian bank STIF vehicles, AAA rated money market mutual funds, US Treasuries with maturity less than 365 days.

Alternative Investment Legal Requirements

Due to the unique nature of alternative investments, all investment entry documents, and any accompanying side letters will be reviewed by the system's contracted legal counsel to determine if the documents are sufficient for the system's legal requirements and needs. An alternative investment may not be made if certain legal requirements cannot be satisfied and the system is not willing to assume the legal exposure.

<u>Alternative Valuation Policy</u>

Due to certain alternative investment pricing limitations and complexities, the board will delegate to the investment consultant confirmation of compliance with industry best practice valuation procedures on an annual basis.

For all real estate investments, the investment consultant will confirm compliance with industry best practices. These investments should preferably have quarterly valuations, but valuations must be

conducted no less than semi-annually. Exceptions to this policy can be approved by the board, such as for non-stabilized properties which include but are not limited to those under construction or renovation as well as land held for future expansion or entitlement. Because of the complexity and uniqueness of each alternative investment, the policies below are not all inclusive and the investment consultant may identify additional policies according to their expertise that will be maintained as an external document to the IPS available to the board.

- 1. Valuation Requirements The scope must be sufficient to demonstrate that the value of each property held has been appropriately determined. The scope should include, but not be limited, to the following:
 - a. Must have and follow their own written valuation policies.
 - b. Must notify the system in writing if the internal valuation policy is changed.
 - c. Must be appropriate, established valuation techniques.
 - d. Valuation process oversight, review, and approval must be independent of the portfolio manager with approval so documented.
 - e. Sufficient documentation for real estate auditors to recompute the calculations during audit.
 - f. Reconciliation of any significant variance from the previous appraisal.

VII. Proxy Voting

The board by default does not intend to invest in investment vehicles that provide proxy voting rights; however, when applicable, the investment manager is granted the authority to represent the system and shall vote shares in the best interest of the fund and its beneficiaries. A listing of all proxy votes showing the date each proxy was voted, the issue as to which each proxy was voted, and how each proxy was voted shall be provided to the board upon request within a reasonable timeframe. If a proxy was not voted, the investment manager will provide a written statement indicating the reason that a particular proxy was not voted to the board as soon as reasonably practicable.

VIII. Performance Evaluation

Performance measurement will be based on total rate of return and will be monitored over a sufficient period to reflect the investment expertise of the manager(s) over one full market cycle, or five years, whichever is less. Performance results and evaluation relative to objectives will be reported to the board on a quarterly basis. A time-weighted return formula (which minimizes the effect of contributions and withdrawals) will be utilized in performance calculations. For alternatives, time-weighted returns will be used for consolidated reporting; however, internal rates of return and comparison to relevant peer groups and vintages will be used for evaluation of managers.

Asset Class Benchmarks

Asset Class	Policy Benchmark	Asset Class Goal	Strategic Target
Public Equity	MSCI ACWI IMI (Net)	Benchmark	50%
Fixed Income	Bloomberg Barclays US Aggregate Bond Index	Benchmark	30%

Real Assets	Real Estate – (NCREIF-ODCE Index) Real Assets – (Rollup of underlying manager benchmarks)	Real Estate – (CPI+5%) Real Assets – (CPI+4%)	10%
Alternative Investments	Hedge Funds – (HFRI FoF) Private Equity – (Rollup of underlying manager benchmarks)	Russel 3000 + 3%	10%
Cash	30-Day T-Bill	Benchmark	0%

Marking to Market

The market value of the portfolio shall be calculated at least quarterly [or monthly] and a statement of the market value of the portfolio shall be issued at least quarterly [or monthly]. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed consistent with the GFOA Recommended Practice on "Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools." In defining market value, considerations should be given to the GASB Statement 31 pronouncement.

Quarterly Report

Each quarter, the investment consultant will prepare a report that compares the performance of the total investment fund against the benchmarks for the preceding quarter, fiscal year-to-date and annualized periods. The report shall provide the current allocation to each strategy and asset class. The report will also provide a synopsis of the performance of each active manager and a list of currently scheduled commitments or redemptions, if any, as well as any activity for the preceding quarter. Performance attribution analysis shall be provided that will show the impact of any asset class divergences over the past quarter and year as well as the performance of active managers.

The investment consultant should provide the report to the board and any investment committee. The report will include the following:

- 1. Listing of individual securities held at the end of the reporting period including type, acquisition cost, book cost, and market value.
- 2. Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity (in accordance with Governmental Accounting Standards Board (GASB) requirements).
- 3. Average weighted return on investments as compared to applicable benchmarks.
- 4. Percentage of the total portfolio which each type of investment represents.
- 5. A statement that the investment portfolio is compliant with the investment policy and is meeting the investment policy objectives.

Investment Expenses

Each quarter, the investment consultant will prepare a report that reviews both the direct and indirect expenses against relevant benchmarks and peers for the preceding quarter, fiscal year-to-date and one-year. Total fund expenses compared to peers will be reviewed annually with recommendations for improvements or confirmation of reasonable expenses.

The report must show each investment's expenses, both direct and indirect, accrued or estimated for the applicable period if available and not cost prohibitive. Alternative investments will show the most recent incurred expenses. Investments are allowed to be aggregated into asset classes if approved by the board. The expenses incurred must be aggregated based on the type of fee incurred (e.g., management fee paid from trust, management fee netted from returns, commission/brokerage fees, and profit share carried interest) and by asset class. The investment consultant should raise any concerns about fee tracking, complexity, and any cost prohibitive concerns with the board so that performance and expenses are adequately tracked in a cost effective manner.

IX. Investment Manager Selection and Monitoring

To better ensure that managers will successfully manage to the system's objectives for their specific mandates, the board supports disciplined processes for manager selection, monitoring, watch list, and termination. In addition, the manager selection process is intended to protect against unethical behavior including bribery and corruption and contact between the board and managers during the search process that is related to the pending selection and intended to influence the search outcome. Contact will be limited during the search process and directed through the investment consultant or third-party provider assisting in the investment manager search. Direct inquiries by managers to individual board members regarding the investment program will be referred to the investment consultant. As the investment needs of the system are ever-changing, so are the criteria appropriate for the selection of investment managers. Additional criteria and/or amendments to these criteria may be made by the board when appropriate.

<u>Investment Manager Selection Criteria</u>

- 1. Manager candidates should have a real-time performance record of five years or more for the specific investment product that the system is seeking. However, recognizing that past performance is not indicative of future results and the fact that attractive opportunities may be available without this target, qualitative exceptions to this rule may be adopted by the board.
- 2. Manager candidates must have demonstrated a long-term record of superior performance.
- 3. Manager candidates must have registered with the U.S. Securities and Exchange Commission (SEC) as investment advisors or be exempt from registration.
- 4. Manager candidates should have a material amount of assets under management for that specific investment product unless a waiver is authorized by the board.

Alternative Investment Manager Selection Criteria

- 1. The general partners or sponsors of alternative investment funds must possess the management skill and industry knowledge to exercise influence or have an impact on the portfolio companies that the funds invest.
- 2. The contract terms must not grossly favor the general partners over the limited partners (investors).
- 3. Capital commitment by the general partners should be significant.

Watch List

A manager retention decision is very important to the continued success of a pension system's investment strategy. The Watch List Policy applies to managers in the following asset classes: public equities, fixed income, and real assets. The watch list may not necessarily lead to any needed action but rather is intended to place a manager under increased scrutiny based on failure to meet quantitative or qualitative standards.

Quantitative Factors Resulting in Watch List Additions

Several factors may contribute to a manager's over- or under-performance at any given time, such as: market dynamics, investment skill, and/or pure chance. Given this uncertainty, it is unwise to mandate termination purely for lagging performance at any specific point. The following represent guidelines to be used in making a recommendation to the Board with regards to placing a traditional asset class manager on the watch list:

- Test 1 If the manager's rolling, five-year return (net of fees) falls below the rolling, five-year benchmark return for three consecutive quarters.
- Test 2 If the manager's rolling, five-year return (net of fees) for three consecutive quarters ranks in the bottom third of the investment consultant's peer group universe.

At the discretion of the board, a manager may be included on the watch list based on these criteria. The board may place the manager on the watch list at any time. Once a manager is placed on the watch list for performance reasons, performance will be closely monitored and scrutinized. All the qualitative criteria should be reviewed along with an explanation of the underperformance from the manager. Additional actions could include meetings with the manager and a formal re-interview of the manager by the board.

The manager will continue to be closely monitored during the watch list period and will remain under scrutiny until the board and investment consultant agree that the quantitative and qualitative criteria for removal from the watch list have been satisfied. Generally, one period of a rolling, five -ear return above the benchmark or above the bottom third of the investment consultant's peer group universe following placement on the watch list will be required for a manager's removal from the watch list for performance reasons. The observation process will at this point begin again.

Qualitative Factors Resulting in Watch List Additions

A significant and potentially adverse event related, but not limited, to any of the following qualitative issues or events, will be considered a reason to add the manager to the watch list. Examples include, but are not limited to, these events:

- Violation of investment guidelines
- Deviation from stated investment style and/or shifts in the firm's philosophy or process
- Turnover of one or more key personnel
- Change in firm ownership or structure
- Significant loss of clients and/or assets under management
- Significant and persistent lack of responsiveness to client requests
- Litigation

- Failure to disclose significant information, including potential conflicts of interest
- Chronic violations of the system's investment policy
- Any other issue or situation of which the board, the investment consultant and/or trustees become aware that is deemed material

Should any of these events occur, the recommended courses of action are similar to those contained in the preceding subsection (Quantitative Factors Resulting in Watch List Additions). After an assessment of the nature of the problem or potential problem, the investment consultant should then make a recommendation as to the appropriate course of action at the meeting after notification for the board to make a final determination of any action to take.

Because of the subjective nature of qualitative analysis, both additions and removals to and from the list should be handled by the investment consultant and the board on a case-by-case basis.

Active Monitoring Approach

The board in consultation with the investment consultant will review periodically on the investment monitoring approach using a watch list vs. other potential options such as active monitoring.

X. Ethics

The board recognizes the responsibility and fiduciary duty it has to the members and beneficiaries of the system and requires all trustees, service providers, and fiduciaries to the system to always act ethically in accordance with the system's external Ethics Policy.

XI. Glossary And Resources

Active Management – A process employed by the system to produce better returns than those of passively managed indexed funds by use of, for example, investment managers, investment advisors, ETFs, or TAA, which typically rely on analytical research, quantitative models, forecast, regime analysis, judgment and experience in making investment decisions.

Asset Liability Management Study (ALM Study) – A comprehensive periodic study commissioned by the board to examine various aspects of the system's assets and liabilities including, but not limited to, asset allocation and investment strategies along with key asset and liability risk exposures.

Cash (Cash and Cash Equivalents) – An asset class characterized by liquidity of one year or less and described in greater detail in Section VI of this IPS as an investment category.

Commingled Fund – An investment fund consisting of assets from several accounts, which may include non-system accounts, that are blended so investors may benefit from economies of scale, lower trading cost, and diversification. Commingled funds are not publicly traded.

Exchange-Traded Fund (ETF) – A marketable security that tracks an index, a commodity, bonds, or a basket of assets like an index fund, and can be traded like a common stock on an exchange.

Fiscal Year (FY) – The period unique to the system for annual reports.

Investment Management Agreement (IMA) – A formal agreement between an investment manager and the system stipulating the terms under which the investment manager is authorized to act on behalf of the system to manage the assets listed in the agreement. The agreement establishes the extent to which the investment manager may act in a discretionary capacity to make investment decisions based on a prescribed strategy.

Investment Manager – An entity that manages system assets, usually in a separately managed account, with discretionary authority to invest within the confines of a system-mandated investment strategy or similar system directive, and where the account holdings are typically maintained in the custody of the fund's custodian bank.

Investment Policy Statement (IPS) – The investment policy statement of the system as approved by the board/investment committee that provides for the system's general investment goals and objectives.

Investment Program (IP) – A system for the investment and administration of the system's assets as outlined in the system's IPS and all applicable laws and regulations.

Internal Rate of Return (IRR) – The annual rate of growth for an investment that nets all expected future cash flows to zero. Often used in alternative investments that have large cash outflows during the beginning of the investment cycle with expected return distributions experienced in the future.

Market-Based Strategies – Investment strategies which are traded on public markets and are based on publicly traded securities. Market based strategies are highly liquid and valued daily.

Net Asset Value (NAV) – Market value per unit of the investment vehicle. For public markets, market value is determined daily. For private investments, market value is estimated periodically.

Passive Management (Indexing) – The process of buying and holding a well-diversified portfolio designed to produce substantially the same returns as a specified market index.

Peer Group – A set of investors (funds or managers) whose returns are used for a comparison with those of a given fund to determine how the given fund ranks among similar funds.

Performance Appraisal – The part of the performance evaluation process that attempts to determine whether the investment returns over an evaluation period have been achieved by skill or luck.

Performance Attribution – The part of the performance evaluation process that identifies sources of returns for a portfolio relative to a designated benchmark over an evaluation period.

Performance Evaluation – A component of the investment process involving periodic analysis of how a portfolio performed in terms of both returns earned and risks incurred.

Performance Measurement – The part of the performance evaluation process that calculates a portfolio's rate of return over an evaluation period.

Policy Benchmark – The specific standards against which the performance of securities held by the fund in certain asset classes can be measured. The specific benchmarks are detailed under Section VI - Investment Assets.

Private Investment – Strategies in which the system invests (typically through an interest in a limited partnership, limited liability company, or through some other binding agreement) in private equity, debt, real assets, or other assets not listed on a public exchange.

Risk Appetite – The amount of risk that the system is willing to take to meet its strategic objectives.

Risk Factors – Underlying characteristics of the portfolio that define risk, return and correlation.

Risk Tolerance – The degree of variability of investment returns relative to the assigned benchmark that the system is willing to accept.

Sharpe ratio – A risk-adjusted measure of portfolio performance in which risk is measured by the standard deviation of the portfolio's returns. It is the annualized ratio of the excess return (the actual return less the risk-free return) of the portfolio divided by the portfolio's standard deviation over a specified period.

Strategic Asset Allocation (SAA) – A portfolio strategy that sets long term target allocations for various asset classes and includes periodic rebalancing to maintain these allocations.

Tactical Asset Allocation (TAA) – A portfolio strategy that shifts, for a short period of time, the percentage of assets held in various allocation categories to capitalize or manage risk on market or economic environments.

Time Weighted Return (TWR) – A method for calculating investment returns such as an annualized return using the geometric mean of returns each year over a specified period.

Tracking Error – A measure of deviation between a portfolio's return and the benchmark or index it was meant to mimic or beat.

Reference Materials

Chartered Financial Analyst Institute (CFAI) Materials

J Bailey and T Richards,. A Primer for Investment Trustees: Understanding Investment Committee Responsibilities (2017).

D Chambers, K Black, and N Lacey, Alternative Investments: A Primer for Investment Professionals (2018). M Drew and A Walk, Investment Governance for Fiduciaries (2019). Scott Stewart, Manager Selection (2013).

Government Financial Officers Association (GFOA) Materials

GFOA Best Practice, *Adopting Financial Policies* (Sept. 30, 2015). https://www.gfoa.org/materials/adopting-financial-policies

- GFOA Best Practice, *Investment Policies for Defined Benefit Plans* (Sept. 30, 2017). https://www.gfoa.org/materials/investment-policies-for-defined-benefit-plans
- GFOA Best Practice, *Investment Fee Guidelines for External Management of Defined Benefit Plans* (Sept. 28. 2018). https://www.gfoa.org/materials/investment-fee-guidelines
- GFOA <u>Alternative Investments Checklist</u>
- GFOA <u>Sample Investment Policy</u>





Investment Policy Statement Review Tool

	Policy	Does policy exist? Y/N	Action needed	Status (such as in progress, complete, etc.)
1.	<u>Fund mission or goal</u>			
2.	Roles and responsibilities			
3.	<u>Investment objective</u>			
4.	<u>Liquidity</u>			
5.	<u>Risk tolerance</u>			
6.	<u>Investment assets</u>			
7.	<u>Proxy voting</u>			
8.	<u>Performance evaluation</u>			
9.	<u>Cost management</u>			
10.	Investment manager selection and monitoring			
11.	<u>Ethics</u>			
	Governance Procedures	Procedure completed? Y/N	Action needed	Procedure status
1.	IPS reviewed within last 2 years and reapproved within the last 5 years with documented changes filed with the PRB			
2.	The IPS consider both pension funding constraints and benefit liabilities			
3.	Existing practices are documented			
4.	The IPS document is on a publicly available website and a physical copy is available at the main office			
Во	ard Meeting Date:	IPS Last Approve	d Date:	
Cor	mments and Notes			

Item 8a: AV Report and Item 8b: FSRP Report

David Fee



Summary

- AV report
 - Changes since March board meeting
 - System news
 - Major assumption changes
 - Funding progress
 - System overview
 - Summary analysis
 - Discount rate
 - Payroll growth rate
 - Funding period
 - Funded ratio
 - Fund exhaustion
 - UAAL percent of payroll
 - Employer normal cost
 - Contributions
- FSRP Report
 - FSRP status changes since March board meeting
 - FSRP status by category



Actuarial Valuation Report



Texas Public Pension System News

Big Spring Fire

- City contribution increased 3 percent of pay from 15 to 18 percent
- Brought funding period from above 30 years to below 20 years

Corpus Christi Fire

- City contribution increased .984 percent per year from 21.28 percent in 2019 to 26.2 percent in 2024
- Additional increase to 27.2 percent for 12 years to pay ad hoc COLA
- Members voted to increase from 13.1 percent to 14.1 percent to reduce DROP minimum age/service requirements

Galveston Employees

Increased benefit multiplier, paid for by increased city contributions



Texas Public Pension System News

Marshall Fire

- No longer adhering to Legacy FSRP, now subject to FSRP
- Received FSRP update on July 1
 - Signed by board chair and city finance director
 - · City agreed to pay employer contributions for vacant firefighter positions
 - City increased salary 10 percent for all members
 - Members have requested \$250,000 additional city contributions in 2024/2025
 - · Working on additional changes

Midland Fire

- Approved 12/31/2023 actuarial valuation
- Studying potential benefit changes
- Northwest Texas Hospital
 - Completed plan termination



Texas Public Pension System News

Odessa Fire

- Payroll increased from \$17.6M to \$21.9M
- Brought funding period from 29 years to below 23 years

San Benito Fire

- Firefighter count decreased from 26 in 2021 to 22 in 2023
- Funding period increased from 16.9 years to 32 years

The Woodlands Fire

- Increased benefits and city contributions
- Funding period remained at 0 years



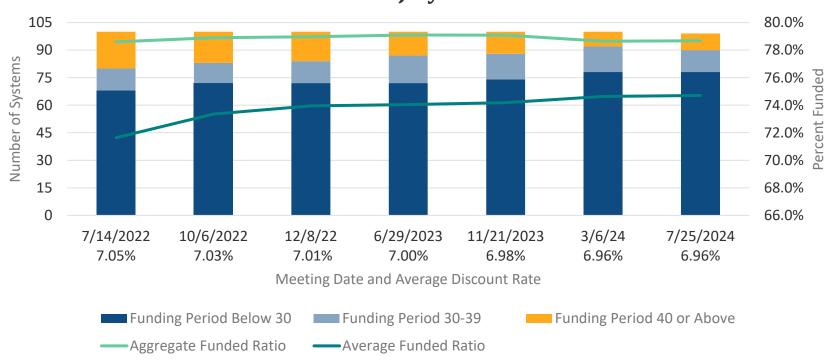
Significant Economic Assumption Changes

	Changed Discount Rate 3/6/24 → 7/25/24		Changed Payroll 3/6/24 → 3	
System	Current Rate	Prior Rate	Current Rate	Prior Rate
Amarillo Fire	7.35%	7.50%		
Corpus Christi Fire	7.15%	7.25%	2.65%	2.75%
DART	6.25%	6.75%		
Marshall Fire			3.25%	3.75%
University Park Fire	7.00%	7.25%		



Funding Progress 2022-2024

Funding Periods, Average Funded Ratios & Average Discount Rate Since July 2022





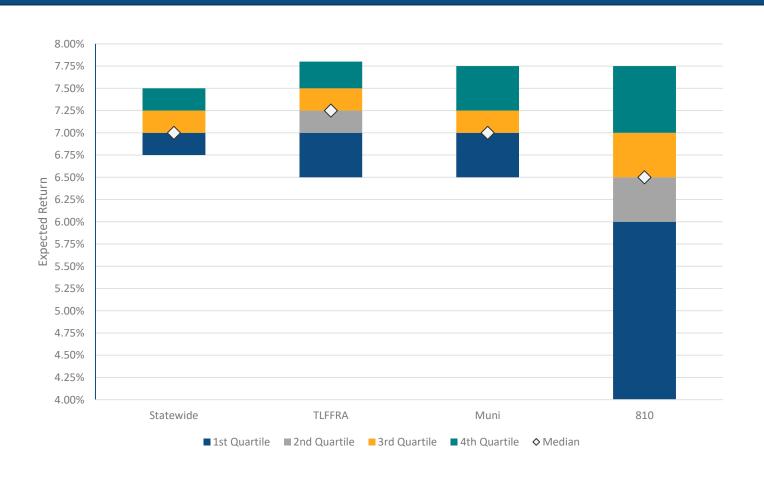
System Overview By Type

System Type	System Count	Median Expected Return	Median Amortization Period	Median Funded Ratio
Statewide	7	7.00%	15	89%
TLFFRA	42	7.25%	27	63%
Muni	17	7.00%	24	77%
810	33	6.50%	11	87%
Total	99	7.00%	20	76%

Numbers in **teal** denote improvements from the previous report



Expected Return on Assets (Discount Rate)



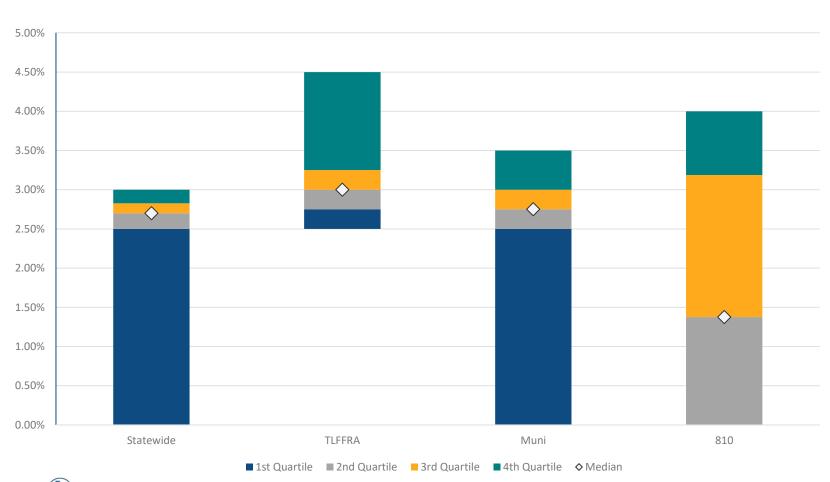


Systems with Discount Rate Above 7.5 Percent

System Name	Discount Rate	System Type
San Angelo Firemen's Relief & Retirement Fund	7.80%	TLFFRA
Big Spring Firemen's Relief & Retirement Fund	7.75%	TLFFRA
El Paso Firemen & Policemen's Pension Staff Plan	7.75%	810
El Paso Firemen's Pension Fund	7.75%	Muni
El Paso Police Pension Fund	7.75%	Muni
Harlingen Firemen's Relief & Retirement Fund	7.75%	TLFFRA
Orange Firemen's Relief & Retirement Fund	7.75%	TLFFRA
Temple Firemen's Relief & Retirement Fund	7.75%	TLFFRA
Wichita Falls Firemen's Relief & Retirement Fund	7.75%	TLFFRA



Expected Payroll Growth Rate





Systems With Actual 10-Year Payroll Growth Missing Expectations by More Than 75 bp

System Name	Expected Payroll Growth Rate	Actual Payroll Growth Rate	City Population Growth Rate ¹	Expected Inflation ²	System Type
Arlington Employees	3.00%	1.10%	0.76%	2.50%	810
Austin Police	3.00%	1.36%	2.33%	2.50%	Muni
Big Spring Fire	4.50%	3.57%	-0.43%	3.00%	TLFFRA
Harlingen Fire	3.50%	2.58%	1.03%	2.50%	TLFFRA
Houston Fire	3.00%	0.59%	0.94%	2.50%	Muni
Marshall Fire	3.25%	2.43%	-0.06%	2.50%	TLFFRA
San Antonio Fire & Police	3.00%	2.17%	0.78%	3.00%	Muni
San Benito Fire	3.00%	2.09%	1.51%	2.50%	TLFFRA
Texarkana Fire	2.90%	1.05%	-0.06%	2.90%	TLFFRA



¹ A growing city supports a higher payroll growth assumption

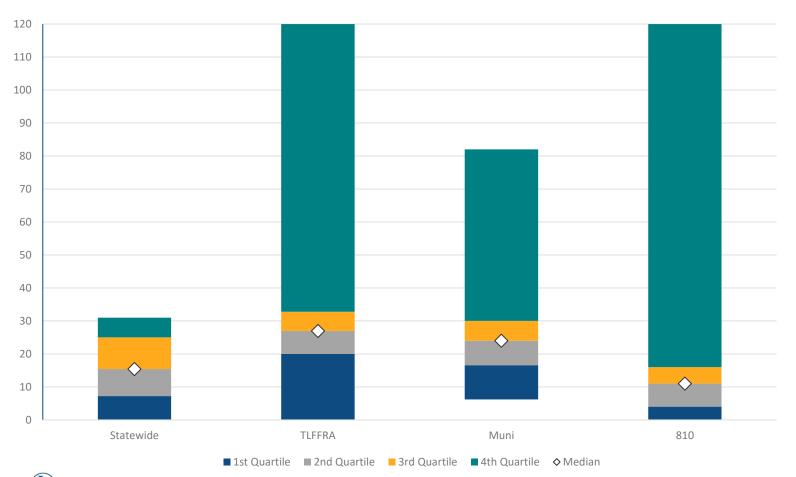
² A payroll growth assumption equal to expected inflation may not be considered aggressive 13

Funding Period To Avoid Negative Amortization

	Expected Return									
		6.75%	7.00%	7.25%	7.50%	7.75%				
	4.50%	18	18	18	18	(18) Big Spring Fire				
	4.25%	18	18	18	18	18				
	4.00%	20	(19) Waxahachie Fire	(19) Greenville Fire, Conroe Fire	18	(18) Wichita Falls Fire				
	3.75%	20	20	19	19	(19) Temple Fire				
	3.50%	(21) Citizens Medical Ctr	(20) DFW Airport, Galveston Police	(20) Paris Fire	20	(19) Harlingen Fire, San Angelo Fire				
2 2	3.25%	21	(21) San Antonio Metro, University Health	(21) Weslaco Fire, Marshall Fire	(20) Lubbock Fire, Plainview Fire	20				
	3.00%	(22) Denton Fire	(22) FWERF, Houston Fire, Midland Fire, Odessa Fire	(21) Austin Police, San Antonio F&P, Texas City Fire	(21) Abilene Fire, Beaumont Fire, Cleburne Fire, Longview Fire, San Benito Fire, Sweetwater Fire, TCDRS	21				
	2.75%	(23) Irving Supplemental, Plano, TMRS	(23) Atlanta Fire, Brownwood Fire, Houston Muni, Houston Police, Irving Fire, Tyler Fire	(22) Galveston Employees, Killeen Fire, Lufkin Fire, Port Arthur Fire	(22) Amarillo Fire, Galveston Fire, Laredo Fire	(21) El Paso Fire, El Paso Police, El Paso Staff				

Expected Payroll Growth

Funding Period





Systems With Funding Periods > 40 Years

System Name	Funding Period	System Type	Notes			
Midland Firemen's Relief & Retirement Fund	Infinite	TLFFRA	Proposed \$47M city contribution			
Sweetwater Firemen's Relief & Retirement Fund	Infinite	TLFFRA	Increased city contributions			
Nacogdoches County Hospital District	Infinite	810				
Dallas Police & Fire Pension System-Combined Plan	82.0	Muni				
Marshall Firemen's Relief & Retirement Fund	72.0	TLFFRA				
Beaumont Firemen's Relief & Retirement Fund	67.0	TLFFRA	Studying payroll increases			
Brownwood Firemen's Relief & Retirement Fund	52.8	TLFFRA	Completed FSRP			
Dallas Employees' Retirement Fund	51.0	Muni	Submitted preliminary FSRP			
Harlingen Firemen's Relief & Retirement Fund	45.0	TLFFRA				

Marshall Fire and Harlingen Fire were added to the list since the previous report



Systems With Funding Periods < 40 Years Contributing < 85 Percent of Amt to Avoid Negative Amortization

System Name	Interest on UAAL (\$Millions)	Normal Cost (\$Millions)	Necessary Funding	Actual Projected Funding	Necessary Funding Percent	Funding Period
Wichita Falls Fire 1,2	2.6	1.7	4.3	3.3	76.2%	32.1
Greenville Fire1	1.6	1.1	2.7	2.2	79.9%	35.0
Plainview Fire ²	0.7	0.3	1.1	0.9	81.2%	33.0
Abilene Fire ²	5.4	2.6	8.0	6.7	83.3%	29.4
Atlanta Fire²	0.1	0.2	0.3	0.2	83.4%	26.6
San Angelo Fire ^{1,2}	3.3	3.2	6.6	5.5	83.8%	29.7
Austin Police ³	48.8	40.3	89.1	75.5	84.8%	29.0

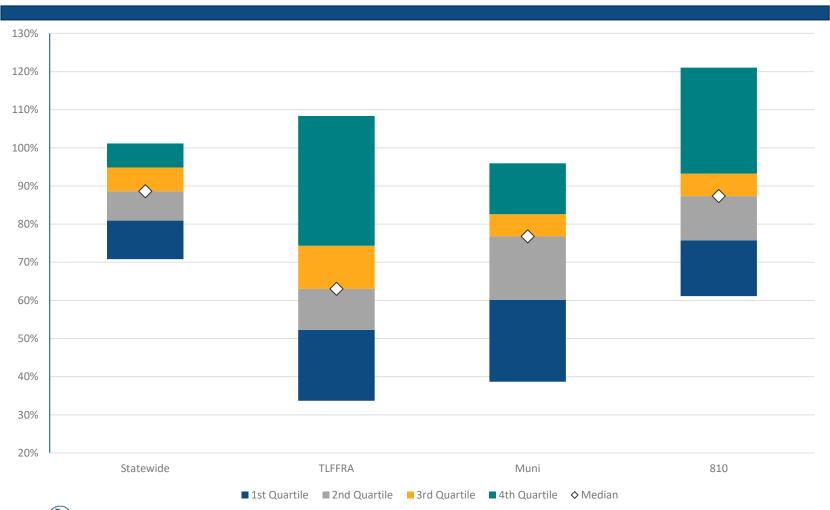


¹ Payroll growth rate assumption of 3.5 percent or greater

² Lesser tier of benefits for newer hires

³ Transition period with contributions less than ADC in early years

Funded Ratio





Systems with Funded Ratios < 50 Percent

System Name	Total Funded Ratio	Retiree Funded Ratio	System Type		
Marshall Firemen's Relief & Retirement Fund	33.7	61.5	TLFFRA		
Odessa Firemen's Relief & Retirement Fund*	36.4	51.2	TLFFRA		
Dallas Police & Fire Pension System-Supplemental*	38.7	51.4	Muni		
Dallas Police & Fire Pension System-Combined Plan	39.1	57.6	Muni		
Greenville Firemen's Relief & Retirement Fund	41.0	77.1	TLFFRA		
Texas City Firemen's Relief & Retirement Fund*	42.2	59.1	TLFFRA		
Galveston Employees' Retirement Plan for Police*	42.8	70.8	Muni		
Midland Firemen's Relief & Retirement Fund	43.1	78.3	TLFFRA		
Plainview Firemen's Relief & Retirement Fund	43.6	72.1	TLFFRA		
University Park Firemen's Relief & Retirement Fund*	44.9	77.4	TLFFRA		
Abilene Firemen's Relief & Retirement Fund*	45.3	66.5	TLFFRA		
Brownwood Firemen's Relief & Retirement Fund	46.2	78.9	TLFFRA		
Orange Firemen's Relief & Retirement Fund	47.8	73.2	TLFFRA		



Additional Systems with Retiree Funded Ratios < 100 Percent

System Name	Total Funded Ratio	Retiree Funded Ratio	System Type
Sweetwater Firemen's Relief & Retirement Fund	55.1	76.2	TLFFRA
Capital MTA Bargaining*	63.4	77.6	810
Beaumont Firemen's Relief & Retirement Fund	55.4	92.4	TLFFRA
Fort Worth Employees' Retirement Fund	55.1	94.6	Muni
Brazos River Authority Retirement Plan*	73.5	96.7	810

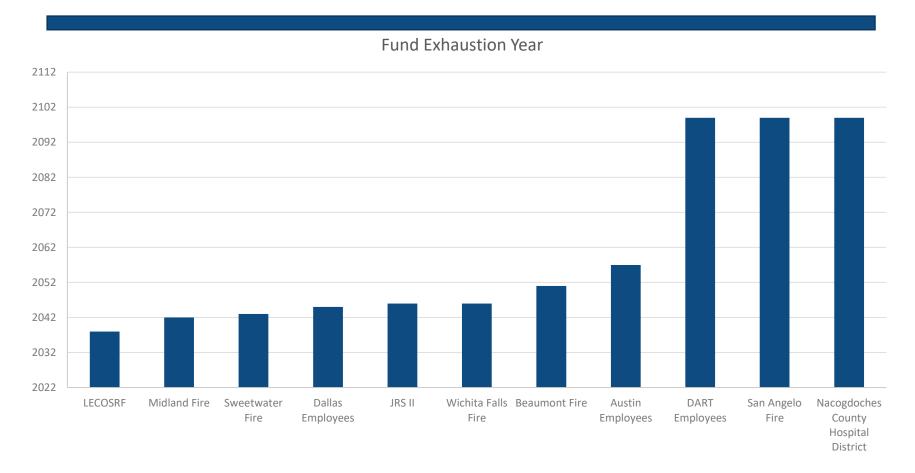
DART Employees was removed from the list since the previous report.

No systems were added to the list

*Amortization period is under 30



Systems with Fund Exhaustion Year

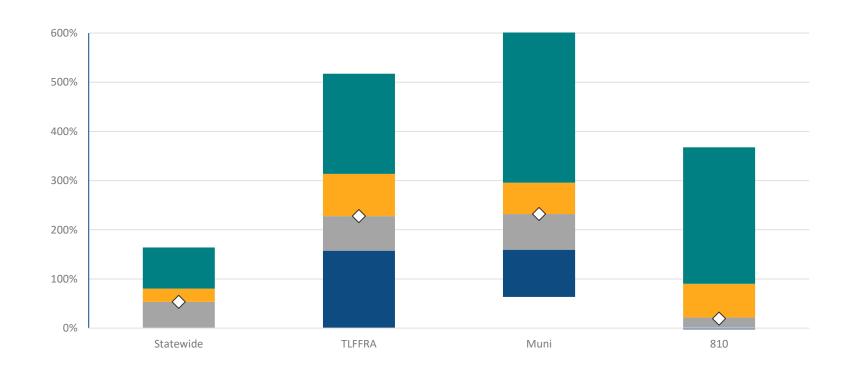


San Angelo Fire was added to the list since the previous report.

LECOSRF, JRS II, Austin Employees and DART Employees are expected to be removed once an updated financial filing is received.



UAAL as Percentage of Payroll



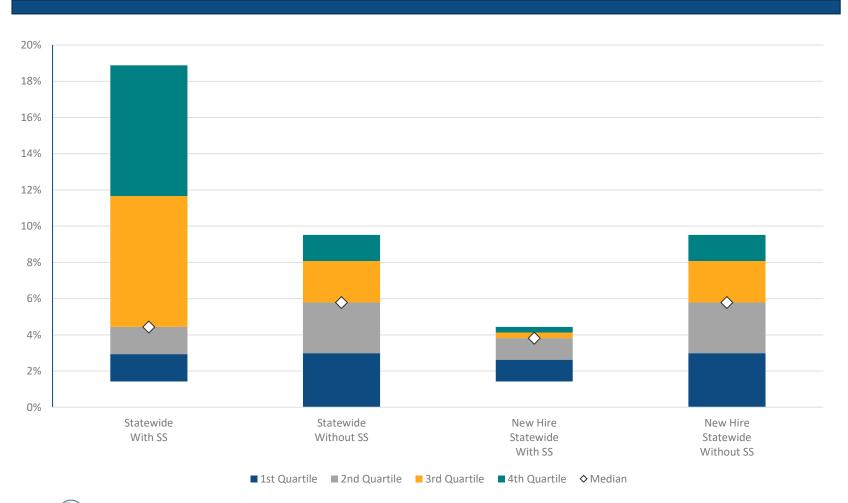


Systems With UAAL as Percent of Pay > 300 Percent and Funding Period > 30

System Name	UAAL % of Pay	Funding Period	System Type	
Midland Firemen's Relief & Retirement Fund	467%	Infinite	TLFFRA	
Sweetwater Firemen's Relief & Retirement Fund	440%	Infinite	TLFFRA	
Dallas Police & Fire Pension System-Combined Plan	690%	82.0	Muni	
Marshall Firemen's Relief & Retirement Fund	517%	72.0	TLFFRA	
Beaumont Firemen's Relief & Retirement Fund	400%	67.0	TLFFRA	
Brownwood Firemen's Relief & Retirement Fund	304%	52.8	TLFFRA	
Greenville Firemen's Relief & Retirement Fund	380%	35.0	TLFFRA	
Orange Firemen's Relief & Retirement Fund	321%	34.5	TLFFRA	
Plainview Firemen's Relief & Retirement Fund	451%	33.0	TLFFRA	
Fort Worth Employees' Retirement Fund	393%	32.0	Muni	
Laredo Firefighters Retirement System	314%	31.1	TLFFRA	

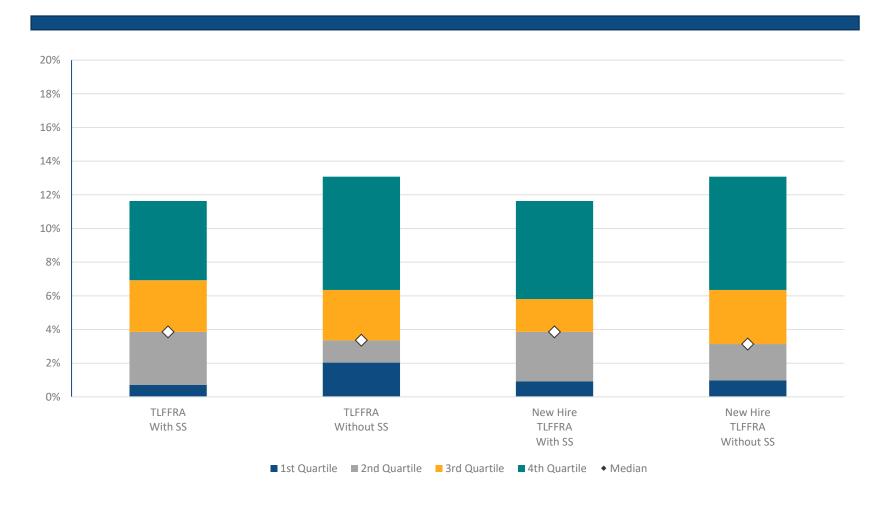


Employer Normal Cost – Statewide Systems



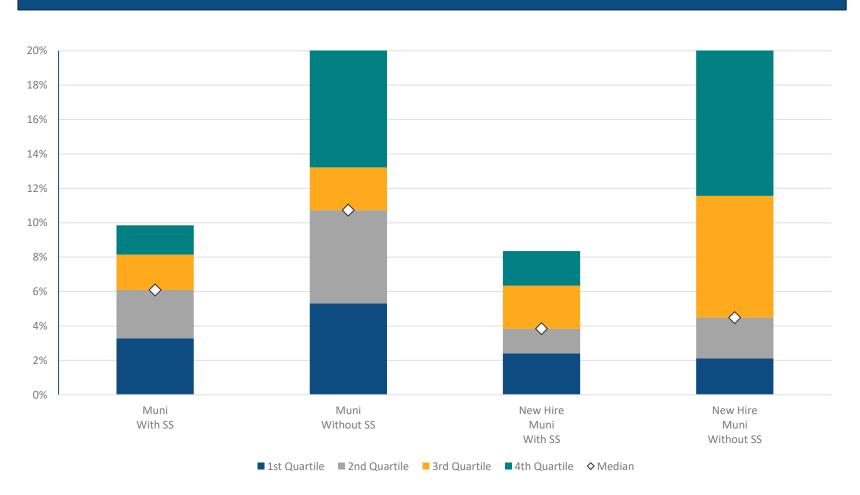


Employer Normal Cost – TLFFRA Systems



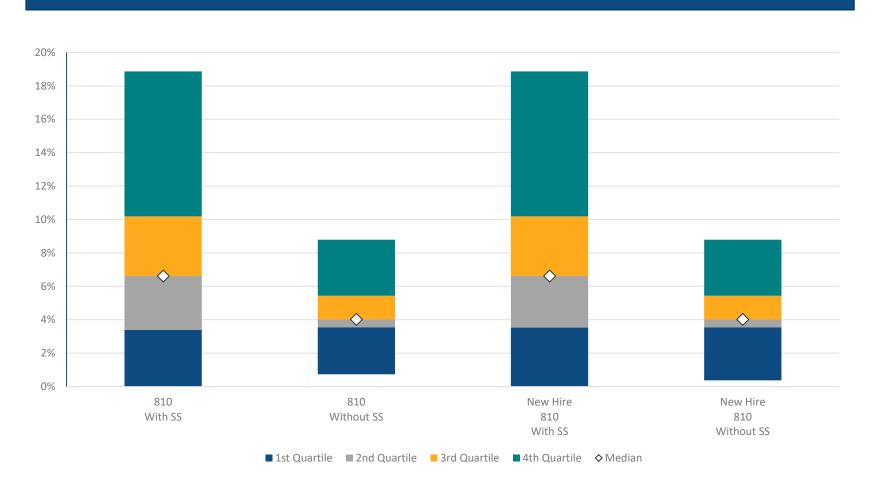


Employer Normal Cost – Municipal Systems





Employer Normal Cost – 810 Systems





Systems With Employer Normal Costs < 1 Percent

System Name	Employer Normal Cost	Normalized Employer Normal Cost	Social Security	System Type	
El Paso Police	-2.4%	0.0%	N	Muni	
Texas City Fire	-1.9%	-1.1%	N	TLFFRA	
Galveston Police	-0.9%	-0.9%	Υ	Muni	
Orange Fire	-0.9%	1.1%	Υ	TLFFRA	
Abilene Fire	-0.5%	1.0%	N	TLFFRA	
Longview Fire	0.0%	1.7%	N	TLFFRA	
Odessa Fire	0.3%	0.3%	Υ	TLFFRA	
Corsicana Fire	0.3%	0.3%	Υ	TLFFRA	
Plainview Fire	0.4%	2.0%	N	TLFFRA	
Wichita Falls Fire	0.7%	2.8%	Υ	TLFFRA	
El Paso Fire	0.9%	3.8%	N	Muni	



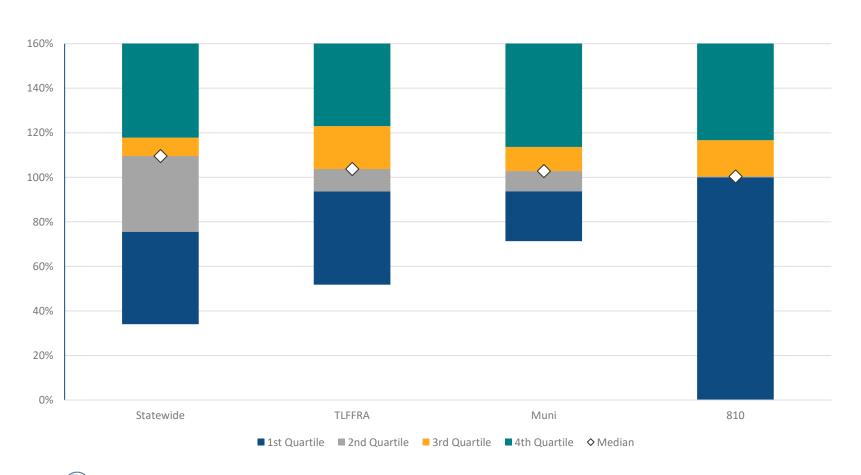
Systems With Employer Normal Costs for New Hires at or Below Zero Percent

System Name	Employer Normal Cost	Normalized Employer Normal Cost	Social Security	System Type
Abilene Fire	-4.5%	-3.4%	N	TLFFRA
Galveston Police	-2.6%	-2.6%	Υ	Muni
Texas City Fire	-1.9%	-1.1%	N	TLFFRA
Wichita Falls Fire	-1.6%	0.1%	Υ	TLFFRA
Orange Fire	-0.9%	1.1%	Υ	TLFFRA
Beaumont Fire*	-0.8%	0.9%	N	TLFFRA
Longview Fire	-0.7%	0.7%	N	TLFFRA
El Paso Police	-0.4%	2.3%	N	Muni
Marshall Fire*	0.0%	0.8%	N	TLFFRA

^{*} Not on previous list



Employer Percent of Recommended Contribution





Employers Contributing < 90 Percent of Recommended Contribution

System Name	Employer Portion	System Type
Midland Firemen's Relief & Retirement Fund	52%	TLFFRA
Beaumont Firemen's Relief & Retirement Fund	63%	TLFFRA
Dallas Employees' Retirement Fund	71%	Muni
Dallas Police & Fire Pension System – Combined Plan	74%	Muni
Fort Worth Employees' Retirement Fund	84%	Muni
Galveston Firefighters Relief & Retirement Fund	82%	TLFFRA
Sweetwater Firemen's Relief & Retirement Fund	85%	TLFFRA
Atlanta Firemen's Relief & Retirement Fund	86%	TLFFRA
Brownwood Firemen's Relief & Retirement Fund	87%	TLFFRA
Austin Employees' Retirement System	88%	Muni
Laredo Firefighters Retirement System	88%	TLFFRA



FSRP Updates

July 25, 2024



FSRP Status Changes

Status	Added	Removed
Systems Immediately Subject to 30-Year FSRP Formulation Requirement	Marshall Fire	Atlanta Fire Brownwood Fire
Systems at Risk of 30-Year FSRP Formulation Requirement	Harlingen Fire San Benito Fire	Austin Employees
Systems with Amortization Periods between 30-40 Years (not yet at risk)	N/A	Big Spring Fire Paris Fire
Previously Submitted FSRPs – Legacy FSRPs	N/A	Marshall Fire
Systems That Previously Completed FSRP Requirement	Atlanta Fire Brownwood Fire	N/A



Systems Immediately Subject to 30-Year FSRP Formulation Requirement

These systems had amortization periods above the applicable threshold (40 years prior to September 1, 2021 and 30 years thereafter) for three consecutive annual actuarial valuations (AVs), or two consecutive non-annual AVs. An FSRP must now be developed under the new law, **targeting 30 years by Sept. 1, 2025**, and must be developed by the public retirement system and the associated governmental entity in accordance with the system's governing statute.

Systems Immediately Subject to an FSRP Formulation Requirement								
	Am		Am		Am	Date of most	FSRP	
Retirement System	Period	Date of AV	Period	Date of AV	Period	recent AV	Due Date	
Midland Firemen's Relief & Retirement Fund ^{1,3}	Infinite	12/31/2019	Infinite	12/31/2021	Infinite	12/31/2023	9/1/2025	
Beaumont Firemen's Relief & Retirement Fund ¹	Infinite	12/31/2018	Infinite	12/31/2020	67	12/31/2022	9/1/2025	
Dallas Employees' Retirement Fund ^{1,4}	51	12/31/2020	50	12/31/2021	51	12/31/2022	9/1/2025	
Sweetwater Firemen's Relief & Retirement Fund ²	63.3	12/31/2018	68.9	12/31/2020	Infinite	12/31/2022	9/1/2025	
Dallas Police & Fire Pension System (Combined Plan)	63.0	1/1/2021	68.0	1/1/2022	82.0	1/1/2023	9/1/2025	
Marshall Firemen's Relief & Retirement Fund ^{1,5}	59.0	12/31/2018	41.0	12/31/2020	72.0	12/31/2022	9/1/2025	

Orange font indicates the triggering valuation.



¹ Previously submitted an FSRP or Revised FSRP under previous law.

² Previously completed an FSRP or Revised FSRP under previous law.

³ Triggering valuation was 12/31/2017

⁴ Triggering valuation was 12/31/2019

⁵ Previously adhering to Legacy FSRP

Systems at Risk of 30-Year FSRP Formulation Requirement

These at-risk systems' most recent actuarial valuation shows an amortization period that exceeds the applicable threshold but does not yet trigger the FSRP requirement.

Systems at Risk of an FSRP - Not Yet Subject to FSRP Requirement							
	Am		Am		Am		Funded
Retirement System	Period	Date of AV	Period	Date of AV	Period	Date of AV	Ratio
Austin Fire Fighters Relief & Retirement Fund	23.3	12/31/2020	17.5	12/31/2021	35.7	12/31/2022	86.7%
Greenville Firemen's Relief & Retirement Fund	40.7	12/31/2018	36.6	12/31/2020	35.0	12/31/2022	41.0%
Harlingen Firemen's Relief & Retirement Fund	38.0	9/30/2019	23.0	9/30/2021	45.0	9/30/2023	62.3%
McAllen Firemen's Relief & Retirement Fund	Infinite	9/30/2018	27.7	9/30/2020	34.6	9/30/2022	68.7%
Nacogdoches County Hospital District	20	7/1/2020	Infinite	7/1/2021	Infinite	7/1/2022	85.7%
San Benito Firemen Relief & Retirement Fund	26.1	9/30/2019	16.9	9/30/2021	32.0	9/30/2023	62.2%

Orange font indicates the amortization period above the applicable threshold. **Teal font** indicates funded ratio less than 65%



Systems with Amortization Periods between 30-40 Years (not yet at risk)

These systems have not yet triggered the requirement to notify their sponsors that their amortization period is above the FSRP threshold of 30 years. This list is intended to keep the board apprised of systems that may receive a subsequent AV showing an amortization period above 30 years, thus becoming at-risk of triggering the FSRP requirement.

Systems not yet at Risk of an FSRP - Not Subject to FSRP Requirement							
	Am				Am		Funded
Retirement System	Period	Date of AV	Am Period	Date of AV	Period	Date of AV	Ratio
Galveston Firemen's Relief & Retirement Fund ¹	Compl	Completed FSRP 30.9 12/31/2022			31.6	12/31/2023	65.3%
Laredo Firefighters Retirement System ¹	Completed FSRP prior to 9/30/22 AV			31.1	9/30/2022	59.1%	

Teal font indicates funded ratio less than 65%



¹ System remains on track to be fully funded by 9/1/2055 according to pre-9/1/2025 FSRP requirement.

Progress Report on Previously Submitted FSRPs – Legacy FSRPs

The following systems formulated and submitted an FSRP before Sept. 1, 2021. The table below outlines their progress towards the FSRP requirement.

Systems Still Working Towards Meeting the Target Amortization Period Requirement							
	FSRP Trigger		Current Progress ¹				
	Am		Am		Target	Next AV	
Retirement System	Period	Date	Period	Date	Date ²	Expected	
Plainview Firemen's Relief & Retirement Fund	79.7	12/31/2019	33.0	12/31/2021	2031	2025	
Fort Worth Employees' Retirement Fund	72.5	12/31/2015	32.0	12/31/2023	2029	2025	
Wichita Falls Firemen's Relief & Retirement Fund – Revised FSRP	Infinite	1/1/2015	32.1	1/1/2022	2026	2024	

¹ Based on the most recent actuarial valuation or FSRP.



² The year in which a system must reach an amortization period target.

Systems That Previously Completed FSRP Requirement

The following systems have submitted an FSRP or subsequent actuarial valuation that has demonstrated projected full funding prior to September 1, 2055.

Systems that Have Submitted Post-FSRP Actuarial Valuations Showing Amortization Period at or Below 30 Years

	FSRP Trigger		Completed Progress ¹	
Retirement System	Am Period	Date	Am Period	Date
Atlanta Firemen's Relief & Retirement Fund	Infinite	12/31/2020	26.6	12/31/2022
Brownwood Firemen's Relief & Retirement Fund	52.8	12/31/2021	31 ²	12/31/2021
Galveston Employees' Retirement Plan for Police	55.1	1/1/2014	27	1/1/2021
Galveston Firefighter's Relief & Retirement Fund	51.6	12/31/2021	30 ²	12/31/2021
Irving Firemen's Relief & Retirement Fund - Revised FSRP	63.4	1/1/2014	27.3 ³	12/31/2021
Laredo Firefighters Retirement System	56.8	9/30/2020	26 ²	9/30/2020
Longview Firefighter's Relief & Retirement Fund	Infinite	12/31/2018	27.5 ²	12/31/2021
Orange Firemen's Relief & Retirement Fund – Second Revised FSRP	Infinite	1/1/2019	20.7	1/1/2021
University Park Firemen's Relief & Retirement Fund – Revised FSRP	81.3	12/31/2012	26.8	12/31/2020

¹ Based on the valuation in which the system completed its FSRP requirement.

³ Based on the market value of assets



² Based on the additional analysis provided with the FSRP submission

Appendix



Illustration of 30-Year Amortization Period

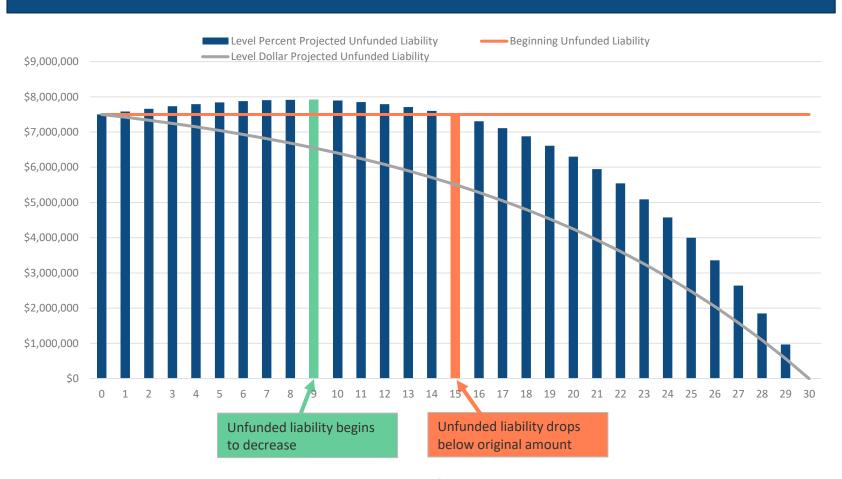
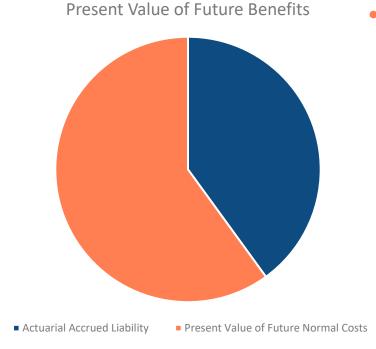




Chart illustrates amortization of \$7.5 million unfunded liability using 7 percent expected returns and 3 percent payroll growth

Actuarial Terminology

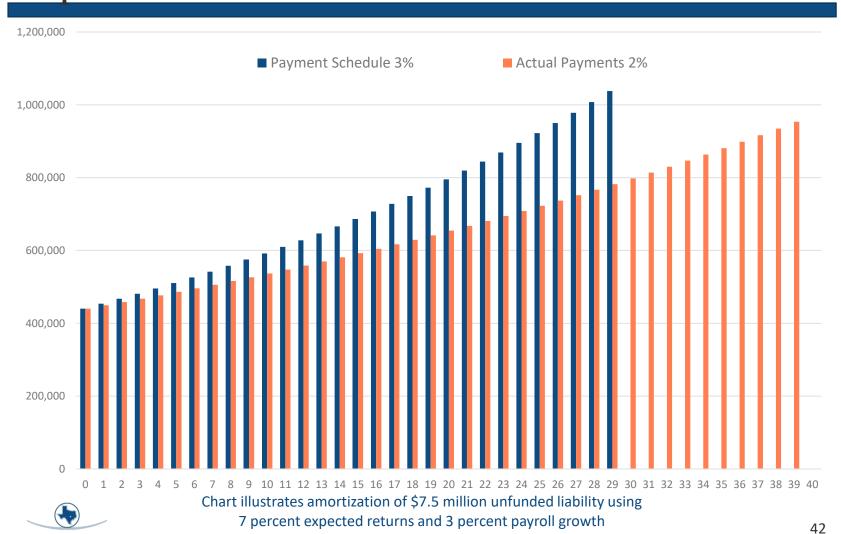


- Example: Member with 10 years of service
 - Expected to retire with 25 years of service
 - Present value of future benefits
 (PVFB) is the whole pie (25 years)
 - Actuarial accrued liability is the blue section of pie only (10 years)
 - The remainder of the PVFB will be recognized over 15 future years through normal cost



What if payroll growth is less than expected?

PENSION REVIEW BOARD



Avoiding Negative Amortization

- Unfunded liability growth over next year
 - The unfunded liability will grow with:
 - Interest
 - Normal cost
 - The unfunded liability will decrease with:
 - Contributions
- To avoid an expected increase in unfunded liability
 - Expected contributions must cover
 - · Interest on the unfunded liability
 - To avoid growth in the existing unfunded liability
 - Normal cost
 - To avoid creating new unfunded liability



Actuarial Valuation Report July 25, 2024

Summary of Key Statistics

Assets and Liabilities

		Current Actua				
		7/25/2024		3/6/2024	Prio	r Actuarial Valuation
Market Value of Assets (MVA)	\$	353,226,773,501	\$	348,828,479,046	\$	346,210,999,809
Actuarial Value of Assets (AVA)	\$	366,473,640,641	\$	363,490,562,077	\$	350,658,748,894
Actuarial Accrued Liability (AAL)	•	465 052 495 497	Ф	462 404 475 562	¢	442 706 452 206
Unfunded Actuarial Accrued	\$	465,952,485,487	Ф	462,181,175,563	Ф	443,786,153,286
Liability (UAAL = AAL - AVA)	\$	99,478,844,846	\$	98,690,613,486	\$	93,127,404,392

Funded Ratios

	Current Actua		
	7/25/2024 3/6/2024 Pr		Prior Actuarial Valuation
Aggregate	78.7%	78.6%	79.0%
Low	33.7%	28.8%	28.8%
High	121.1%	129.3%	129.3%
Average	74.7%	74.6%	73.3%
National Average ¹	74.4%	74.5%	61.1%

Amortization Periods

	Current Actua		
	7/25/2024	3/6/2024	Prior Actuarial Valuation
Infinite	3	3	8
>= 40 years, but not infinite	6	5	10
> 30 years, < 40 years	12	14	12
> 25 years, <= 30 years	14	15	16
>= 10 years, <= 25 years	40	39	33
> 0 years, < 10 years	12	12	12
0 years	12	12	8
Total Plans Registered	99	100	99

System Discount Rates

Cystem Discount Nates							
	Current Actua	Current Actuarial Valuation					
	7/25/2024	3/6/2024	Prior Actuarial Valuation				
>=8%	0	0	1				
> 7.50%, < 8.00%	9	9	10				
7.50%	12	13	15				
> 7.00%, < 7.50%	21	21	22				
7.00%	27	26	23				
> 6.50%, < 7.00%	10	11	10				
<= 6.50%	20	20	18				
Total Plans Registered	99	100	99				

	Current Actua		
	7/25/2024	Prior Actuarial Valuation	
Average	6.96%	6.96%	7.00%
Standard Deviation	0.61%	0.62%	0.63%
Median	7.00%	7.00%	7.00%
National Average ¹	6.91%	6.95%	6.67%

¹ Source: https://publicplansdata.org/



Actuarial Valuation Report July 25, 2024

						Current Actuarial Va	luation			Prior A	ctuarial Val	uation
Plan Name	Plan Status (1)	Effective Date	Discount Rate	Effective Amort Period (2)	Funded Ratio %	Market Value of Assets (MVA)	Actuarial Value of Assets (AVA)	Unfunded Actuarial Accrued Liability (UAAL = AAL - AVA)	UAAL as % of Payroll	Effective Date	Prior Effective Amort Period (2)	Funded Ratio %
Midland Firemen's Relief & Retirement Fund	Active	12/31/2023	7.00%	Infinite	43.1	\$ 83,710,694	\$ 91,467,898	\$ 120,942,577	467.42%	12/31/2021	Infinite	45.7
Nacogdoches County Hospital District (4)	Frozen	7/1/2022	6.75%	Infinite	85.7	\$ 36,540,899	\$ 40,253,488	\$ 6,719,508	0.00%	7/1/2021	Infinite	96.6
Sweetwater Firemen's Relief & Retirement Fund	Active	12/31/2022	7.50%	Infinite	55.1	\$ 8,221,613	\$ 9,718,394	\$ 7,916,180	439.95%	12/31/2020	68.9	63.2
Dallas Police & Fire Pension System-Combined Plan	Active	1/1/2023	6.50%	82.0	39.1	\$ 1,806,567,341	\$ 2,053,388,085	\$ 3,195,626,728	690.47%	1/1/2022	68.0	41.1
Marshall Firemen's Relief & Retirement Fund	Active	12/31/2022	7.25%	72.0	33.7	\$ 8,017,137	\$ 8,017,137	\$ 15,782,008	517.41%	12/31/2020	41.0	40.2
Beaumont Firemen's Relief & Retirement Fund	Active	12/31/2022	7.50%	67.0	55.4	\$ 103,648,786	\$ 116,003,342	\$ 93,371,350	400.32%	12/31/2020	Infinite	55.4
Brownwood Firemen's Relief & Retirement Fund	Active	12/31/2021	7.00%	52.8	46.2	\$ 5,789,089	\$ 5,307,594	\$ 6,190,796	304.42%	12/31/2019	94.7	42.8
Dallas Employees' Retirement Fund	Active	12/31/2022	7.25%	51.0	73.3	\$ 3,516,280,000	\$ 3,866,412,000	\$ 1,410,057,000	295.86%	12/31/2021	50.0	76.0
Harlingen Firemen's Relief & Retirement Fund	Active	9/30/2023	7.75%	45.0	62.3	\$ 36,952,555	\$ 36,952,555	\$ 22,395,656	293.75%	9/30/2021	23.0	71.7
Austin Fire Fighters Relief & Retirement Fund	Active	12/31/2022	7.30%	35.7	86.9	\$ 1,115,832,870	\$ 1,211,321,297	\$ 183,374,435	174.03%	12/31/2021	17.5	89.6
Greenville Firemen's Relief & Retirement Fund	Active	12/31/2022	7.25%	35.0	41.0	\$ 13,876,059	\$ 15,263,665	\$ 21,999,653	380.00%	12/31/2020	36.6	42.6
McAllen Firemen's Relief & Retirement Fund	Active	9/30/2022	7.25%	34.6	68.7	\$ 53,418,206	\$ 63,703,117	\$ 29,032,232	200.37%	9/30/2020	27.7	69.5
Orange Firemen's Relief & Retirement Fund (8)	Active	1/1/2023	7.75%	34.5	47.8	\$ 8,441,989	\$ 8,441,989	\$ 9,232,787	320.54%	1/1/2021	20.7	56.6
Conroe Fire Fighters' Retirement Fund (7)	Active	12/31/2021	7.25%	34.3	58.7	\$ 41,176,186	\$ 37,578,226	\$ 26,448,907	184.69%	12/31/2019	Infinite	58.4
Plainview Firemen's Relief & Retirement Fund	Active	12/31/2021	7.50%	33.0	43.6	\$ 8,106,289	\$ 7,639,776	\$ 9,901,935	450.82%	12/31/2019	79.7	34.0
Wichita Falls Firemen's Relief & Retirement Fund	Active	1/1/2022	7.75%	32.1	65.0	\$ 62,360,750	\$ 62,360,750	\$ 33,563,000	267.68%	1/1/2020	43.3	56.8
Fort Worth Employees' Retirement Fund	Active	12/31/2023	7.00%	32.0	55.1	\$ 2,739,641,644	\$ 2,827,229,055	\$ 2,302,993,682	393.37%	12/31/2022	36.0	54.8
San Benito Firemen Relief & Retirement Fund	Active	9/30/2023	7.50%	32.0	62.2	\$ 4,595,445	\$ 4,595,445	\$ 2,793,916	186.18%	9/30/2021	16.9	70.7
Galveston Firefighter's Relief & Retirement Fund (5)	Active	12/31/2023	7.50%	31.6	65.3	\$ 54,572,061	\$ 58,683,288	\$ 31,164,017	282.61%	12/31/2022	30.9	67.2
Laredo Firefighters Retirement System (5)	Active	9/30/2022	7.40%	31.1	59.1	\$ 180,152,638	\$ 198,167,902	\$ 136,942,650	313.67%	9/30/2020	56.8	59.6
Employees Retirement System of Texas	Active	8/31/2023	7.00%	31.0	70.8	\$ 34,234,697,324	\$ 33,976,699,535	\$ 14,015,751,489	163.94%	8/31/2022	32.0	68.9
Austin Employees' Retirement System	Active	12/31/2023	6.75%	30.0	62.1	\$ 3,278,692,316	\$ 3,486,138,920	\$ 2,131,363,382	231.85%	12/31/2022	34.0	64.1
San Angelo Firemen's Relief & Retirement Fund	Active	12/31/2021	7.80%	29.7	65.0	\$ 83,445,130	\$ 79,696,498	\$ 42,942,341	301.55%	12/31/2019	37.6	62.0
Abilene Firemen's Relief & Retirement Fund	Active	10/1/2023	7.50%	29.4	45.3	\$ 54,237,586	\$ 59,539,480	\$ 71,966,773	393.70%	10/1/2021	29.4	49.4
Teacher Retirement System of Texas	Active	8/31/2023	7.00%	29.0	77.5	\$ 187,170,535,558	\$ 199,663,655,982	\$ 57,879,603,456	100.16%	8/31/2022	26.0	79.0
Austin Police Retirement System	Active	12/31/2022	7.25%	29.0	60.1	\$ 933,084,477	\$ 1,015,080,603	\$ 673,675,081	415.85%	12/31/2021	30.0	60.2
Lufkin Firemen's Relief & Retirement Fund	Active	12/31/2022	7.25%	28.0	51.3	\$ 20,511,287	\$ 23,602,777	\$ 22,371,091	363.72%	12/31/2020	31.9	50.7
Longview Firemen's Relief & Retirement Fund	Active	12/31/2022	7.50%	27.6	74.8	\$ 85,609,883	\$ 94,187,530	\$ 31,742,042	205.06%	12/31/2021	Infinite	40.5
Texarkana Firemen's Relief & Retirement Fund	Active	12/31/2021	7.50%	27.5	84.6	\$ 43,910,070	\$ 40,273,543	\$ 7,320,444	156.60%	12/31/2019	58.3	80.0

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Plan Name	Plan Status (1)	Effective Date	Discount Rate	Effective Amort Period (2)	Funded Ratio %	Market Value of Assets (MVA)	Actuarial Value of Assets (AVA)	Unfunded Actuarial Accrued Liability (UAAL = AAL - AVA)	UAAL as % of Payroll	Effective Date	Prior Effective Amort Period (2)	Funded Ratio %
Waxahachie Firemen's Relief & Retirement Fund	Active	10/1/2022	7.00%	27.1	63.0	\$ 19,023,702	\$ 19,023,702	\$ 11,159,806	177.90%	10/1/2020	17.5	74.9
Tyler Firefighters' Relief & Retirement Fund	Active	12/31/2021	7.00%	26.8	73.0	\$ 89,297,890	\$ 82,134,149	\$ 30,449,465	227.63%	12/31/2019	29.0	71.1
Atlanta Firemen's Relief & Retirement Fund	Active	12/31/2022	7.00%	26.6	72.6	\$ 4,161,658	\$ 4,577,824	\$ 1,726,808	203.32%	12/31/2020	Infinite	77.4
Fort Worth Employees' Retirement Fund Staff Plan (4)	Active	12/31/2023	7.00%	26.0	79.5	\$ 9,485,947	\$ 9,733,370	\$ 2,514,789	116.11%	12/31/2022	27.0	77.1
Temple Firemen's Relief & Retirement Fund	Active	9/30/2022	7.75%	25.6	71.0	\$ 47,415,090	\$ 52,156,599	\$ 21,300,957	202.12%	9/30/2020	26.6	70.5
Cleburne Firemen's Relief & Retirement Fund	Active	12/31/2022	7.35%	25.6	60.7	\$ 23,463,033	\$ 25,776,697	\$ 16,722,894	281.39%	12/31/2020	37.3	59.6
Corsicana Firemen's Relief & Retirement Fund	Active	12/31/2022	7.00%	25.0	55.6	\$ 10,935,219	\$ 11,870,828	\$ 9,463,300	206.72%	12/31/2020	52.2	54.7
Lubbock Fire Pension Fund	Active	12/31/2022	7.50%	24.8	70.8	\$ 239,588,162	\$ 246,194,850	\$ 101,553,086	236.15%	12/31/2020	33.7	69.5
University Park Firemen's Relief & Retirement Fund	Closed	12/31/2022	7.00%	24.8	44.9	\$ 11,122,437	\$ 12,843,585	\$ 15,784,371	445.56%	12/31/2020	26.8	42.3
Houston Municipal Employees Pension System	Active	7/1/2023	7.00%	24.1	69.0	\$ 4,072,345,000	\$ 3,836,122,000	\$ 1,721,686,000	235.85%	7/1/2022	25.1	65.8
Houston Police Officers' Pension System	Active	7/1/2023	7.00%	24.0	89.3	\$ 7,208,455,000	\$ 6,876,727,000	\$ 822,628,000	159.44%	7/1/2022	25.0	87.5
CPS Energy Pension Plan	Active	1/1/2023	7.00%	24.0	82.5	\$ 1,919,159,263	\$ 2,059,983,606	\$ 437,562,382	142.02%	1/1/2022	25.0	87.6
Odessa Firemen's Relief & Retirement Fund	Active	1/1/2024	7.00%	22.7	36.4	\$ 47,634,466	\$ 52,101,721	\$ 90,958,873	415.62%	1/1/2023	29.0	36.2
Irving Firemen's Relief & Retirement Fund (4)	Active	12/31/2022	7.00%	22.2	90.8	\$ 242,409,713	\$ 265,393,830	\$ 27,028,326	64.49%	12/31/2021	37.0	63.8
University Health System Pension Plan	Active	1/1/2023	7.00%	22.0	77.5	\$ 527,334,203	\$ 571,525,632	\$ 165,736,638	33.49%	1/1/2022	23.0	77.0
Dallas Co. Hospital Dist. Retirement Income Plan	Active	1/1/2023	6.00%	21.0	72.9	\$ 1,426,685,005	\$ 1,573,245,250	\$ 584,880,948	73.78%	1/1/2022	22.0	73.3
Texas Emergency Services Retirement System	Active	8/31/2022	7.50%	21.0	84.3	\$ 124,345,593	\$ 139,476,860	\$ 25,898,809	0.00%	8/31/2020	19.0	83.3
Killeen Firemen's Relief & Retirement Fund	Active	9/30/2022	7.25%	21.0	70.6	\$ 53,899,683	\$ 61,179,128	\$ 25,456,247	133.71%	9/30/2020	28.4	70.3
San Antonio Fire & Police Pension Fund	Active	1/1/2024	7.25%	21.0	85.4	\$ 3,923,604,117	\$ 4,095,280,090	\$ 697,784,867	181.99%	1/1/2023	20.1	85.5
Houston MTA Workers Union Pension Plan	Closed	1/1/2023	6.25%	20.0	70.7	\$ 290,562,545	\$ 325,081,142	\$ 134,714,649	202.70%	1/1/2022	21.0	70.5
Houston MTA Non-Union Pension Plan	Closed	1/1/2023	6.25%	20.0	61.1	\$ 177,050,322	\$ 197,842,214	\$ 125,789,388	383.91%	1/1/2022	21.0	64.5
Capital MTA Admin Employees (6)	Active	1/1/2023	6.75%	20.0	84.3	\$ 47,786,903	\$ 53,512,742	\$ 9,984,525	22.64%	1/1/2022	20.0	87.0
Port Arthur Firemen's Relief & Retirement Fund	Active	12/31/2021	7.25%	19.7	77.8	\$ 59,837,587	\$ 56,103,170	\$ 16,009,955	157.39%	12/31/2019	27.3	75.0
Texas City Firemen's Relief & Retirement Fund	Active	12/31/2022	7.25%	19.4	42.2	\$ 14,756,200	\$ 16,231,820	\$ 22,239,202	272.69%	12/31/2020	28.2	45.4
Big Spring Firemen's Relief & Retirement Fund	Active	1/1/2023	7.75%	19.1	62.8	\$ 14,214,795	\$ 15,636,275	\$ 9,256,219	205.39%	1/1/2021	33.7	54.7
San Antonio Metropolitan Transit Retirement Plan	Active	10/1/2023	7.00%	18.0	70.1	\$ 338,073,462	\$ 358,773,068	\$ 153,222,254	323.83%	10/1/2022	19.0	71.0
Corpus Christi Fire Fighters' Retirement System	Active	12/31/2022	7.15%	17.2	63.0	\$ 166,298,921	\$ 190,524,854	\$ 112,051,853	283.32%	12/31/2020	21.5	60.9
City of El Paso Employees Retirement Trust	Active	9/1/2023	7.25%	17.0	79.4	\$ 907,700,487	\$ 967,969,765	\$ 251,903,575	136.13%	9/1/2022	14.0	80.9
Dallas Police & Fire Pension System-Supplemental	Active	1/1/2023	6.50%	17.0	38.7	\$ 16,640,402	\$ 16,640,402	\$ 26,409,288	1380.42%	1/1/2022	18.0	45.7

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El Paso Firemen's Pension Fund	Active	1/1/2022	7.75%	16.6	82.6	\$ 795,068,511	\$ 720,058,987	\$ 151,696,510	211.21%	1/1/2020	26.6	76.5
El Paso Police Pension Fund	Active	1/1/2022	7.75%	16.4	81.8	\$ 1,146,703,603	\$ 1,033,540,265	\$ 230,787,866	238.96%	1/1/2020	29.9	76.3
Lower Colorado River Authority Retirement Plan	Closed	1/1/2024	7.00%	16.0	75.4	\$ 456,573,872	\$ 481,355,426	\$ 156,862,720	170.07%	1/1/2023	17.0	74.5
Galveston Employees' Retirement Plan for Police	Active	1/1/2023	7.00%	16.0	42.8	\$ 23,124,492	\$ 25,653,169	\$ 34,287,705	250.43%	1/1/2021	27.0	38.0
Texas County & District Retirement System (3)	Active	12/31/2022	7.50%	15.4	88.6	\$ 41,968,517,717	\$ 40,924,046,489	\$ 5,270,408,579	60.88%	12/31/2021	16.4	88.5
Sweeny Community Hospital	Closed	1/1/2023	5.75%	15.0	93.3	\$ 3,077,843	\$ 3,471,202	\$ 251,075	131.35%	1/1/2022	16.0	95.2
Weslaco Firemen's Relief & Retirement Fund	Active	9/30/2022	7.25%	14.5	77.3	\$ 14,565,196	\$ 16,021,716	\$ 4,719,234	92.90%	9/30/2020	16.3	73.3
Texas Municipal Retirement System (3)	Active	12/31/2023	6.75%	14.4	89.7	\$ 39,486,559,882	\$ 40,358,160,253	\$ 4,622,901,515	53.49%	12/31/2022	14.9	89.7
DFW Airport Board (4)	Active	1/1/2022	7.00%	13.6	84.5	\$ 651,080,013	\$ 606,279,339	\$ 111,351,626	365.07%	1/1/2021	15.0	88.9
Harris County Hospital District Pension Plan (4)	Closed	1/1/2023	5.75%	13.2	78.1	\$ 821,202,643	\$ 917,386,688	\$ 257,816,477	203.35%	1/1/2022	14.3	76.1
DFW Airport Board DPS (4)	Active	1/1/2022	7.00%	12.7	87.2	\$ 271,569,789	\$ 253,346,612	\$ 37,250,524	113.60%	1/1/2021	15.0	84.6
DART Employees (4)	Closed	10/1/2023	6.25%	12.3	87.3	\$ 205,596,612	\$ 218,794,370	\$ 31,712,673	885.25%	10/1/2022	10.1	84.5
Employees of Brownsville Navigation District (4)	Active	1/1/2023	6.00%	11.4	92.7	\$ 8,895,467	\$ 9,653,185	\$ 755,634	13.36%	1/1/2022	12.1	85.0
Corpus Christi Regional Transportation Authority	Active	1/1/2023	7.00%	11.0	87.4	\$ 42,537,443	\$ 46,791,187	\$ 6,773,731	53.74%	1/1/2022	12.0	94.2
Capital MTA Bargaining	Frozen	1/1/2023	6.50%	11.0	63.4	\$ 33,872,134	\$ 39,904,358	\$ 23,085,445	0.00%	1/1/2022	8.5	60.0
Denison Firemen's Relief & Retirement Fund	Active	12/31/2021	7.50%	11.0	81.1	\$ 24,957,398	\$ 21,674,231	\$ 5,051,349	132.39%	12/31/2019	12.2	75.3
Lower Neches Valley	Frozen	1/1/2024	6.50%	10.0	75.8	\$ 15,298,219	\$ 15,298,219	\$ 6,063,597	132.34%	1/1/2023	8.8	60.5
Denton Firemen's Relief & Retirement Fund	Active	12/31/2021	6.75%	9.1	88.8	\$ 140,537,577	\$ 126,483,819	\$ 15,955,827	67.52%	12/31/2019	18.3	80.8
Brazos River Authority Retirement Plan	Frozen	3/1/2023	6.50%	9.0	73.5	\$ 21,750,139	\$ 22,767,471	\$ 8,218,196	0.00%	3/1/2022	10.0	72.3
Galveston Employees' Retirement Fund	Active	12/31/2023	7.25%	8.9	76.8	\$ 67,982,647	\$ 72,187,628	\$ 21,840,918	63.52%	12/31/2022	9.1	80.4
JPS - Tarrant County Hospital District	Active	10/1/2023	6.75%	8.8	90.4	\$ 434,448,126	\$ 446,129,071	\$ 47,486,781	15.64%	10/1/2022	2.0	96.8
Colorado River Municipal Water Dist. (4)	Active	1/1/2023	5.75%	7.4	62.3	\$ 6,499,196	\$ 6,499,196	\$ 3,928,635	93.96%	1/1/2022	6.1	87.2
Refugio County Memorial Hospital (4)	Frozen	11/1/2023	6.00%	7.0	91.0	\$ 1,198,251	\$ 1,198,251	\$ 118,949	0.00%	11/1/2022	7.0	88.1
Houston Firefighters' Relief & Retirement Fund	Active	7/1/2023	7.00%	6.2	96.0	\$ 5,109,178,000	\$ 5,064,764,000	\$ 213,180,000	73.94%	7/1/2022	7.7	95.4
Guadalupe-Blanco River Authority	Frozen	1/1/2023	6.25%	6.0	88.8	\$ 31,976,720	\$ 36,255,883	\$ 4,582,387	0.00%	1/1/2022	7.0	90.3
Amarillo Firemen's Relief & Retirement Fund	Active	12/31/2023	7.35%	5.9	95.2	\$ 234,343,561	\$ 248,693,082	\$ 12,594,032	48.92%	12/31/2021	6.0	94.8
Travis County ESD #6 FRRF	Active	12/31/2021	6.50%	5.9	91.0	\$ 43,124,916	\$ 39,421,197	\$ 3,922,061	45.43%	12/31/2019	4.6	88.6
Port of Houston Authority Retirement Plan	Closed	8/1/2023	6.00%	5.0	91.4	\$ 201,357,241	\$ 201,357,241	\$ 19,017,865	67.54%	8/1/2022	6.0	89.4
Supplemental Retirement Plan of University Medical Center	Active	1/1/2024	4.00%	4.0	75.7	\$ 5,180,010	\$ 5,180,010	\$ 1,662,383	0.00%	1/1/2023	5.0	82.4

Actuarial Valuation Report July 25, 2024

						Current Actuarial Va	luation			Prior A	ctuarial Val	uation
Plan Name	Plan Status (1)	Effective Date	Discount Rate	Effective Amort Period (2)	Funded Ratio %	Market Value of Assets (MVA)	Actuarial Value of Assets (AVA)	Unfunded Actuarial Accrued Liability (UAAL = AAL - AVA)	UAAL as % of Payroll	Effective Date	Prior Effective Amort Period (2)	Funded Ratio %
Law Enforcement & Custodial Off Sup. Ret. Fund	Active	8/31/2023	7.00%	0.0	100.0	\$ 1,818,670,314	\$ 1,799,822,260	\$ (111,127)	-0.01%	8/31/2022	Infinite	58.6
Judicial Retirement System of Texas Plan Two	Active	8/31/2023	7.00%	0.0	101.2	\$ 690,103,596	\$ 679,356,349	\$ (7,767,971)	-8.26%	8/31/2022	Infinite	86.2
Plano Retirement Security Plan	Active	12/31/2022	6.75%	0.0	103.0	\$ 185,800,514	\$ 206,076,893	\$ (5,924,925)	-3.37%	12/31/2021	0.0	103.6
Citizens Medical Center	Active	3/1/2023	6.75%	0.0	115.6	\$ 139,828,346	\$ 147,508,130	\$ (19,868,908)	-28.46%	3/1/2022	0.0	115.4
Irving Supplemental Benefit Plan	Active	1/1/2023	6.75%	0.0	100.3	\$ 98,561,717	\$ 109,624,397	\$ (335,971)	-0.26%	1/1/2022	0.0	107.0
Guadalupe Regional Medical Center	Active	1/1/2023	6.75%	0.0	101.9	\$ 94,418,511	\$ 103,856,257	\$ (1,959,878)	-5.55%	1/1/2022	0.0	100.1
The Woodlands Firefighters' Retirement System	Active	12/31/2023	7.00%	0.0	103.8	\$ 68,565,239	\$ 70,746,412	\$ (2,581,351)	-16.33%	1/1/2022	0.0	129.3
Paris Firefighters' Relief & Retirement Fund	Active	12/31/2022	7.25%	0.0	108.4	\$ 15,687,798	\$ 16,770,624	\$ (1,297,372)	-42.09%	12/31/2020	33.6	28.8
Galveston Wharves Pension Plan	Closed	1/1/2022	7.25%	0.0	102.0	\$ 16,713,180	\$ 16,713,180	\$ (330,183)	-31.71%	1/1/2021	20.0	93.2
Arlington Employees Deferred Income Plan	Active	6/30/2022	5.00%	0.0	103.5	\$ 3,142,712	\$ 3,142,712	\$ (104,955)	-3.23%	6/30/2021	0.0	120.3
Anson General Hospital	Frozen	7/1/2023	5.75%	0.0	102.5	\$ 1,455,858	\$ 1,569,490	\$ (38,689)	-61.66%	7/1/2022	0.0	106.1
El Paso Firemen & Policemen's Pension Staff Plan	Active	1/1/2022	7.75%	0.0	121.1	\$ 1,135,811	\$ 1,039,348	\$ (180,708)	-20.22%	1/1/2020	0.0	113.7
Grand Totals:					78.7%	\$ 353,226,773,501	\$ 366,473,640,641	\$ 99,478,844,846				79.0%

Notes

- (1) Plan status indicates whether a plan is active (admitting new hires), closed to new hires (but still accruing benefits), or frozen (not accruing benefits).
- (2) The effective amortization period is the time it would take to theoretically eliminate the UAAL assuming no future gains or losses and taking into account both the plan's stated and historical contribution policy.
- (3) Amortization period is calculated using system-wide aggregate UAAL and payroll amounts.
- (4) Amortization period is calculated by the PRB.
- (5) On track to satisfy FSRP requirements and be fully funded by September 1, 2055
- (6) Reported amortization period is based on an open amortization funding policy.
- (7) Amortization period is below 30 using market value of assets
- (8) Amortization period is below 30 using actuarial value of assets

AV Supplemental Report July 25, 2024 (Dollars in Millions)

Plan Name	Fiscal Year End	Discount Rate	 (a) tal Pension bility (TPL) (1)	(b) Fiduciary et Position (2)		(a) - (b) Net Pension iability (NPL) (3)	(b) / (a) NPL Funded Ratio %	PL at Disc. Rate -1% (4)	NPL -1% Funded Ratio %	10 Year Net Return (5)	Expected Depletion Date (6)
Law Enforcement & Custodial Off Sup. Ret. Fund	8/31/2022	4.45%	\$ 2,402.63	\$ 1,042.30	\$	1,360.33	43.4	\$ 1,745.06	37.4	8.30%	2038
Midland Firemen's Relief & Retirement Fund	12/31/2022	4.11%	\$ 301.11	\$ 80.98	\$	220.13	26.9	\$ 268.05	23.2	4.29%	2042
Sweetwater Firemen's Relief & Retirement Fund	12/31/2022	5.81%	\$ 23.45	\$ 8.22	\$	15.23	35.1	\$ 18.78	30.5	4.88%	2043
Dallas Employees' Retirement Fund	12/31/2022	5.41%	\$ 6,502.68	\$ 3,516.28	\$	2,986.40	54.1	\$ 3,859.65	47.7	6.65%	2045
Judicial Retirement System of Texas Plan Two	8/31/2022	5.77%	\$ 720.23	\$ 566.44	\$	153.79	78.7	\$ 229.22	71.2	8.30%	2046
Wichita Falls Firemen's Relief & Retirement Fund	12/31/2022	5.60%	\$ 123.10	\$ 51.04	\$	72.06	41.5	\$ 87.85	36.7	6.59%	2046
Beaumont Firemen's Relief & Retirement Fund	12/31/2022	5.67%	\$ 254.97	\$ 103.65	\$	151.32	40.7	\$ 179.77	36.6	6.60%	2051
Austin Employees' Retirement System	12/31/2023	6.75%	\$ 5,617.50	\$ 3,278.69	\$	2,338.81	58.4	\$ 3,061.39	51.7	5.71%	2057
Nacogdoches County Hospital District (7)	6/30/2021	4.99%	\$ 61.47	\$ 50.72	\$	10.75	82.5	\$ 18.58	73.2	8.87%	2099
San Angelo Firemen's Relief & Retirement Fund (7)	12/31/2022	6.48%	\$ 146.72	\$ 68.90	\$	77.81	47.0	\$ 96.30	41.7	5.73%	2099
DART Employees (7)	9/30/2023	6.21%	\$ 251.38	\$ 205.60	\$	45.78	81.8	\$ 69.41	74.8	5.92%	2099
Abilene Firemen's Relief & Retirement Fund	9/30/2023	7.50%	\$ 131.51	\$ 54.24	\$	77.27	41.2	\$ 92.21	37.0	4.51%	N/A
Amarillo Firemen's Relief & Retirement Fund	12/31/2022	7.50%	\$ 240.47	\$ 218.34	\$	22.13	90.8	\$ 51.46	80.9	9.28%	N/A
Anson General Hospital	6/30/2023	6.00%	\$ 1.55	\$ 1.46	\$	0.10	93.8	\$ 0.23	86.5	4.31%	N/A
Arlington Employees Deferred Income Plan	6/30/2023	5.00%	\$ 3.37	\$ 3.35	\$	0.01	99.7	\$ 0.31	91.5	1.93%	N/A
Atlanta Firemen's Relief & Retirement Fund	12/31/2022	7.00%	\$ 6.27	\$ 4.16	\$	2.11	66.3	\$ 2.87	59.2	4.79%	N/A
Austin Fire Fighters Relief & Retirement Fund	12/31/2022	7.30%	\$ 1,394.15	\$ 1,115.83	\$	278.32	80.0	\$ 405.94	73.3	7.57%	N/A
Austin Police Retirement System	12/31/2022	7.25%	\$ 1,690.00	\$ 933.08	\$	756.92	55.2	\$ 959.46	49.3	6.27%	N/A
Big Spring Firemen's Relief & Retirement Fund	12/31/2022	7.75%	\$ 24.89	\$ 14.21	\$	10.68	57.1	\$ 13.88	50.6	5.80%	N/A
Brazos River Authority Retirement Plan	2/28/2023	6.50%	\$ 30.92	\$ 21.75	\$	9.17	70.3	\$ 12.18	64.1	5.51%	N/A
Brownwood Firemen's Relief & Retirement Fund	12/31/2022	7.00%	\$ 11.91	\$ 4.66	\$	7.25	39.1	\$ 8.78	34.7	4.45%	N/A
CPS Energy Pension Plan	12/31/2023	7.00%	\$ 2,585.13	\$ 2,136.99	\$	448.14	82.7	\$ 765.19	73.6	6.74%	N/A
Capital MTA Admin Employees	12/31/2022	6.75%	\$ 65.99	\$ 47.79	\$	18.20	72.4	\$ 27.50	63.5	7.02%	N/A
Capital MTA Bargaining	12/31/2022	6.50%	\$ 62.99	\$ 33.87	\$	29.12	53.8	\$ 34.96	49.2	3.55%	N/A
Citizens Medical Center	2/28/2023	6.75%	\$ 128.85	\$ 139.79	\$	(10.94)	108.5	\$ 5.94	95.9	7.81%	N/A
City of El Paso Employees Retirement Trust	8/31/2023	7.25%	\$ 1,195.45	\$ 914.31	\$	281.14	76.5	\$ 412.63	68.9	7.02%	N/A
Cleburne Firemen's Relief & Retirement Fund	12/31/2022	7.35%	\$ 42.50	\$ 23.46	\$	19.04	55.2	\$ 24.04	49.4	5.86%	N/A
Colorado River Municipal Water Dist.	12/31/2022	5.75%	\$ 10.03	\$ 6.50	\$	3.53	64.8	\$ 4.35	59.9	5.44%	N/A
Conroe Fire Fighters' Retirement Fund	12/31/2022	7.25%	\$ 69.24	\$ 37.11	\$	32.12	53.6	\$ 41.26	47.4	0.00%	N/A
Corpus Christi Fire Fighters' Retirement System	12/31/2022	7.25%	\$ 300.58	\$ 166.30	\$	134.28	55.3	\$ 167.73	49.8	5.78%	N/A
Corpus Christi Regional Transportation Authority	12/31/2022	7.00%	\$ 53.56	\$ 42.54	\$	11.03	79.4	\$ 17.26	71.1	6.26%	N/A
Corsicana Firemen's Relief & Retirement Fund	12/31/2022	7.00%	\$ 19.72	\$ 10.94	\$	8.79	55.4	\$ 11.34	49.1	5.41%	N/A
DFW Airport Board	12/31/2022	7.00%	\$ 732.55	\$ 586.87	\$	145.68	80.1	\$ 236.88	71.2	6.90%	N/A
DFW Airport Board DPS	12/31/2022	7.00%	\$ 309.42	\$ 254.31	\$	55.11	82.2	\$ 99.70	71.8	6.90%	N/A
Dallas Co. Hospital Dist. Retirement Income Plan	12/31/2022	6.00%	\$ 2,158.13	\$ 1,426.69	\$	731.44	66.1	\$ 1,041.79	57.8	6.39%	N/A
Dallas Police & Fire Pension System-Combined Plan	12/31/2022	6.50%	\$ 5,254.66	\$ 1,806.57	\$	3,448.09	34.4	\$ 4,080.69	30.7	2.00%	N/A
Dallas Police & Fire Pension System-Supplemental	12/31/2022	6.50%	\$ 43.07	\$ 16.64	\$	26.43	38.6	\$ 30.68	35.2	2.00%	N/A
Denison Firemen's Relief & Retirement Fund	12/31/2022	7.50%	\$ 27.32	\$ 20.07	\$	7.25	73.5	\$ 10.65	65.3	7.41%	N/A
Denton Firemen's Relief & Retirement Fund	12/31/2022	6.75%	\$ 152.38	136.80	_	15.57	89.8	\$ 35.27	79.5	7.76%	N/A



AV Supplemental Report July 25, 2024 (Dollars in Millions)

Plan Name	Fiscal Year End	Discount Rate	_	(a) tal Pension bility (TPL) (1)	(b) Fiduciary et Position (2)	(a) - (b) Net Pension .iability (NPL) (3)	(b) / (a) NPL Funded Ratio %	PL at Disc. Rate -1% (4)	NPL -1% Funded Ratio %	10 Year Net Return (5)	Expected Depletion Date (6)
El Paso Firemen & Policemen's Pension Staff Plan (8)	12/31/2022	7.75%	\$	1.01	\$ 1.12	\$ (0.11)	110.6	\$ 0.03	97.2	9.29%	N/A
El Paso Firemen's Pension Fund	12/31/2022	7.75%	\$	902.69	\$ 683.90	\$ 218.80	75.8	\$ 340.31	66.8	7.45%	N/A
El Paso Police Pension Fund	12/31/2022	7.75%	\$	1,301.90	\$ 978.78	\$ 323.13	75.2	\$ 496.48	66.3	7.45%	N/A
Employees Retirement System of Texas	8/31/2023	7.00%	\$	47,992.45	\$ 34,049.73	\$ 13,942.72	71.0	\$ 19,760.62	63.3	7.99%	N/A
Employees of Brownsville Navigation District	12/31/2022	6.00%	\$	10.14	\$ 8.90	\$ 1.24	87.8	\$ 2.49	78.1	6.24%	N/A
Fort Worth Employees' Retirement Fund	9/30/2023	7.00%	\$	5,103.44	\$ 2,604.61	\$ 2,498.83	51.0	\$ 3,121.88	45.5	6.12%	N/A
Fort Worth Employees' Retirement Fund Staff Plan	9/30/2023	7.00%	\$	12.12	\$ 8.72	\$ 3.40	71.9	\$ 5.20	62.6	6.12%	N/A
Galveston Employees' Retirement Fund	12/31/2022	7.25%	\$	83.71	\$ 58.67	\$ 25.05	70.1	\$ 33.99	63.3	5.65%	N/A
Galveston Employees' Retirement Plan for Police	12/31/2022	7.00%	\$	59.94	\$ 23.12	\$ 36.82	38.6	\$ 44.18	34.4	4.81%	N/A
Galveston Firefighter's Relief & Retirement Fund	12/31/2022	7.50%	\$	83.77	\$ 49.04	\$ 34.73	58.5	\$ 44.72	52.3	5.25%	N/A
Galveston Wharves Pension Plan	12/31/2022	7.25%	\$	16.31	\$ 13.02	\$ 3.29	79.8	\$ 4.76	73.2	7.72%	N/A
Greenville Firemen's Relief & Retirement Fund	12/31/2022	7.25%	\$	37.26	\$ 13.88	\$ 23.39	37.2	\$ 27.94	33.2	5.23%	N/A
Guadalupe Regional Medical Center	12/31/2022	6.75%	\$	104.56	\$ 94.42	\$ 10.13	90.3	\$ 24.40	79.5	8.12%	N/A
Guadalupe-Blanco River Authority	12/31/2022	6.25%	\$	40.19	\$ 31.98	\$ 8.21	79.6	\$ 12.42	72.0	5.24%	N/A
Harlingen Firemen's Relief & Retirement Fund	9/30/2023	7.75%	\$	59.56	\$ 36.95	\$ 22.61	62.0	\$ 29.22	55.8	5.72%	N/A
Harris County Hospital District Pension Plan	12/31/2022	5.75%	\$	1,165.44	\$ 821.20	\$ 344.24	70.5	\$ 481.79	63.0	7.35%	N/A
Houston Firefighters' Relief & Retirement Fund	6/30/2023	7.25%	\$	5,167.59	\$ 5,109.18	\$ 58.41	98.9	\$ 582.69	89.8	7.86%	N/A
Houston MTA Non-Union Pension Plan	12/31/2022	6.25%	\$	313.41	\$ 177.05	\$ 136.36	56.5	\$ 168.39	51.3	5.40%	N/A
Houston MTA Workers Union Pension Plan	12/31/2022	6.25%	\$	452.14	\$ 290.56	\$ 161.58	64.3	\$ 209.06	58.2	5.60%	N/A
Houston Municipal Employees Pension System	6/30/2023	7.00%	\$	5,698.78	\$ 4,072.35	\$ 1,626.43	71.5	\$ 2,202.98	64.9	9.27%	N/A
Houston Police Officers' Pension System	6/30/2023	7.00%	\$	7,892.17	\$ 7,208.46	\$ 683.72	91.3	\$ 1,494.50	82.8	8.30%	N/A
Irving Firemen's Relief & Retirement Fund	12/31/2022	7.00%	\$	292.42	\$ 242.41	\$ 50.01	82.9	\$ 86.45	73.7	6.60%	N/A
Irving Supplemental Benefit Plan	12/31/2022	6.75%	\$	109.29	\$ 98.56	\$ 10.73	90.2	\$ 25.63	79.4	5.49%	N/A
JPS - Tarrant County Hospital District	9/30/2023	6.75%	\$	461.70	\$ 434.58	\$ 27.13	94.1	\$ 87.46	83.2	6.92%	N/A
Killeen Firemen's Relief & Retirement Fund	9/30/2022	7.25%	\$	81.39	\$ 53.90	\$ 27.49	66.2	\$ 39.67	57.6	4.98%	N/A
Laredo Firefighters Retirement System	9/30/2023	7.40%	\$	348.35	\$ 197.90	\$ 150.45	56.8	\$ 196.28	50.2	5.16%	N/A
Longview Firemen's Relief & Retirement Fund	12/31/2022	6.42%	\$	143.03	\$ 85.61	\$ 57.42	59.9	\$ 76.02	53.0	4.79%	N/A
Lower Colorado River Authority Retirement Plan	12/31/2022	7.00%	\$	640.50	\$ 425.54	\$ 214.96	66.4	\$ 276.08	60.7	5.10%	N/A
Lower Neches Valley (9)	12/31/2022	6.50%	\$	20.52	\$ 12.41	\$ 8.11	60.5	\$ 10.33	54.6	0.00%	N/A
Lubbock Fire Pension Fund	12/31/2022	7.50%	\$	347.75	\$ 239.59	\$ 108.16	68.9	\$ 151.75	61.2	6.79%	N/A
Lufkin Firemen's Relief & Retirement Fund	12/31/2022	7.25%	\$	43.80	\$ 20.51	\$ 23.29	46.8	\$ 27.94	42.3	5.07%	N/A
Marshall Firemen's Relief & Retirement Fund	12/31/2022	7.25%	\$	23.80	\$ 8.02	\$ 15.78	33.7	\$ 18.90	29.8	5.12%	N/A
McAllen Firemen's Relief & Retirement Fund	9/30/2022	7.50%	\$	89.73	\$ 53.42	\$ 36.31	59.5	\$ 47.40	53.0	4.79%	N/A
Odessa Firemen's Relief & Retirement Fund	12/31/2023	7.00%	\$	136.11	\$ 47.63	\$ 88.48	35.0	\$ 105.85	31.0	6.36%	N/A
Orange Firemen's Relief & Retirement Fund	12/31/2022	7.75%	\$	17.49	\$ 8.44	\$ 9.05	48.3	\$ 11.06	43.3	5.41%	N/A
Paris Firefighters' Relief & Retirement Fund	12/31/2022	7.25%	\$	15.47	\$ 15.69	\$ (0.21)	101.4	\$ 1.53	91.1	3.57%	N/A
Plainview Firemen's Relief & Retirement Fund	12/31/2023	7.50%	\$	18.68	\$ 7.28	\$ 11.40	39.0	\$ 13.50	35.0	4.39%	N/A
Plano Retirement Security Plan	12/31/2022	6.75%	\$	200.15	\$ 185.80	\$ 14.35	92.8	\$ 42.89	81.2	7.29%	N/A
Port Arthur Firemen's Relief & Retirement Fund	12/31/2022	7.25%	\$	74.76	\$ 48.66	\$ 26.10	65.1	\$ 34.56	58.5	5.81%	N/A

AV Supplemental Report July 25, 2024 (Dollars in Millions)

Plan Name	Fiscal Year End	Discount Rate	_	(a) otal Pension ability (TPL) (1)	(b) Fiduciary et Position (2)	(a) - (b) Net Pension Liability (NPL) (3)	(b) / (a) NPL Funded Ratio %	 PL at Disc. Rate -1% (4)	NPL -1% Funded Ratio %	10 Year Net Return (5)	Expected Depletion Date (6)
Port of Houston Authority Retirement Plan	7/31/2023	6.00%	\$	219.25	\$ 201.36	\$ 17.90	91.8	\$ 44.22	82.0	5.64%	N/A
Refugio County Memorial Hospital	10/31/2023	6.00%	\$	1.32	\$ 1.20	\$ 0.12	91.0	\$ 0.31	79.5	4.34%	N/A
San Antonio Fire & Police Pension Fund	12/31/2022	7.25%	\$	4,478.78	\$ 3,586.48	\$ 892.30	80.1	\$ 1,518.59	70.3	6.60%	N/A
San Antonio Metropolitan Transit Retirement Plan	9/30/2023	7.00%	\$	512.51	\$ 338.07	\$ 174.44	66.0	\$ 227.61	59.8	7.48%	N/A
San Benito Firemen Relief & Retirement Fund	9/30/2023	7.50%	\$	7.39	\$ 4.60	\$ 2.79	62.2	\$ 3.71	55.3	4.95%	N/A
Supplemental Retirement Plan of University Medical Center (9)	8/31/2023	4.00%	\$	6.66	\$ 5.15	\$ 1.52	77.3	\$ 1.95	72.5	0.00%	N/A
Sweeny Community Hospital	12/31/2022	5.75%	\$	3.71	\$ 3.08	\$ 0.63	83.0	\$ 0.95	76.5	7.08%	N/A
Teacher Retirement System of Texas	8/31/2023	7.00%	\$	255,860.89	\$ 187,170.54	\$ 68,690.35	73.2	\$ 102,695.88	64.6	7.62%	N/A
Temple Firemen's Relief & Retirement Fund	9/30/2023	7.75%	\$	76.15	\$ 51.69	\$ 24.46	67.9	\$ 33.50	60.7	5.91%	N/A
Texarkana Firemen's Relief & Retirement Fund	12/31/2022	7.50%	\$	49.27	\$ 37.22	\$ 12.05	75.5	\$ 17.42	68.1	6.07%	N/A
Texas City Firemen's Relief & Retirement Fund	12/31/2022	7.25%	\$	38.47	\$ 14.76	\$ 23.71	38.4	\$ 28.33	34.2	4.32%	N/A
Texas County & District Retirement System (10)	12/31/2022	N/A		N/A	N/A	N/A	N/A	N/A	N/A	8.27%	N/A
Texas Emergency Services Retirement System	8/31/2023	7.50%	\$	170.67	\$ 127.38	\$ 43.29	74.6	\$ 67.03	65.5	5.71%	N/A
Texas Municipal Retirement System (10)	12/31/2022	N/A		N/A	N/A	N/A	N/A	N/A	N/A	5.93%	N/A
The Woodlands Firefighters' Retirement System (8)	12/31/2022	7.00%	\$	55.26	\$ 56.39	\$ (1.13)	102.1	\$ 7.13	88.8	4.78%	N/A
Travis County ESD #6 FRRF	12/31/2022	6.50%	\$	48.64	\$ 39.81	\$ 8.83	81.9	\$ 16.24	71.0	6.81%	N/A
Tyler Firefighters' Relief & Retirement Fund	12/31/2022	7.00%	\$	116.73	\$ 74.77	\$ 41.96	64.1	\$ 55.92	57.2	5.90%	N/A
University Health System Pension Plan	12/31/2023	7.00%	\$	780.43	\$ 595.59	\$ 184.84	76.3	\$ 266.86	69.1	7.39%	N/A
University Park Firemen's Relief & Retirement Fund	12/31/2022	7.25%	\$	28.23	\$ 11.12	\$ 17.11	39.4	\$ 20.50	35.2	4.97%	N/A
Waxahachie Firemen's Relief & Retirement Fund	9/30/2023	7.00%	\$	32.06	\$ 21.77	\$ 10.29	67.9	\$ 14.52	60.0	4.35%	N/A
Weslaco Firemen's Relief & Retirement Fund	9/30/2023	7.25%	\$	21.91	\$ 17.16	\$ 4.74	78.4	\$ 8.11	67.9	5.83%	N/A
Grand Totals:			\$	375,223.71	\$ 270,031.15	\$ 105,192.56	72.0%	\$ 153,599.39	63.7%		

Notes

- (1) Total Pension Liability is the actuarial accrued liability calculated in accordance with GASB 67, as reported in the system's Annual Financial Report.
- (2) Fiduciary Net Position is the market value of assets as of the Fiscal Year End, as reported in the system's Annual Finaicial Report.
- (3) Net Pension Liability is measured as the Total Pension Liability less the amount of the pension plan's Fiduciary Net Position.
- (4) Net Pension Liability measured using a discount rate 1% lower than the stated discount rate.
- (5) 10 Year Net Return (gross return net of investment expenses) as reported for the Fiscal Year on the PRB-1000 Investment Returns and Assumptions Report.
- (6) Expected Depletion date is reported in GASB 67 when applicable.
- (7) Expected depletion date not provided. 2099 used as placeholder.
- (8) The plan is less than 10 years old; return is calculated since date of inception.
- (9) Recent 10-year returns are unavailable
- (10) Plan is an Agent Multiple Employer Defined Benefit Plan and is not subject to the majority of GASB 67 reporting requirements.



				(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) + (d)	(f)		(f) / (e)
Plan Name	Plan Status (1)	Fiscal Year End	Covered Payroll	Total NC (% of Pay) (2), (3)	EE Cont (% of Pay) (3)	ER Normal Cost (% of Pay) (3)	Amort Pmt (% of Pay) (3)	ER Rec Cont (% of Pay) (3), (4)	Actual ER Cont (% of Pay) (5)	Actual ER Cont Type	Percent of Rec Cont Paid
Nacogdoches County Hospital District (6)	Frozen	6/30/2021	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Actuarial	0%
Law Enforcement & Custodial Off Sup. Ret. Fund	Active	8/31/2022	\$ 1,585,643,659	1.97%	0.50%	1.47%	2.50%	3.97%	1.35%	Other	34%
Midland Firemen's Relief & Retirement Fund	Active	12/31/2022	\$ 22,052,445	31.54%	14.20%	17.34%	28.16%	45.50%	23.58%	Fixed	52%
Beaumont Firemen's Relief & Retirement Fund	Active	12/31/2022	\$ 23,324,236	20.85%	18.00%	2.85%	24.17%	27.02%	17.11%	Fixed	63%
Judicial Retirement System of Texas Plan Two	Active	8/31/2022	\$ 90,868,738	26.64%	9.39%	17.25%	6.46%	23.71%	15.83%	Fixed	67%
Dallas Employees' Retirement Fund	Active	12/31/2022	\$ 442,863,000	21.19%	13.32%	7.87%	13.42%	21.29%	15.19%	Other	71%
Dallas Police & Fire Pension System-Combined Plan	Active	12/31/2022	\$ 436,971,384	18.64%	13.50%	5.14%	47.16%	52.30%	38.88%	Other	74%
Colorado River Municipal Water Dist.	Active	12/31/2022	\$ 3,750,043	10.69%	0.00%	10.69%	9.34%	20.03%	16.14%	Actuarial	81%
El Paso Firemen & Policemen's Pension Staff Plan	Active	12/31/2022	\$ 893,506	10.77%	5.00%	5.77%	3.70%	9.47%	7.65%	Actuarial	81%
Galveston Firefighter's Relief & Retirement Fund	Active	12/31/2022	\$ 9,916,741	21.30%	18.00%	3.30%	17.12%	20.42%	16.78%	Fixed	82%
Fort Worth Employees' Retirement Fund	Active	9/30/2023	\$ 556,072,446	17.50%	12.74%	4.76%	26.83%	31.59%	26.67%	Actuarial	84%
Sweetwater Firemen's Relief & Retirement Fund	Active	12/31/2022	\$ 1,711,845	21.40%	17.00%	4.40%	18.49%	22.89%	19.55%	Fixed	85%
Atlanta Firemen's Relief & Retirement Fund	Active	12/31/2022	\$ 607,518	21.05%	13.00%	8.05%	11.58%	19.63%	16.79%	Fixed	86%
Brownwood Firemen's Relief & Retirement Fund	Active	12/31/2022	\$ 2,033,658	15.81%	10.00%	5.81%	18.45%	24.26%	21.15%	Fixed	87%
Austin Employees' Retirement System	Active	12/31/2023	\$ 810,041,877	17.39%	8.00%	9.39%	13.52%	22.91%	20.23%	Fixed	88%
Laredo Firefighters Retirement System	Active	9/30/2023	\$ 43,658,580	19.55%	16.00%	3.55%	20.05%	23.60%	20.86%	Fixed	88%
San Antonio Metropolitan Transit Retirement Plan	Active	9/30/2023	\$ 49,668,960	12.97%	6.52%	6.45%	21.77%	28.22%	25.30%	Actuarial	90%
Conroe Fire Fighters' Retirement Fund	Active	12/31/2022	\$ 14,320,776	22.90%	15.50%	7.40%	9.63%	17.03%	15.72%	Fixed	92%
Marshall Firemen's Relief & Retirement Fund	Active	12/31/2022	\$ 2,899,527	18.38%	16.00%	2.38%	23.01%	25.39%	23.45%	Fixed	92%
University Park Firemen's Relief & Retirement Fund	Closed	12/31/2022	\$ 3,338,205	15.14%	10.00%	5.14%	38.29%	43.43%	40.52%	Actuarial	93%
Cleburne Firemen's Relief & Retirement Fund	Active	12/31/2022	\$ 5,942,994	19.75%	15.00%	4.75%	17.36%	22.11%	20.63%	Other	93%
Fort Worth Employees' Retirement Fund Staff Plan	Active	9/30/2023	\$ 2,139,526	22.71%	10.50%	12.21%	9.96%	22.17%	20.79%	Actuarial	94%
Harlingen Firemen's Relief & Retirement Fund	Active	9/30/2023	\$ 7,812,278	18.53%	15.00%	3.53%	13.47%	17.00%	16.10%	Fixed	95%
Wichita Falls Firemen's Relief & Retirement Fund	Active	12/31/2022	\$ 12,538,296	13.71%	13.00%	0.71%	13.15%	13.86%	13.13%	Fixed	95%
Austin Fire Fighters Relief & Retirement Fund	Active	12/31/2022	\$ 105,372,248	30.73%	18.70%	12.03%	10.73%	22.76%	21.60%	Fixed	95%
Tyler Firefighters' Relief & Retirement Fund	Active	12/31/2022	\$ 13,376,935	22.19%	13.50%	8.69%	13.80%	22.49%	21.37%	Fixed	95%
San Angelo Firemen's Relief & Retirement Fund	Active	12/31/2022	\$ 14,240,771	21.23%	18.50%	2.73%	17.37%	20.10%	20.05%	Fixed	100%
University Health System Pension Plan	Active	12/31/2023	\$ 471,477,819	5.12%	2.60%	2.52%	2.12%	4.64%	4.64%	Actuarial	100%



					(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) + (d)	(f)		(f) / (e)
Plan Name	Plan Status (1)	Fiscal Year End		Covered Payroll	Total NC (% of Pay) (2), (3)	EE Cont (% of Pay) (3)	ER Normal Cost (% of Pay) (3)	Amort Pmt (% of Pay) (3)	ER Rec Cont (% of Pay) (3), (4)	Actual ER Cont (% of Pay) (5)	Actual ER Cont Type	Percent of Rec Cont Paid
DFW Airport Board DPS	Active	12/31/2022	\$	32,790,767	24.33%	7.00%	17.33%	11.57%	28.90%	28.90%	Actuarial	100%
DFW Airport Board	Active	12/31/2022	\$	30,501,477	18.87%	0.00%	18.87%	42.55%	61.42%	61.42%	Actuarial	100%
JPS - Tarrant County Hospital District	Active	9/30/2023	\$	301,778,705	6.53%	1.91%	4.62%	1.63%	6.25%	6.25%	Other	100%
Brazos River Authority Retirement Plan (6)	Frozen	2/28/2023	\$	5,989,476	0.00%	0.00%	0.00%	0.00%	0.00%	19.45%	Actuarial	100%
Dallas Police & Fire Pension System-Supplemental	Active	12/31/2022	\$	1,694,833	63.30%	13.93%	49.37%	116.24%	165.61%	165.61%	Actuarial	100%
Sweeny Community Hospital	Closed	12/31/2022	\$	561,964	14.53%	0.00%	14.53%	3.53%	18.06%	18.06%	Actuarial	100%
Anson General Hospital	Frozen	6/30/2023	\$	60,552	103.01%	4.00%	99.01%	-84.10%	14.91%	14.91%	Actuarial	100%
Port of Houston Authority Retirement Plan	Closed	7/31/2023	\$	28,850,515	13.54%	0.00%	13.54%	17.26%	30.80%	30.80%	Actuarial	100%
Citizens Medical Center	Active	2/28/2023	\$	61,683,953	8.35%	3.96%	4.39%	-1.62%	2.77%	2.77%	Other	100%
Guadalupe Regional Medical Center	Active	12/31/2022	\$	33,880,304	11.74%	4.00%	7.74%	0.58%	8.32%	8.34%	Other	100%
McAllen Firemen's Relief & Retirement Fund	Active	9/30/2022	\$	13,110,143	16.98%	14.00%	2.98%	11.55%	14.53%	14.57%	Fixed	100%
CPS Energy Pension Plan	Active	12/31/2023	\$	304,482,139	15.29%	5.00%	10.29%	8.34%	18.63%	18.70%	Actuarial	100%
Irving Supplemental Benefit Plan	Active	12/31/2022	\$	119,771,217	3.28%	2.50%	0.78%	0.00%	0.78%	0.79%	Other	101%
Teacher Retirement System of Texas	Active	8/31/2023	\$ 54	1,197,711,341	12.23%	8.00%	4.23%	5.24%	9.47%	9.65%	Fixed	102%
Waxahachie Firemen's Relief & Retirement Fund	Active	9/30/2023	\$	6,273,074	18.93%	12.00%	6.93%	9.82%	16.75%	17.11%	Other	102%
Austin Police Retirement System	Active	12/31/2022	\$	162,554,600	25.13%	15.00%	10.13%	16.58%	26.71%	27.33%	Actuarial	102%
Houston Municipal Employees Pension System	Active	6/30/2023	\$	660,597,000	11.19%	3.00%	8.19%	21.99%	30.18%	31.02%	Actuarial	103%
Lufkin Firemen's Relief & Retirement Fund	Active	12/31/2022	\$	5,657,886	16.69%	14.20%	2.49%	21.11%	23.60%	24.37%	Fixed	103%
Houston MTA Workers Union Pension Plan	Closed	12/31/2022	\$	79,313,000	4.31%	0.24%	4.07%	15.05%	19.12%	19.76%	Actuarial	103%
Big Spring Firemen's Relief & Retirement Fund	Active	12/31/2022	\$	4,501,839	17.74%	13.00%	4.74%	12.48%	17.22%	17.81%	Fixed	103%
Greenville Firemen's Relief & Retirement Fund	Active	12/31/2022	\$	4,844,917	18.15%	16.30%	1.85%	21.68%	23.53%	24.34%	Fixed	103%
Houston MTA Non-Union Pension Plan	Closed	12/31/2022	\$	32,168,000	10.27%	0.00%	10.27%	29.69%	39.96%	41.37%	Actuarial	104%
Corsicana Firemen's Relief & Retirement Fund	Active	12/31/2022	\$	3,132,131	15.11%	14.00%	1.11%	16.11%	17.22%	17.86%	Fixed	104%
Lubbock Fire Pension Fund	Active	12/31/2022	\$	35,973,408	22.15%	14.98%	7.17%	15.44%	22.61%	23.46%	Other	104%
Corpus Christi Regional Transportation Authority	Active	12/31/2022	\$	11,319,943	8.73%	0.00%	8.73%	3.02%	11.75%	12.21%	Actuarial	104%
Houston Firefighters' Relief & Retirement Fund	Active	6/30/2023	\$	258,896,000	25.48%	10.50%	14.98%	11.91%	26.89%	27.99%	Actuarial	104%
The Woodlands Firefighters' Retirement System	Active	12/31/2022	\$	13,211,712	22.85%	12.00%	10.85%	1.15%	12.00%	12.52%	Fixed	104%
El Paso Firemen's Pension Fund	Active	12/31/2022	\$	71,821,803	18.87%	18.00%	0.87%	17.83%	18.70%	19.78%	Fixed	106%



				(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) + (d)	(f)		(f) / (e)
Plan Name	Plan Status (1)	Fiscal Year End	Covered Payroll	Total NC (% of Pay) (2), (3)	EE Cont (% of Pay) (3)	ER Normal Cost (% of Pay) (3)	Amort Pmt (% of Pay) (3)	ER Rec Cont (% of Pay) (3), (4)	Actual ER Cont (% of Pay) (5)	Actual ER Cont Type	Percent of Rec Cont Paid
El Paso Police Pension Fund	Active	12/31/2022	\$ 96,580,711	15.58%	18.00%	0.00%	20.62%	18.20%	19.35%		106%
Abilene Firemen's Relief & Retirement Fund	Active	9/30/2023	\$ 16,692,158	17.04%	15.20%	1.84%	19.15%	20.99%	22.55%	Fixed	107%
Plainview Firemen's Relief & Retirement Fund	Active	12/31/2023	\$ 2,196,430	15.44%	15.00%	0.44%	25.66%	26.10%	28.08%	Fixed	108%
Texas City Firemen's Relief & Retirement Fund	Active	12/31/2022	\$ 5,845,298	15.00%	17.00%	0.00%	20.32%	18.32%	19.82%	Fixed	108%
Arlington Employees Deferred Income Plan	Active	6/30/2023	\$ 3,254,148	6.62%	3.00%	3.62%	0.03%	3.65%	4.00%	Actuarial	110%
Texarkana Firemen's Relief & Retirement Fund	Active	12/31/2022	\$ 4,674,742	23.06%	13.50%	9.56%	9.85%	19.41%	21.38%	Fixed	110%
Temple Firemen's Relief & Retirement Fund	Active	9/30/2023	\$ 10,538,671	19.68%	16.00%	3.68%	11.48%	15.16%	16.81%	Fixed	111%
San Antonio Fire & Police Pension Fund	Active	12/31/2022	\$ 362,274,741	23.65%	12.32%	11.33%	10.13%	21.46%	24.39%	Fixed	114%
Denison Firemen's Relief & Retirement Fund	Active	12/31/2022	\$ 3,815,442	15.56%	13.25%	2.31%	15.69%	18.00%	20.73%	Fixed	115%
Capital MTA Admin Employees	Active	12/31/2022	\$ 38,516,483	8.16%	0.00%	8.16%	1.38%	9.54%	11.10%	Actuarial	116%
Lower Colorado River Authority Retirement Plan	Closed	12/31/2022	\$ 101,310,679	5.50%	0.00%	5.50%	17.99%	23.49%	27.40%	Actuarial	117%
Lower Neches Valley	Frozen	12/31/2022	\$ 3,763,098	7.38%	0.00%	7.38%	18.15%	25.53%	29.82%	Actuarial	117%
Texas County & District Retirement System	Active	12/31/2022	\$ 7,908,800,000	14.84%	6.78%	8.06%	4.88%	12.94%	15.17%	Actuarial	117%
Texas Municipal Retirement System	Active	12/31/2022	\$ 7,283,000,000	15.48%	6.69%	8.79%	4.53%	13.32%	15.72%	Actuarial	118%
Orange Firemen's Relief & Retirement Fund	Active	12/31/2022	\$ 2,842,141	12.00%	13.80%	0.00%	17.11%	15.31%	18.47%	Fixed	121%
Odessa Firemen's Relief & Retirement Fund	Active	12/31/2023	\$ 17,595,066	16.56%	16.00%	0.56%	26.92%	27.48%	33.48%	Fixed	122%
Corpus Christi Fire Fighters' Retirement System	Active	12/31/2022	\$ 35,823,542	16.70%	13.10%	3.60%	18.04%	21.64%	26.37%	Fixed	122%
Dallas Co. Hospital Dist. Retirement Income Plan	Active	12/31/2022	\$ 721,278,999	10.34%	6.20%	4.14%	4.29%	8.43%	10.37%	ADC	123%
Killeen Firemen's Relief & Retirement Fund	Active	9/30/2022	\$ 15,387,077	17.43%	11.00%	6.43%	8.33%	14.76%	18.20%	Fixed	123%
Plano Retirement Security Plan	Active	12/31/2022	\$ 166,754,188	3.48%	0.00%	3.48%	-0.27%	3.21%	3.97%	Actuarial	124%
Houston Police Officers' Pension System	Active	6/30/2023	\$ 476,665,000	24.90%	10.50%	14.40%	12.37%	26.77%	33.55%	Actuarial	125%
Port Arthur Firemen's Relief & Retirement Fund	Active	12/31/2022	\$ 10,172,298	16.07%	15.00%	1.07%	9.90%	10.97%	14.06%	Other	128%
Galveston Employees' Retirement Plan for Police	Active	12/31/2022	\$ 12,829,898	14.26%	12.00%	2.26%	15.70%	17.96%	23.47%	Actuarial	131%
Denton Firemen's Relief & Retirement Fund	Active	12/31/2022	\$ 23,631,852	22.23%	12.60%	9.63%	4.65%	14.28%	19.24%	Actuarial	135%
San Benito Firemen Relief & Retirement Fund	Active	9/30/2023	\$ 1,557,723	13.19%	12.00%	1.19%	7.71%	8.90%	12.13%	Fixed	136%
Weslaco Firemen's Relief & Retirement Fund	Active	9/30/2023	\$ 5,077,918	15.50%	12.00%	3.50%	5.85%	9.35%	13.38%	Fixed	143%
Galveston Employees' Retirement Fund	Active	12/31/2022	\$ 27,388,561	10.09%	6.00%	4.09%	2.60%	6.69%	9.98%	Fixed	149%
Travis County ESD #6 FRRF	Active	12/31/2022	\$ 8,633,614	30.48%	20.00%	10.48%	2.61%	13.09%	19.93%	Fixed	152%



				(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) + (d)	(f)		(f) / (e)
Plan Name	Plan Status (1)	Fiscal Year End	Covered Payroll	Total NC (% of Pay) (2), (3)	EE Cont (% of Pay) (3)	ER Normal Cost (% of Pay) (3)	Amort Pmt (% of Pay) (3)	ER Rec Cont (% of Pay) (3), (4)	Actual ER Cont (% of Pay) (5)	Actual ER Cont Type	Percent of Rec Cont Paid
Harris County Hospital District Pension Plan	Closed	12/31/2022	\$ 150,518,251	6.36%	0.00%	6.36%	19.46%	25.82%	39.86%	Actuarial	154%
Amarillo Firemen's Relief & Retirement Fund	Active	12/31/2022	\$ 22,673,309	24.45%	14.00%	10.45%	3.41%	13.86%	22.82%	Fixed	165%
City of El Paso Employees Retirement Trust	Active	8/31/2023	\$ 167,790,370	11.94%	8.95%	2.99%	8.53%	11.52%	19.70%	Fixed	171%
Employees Retirement System of Texas	Active	8/31/2023	\$ 7,470,847,680	14.07%	9.50%	4.57%	12.26%	16.83%	31.01%	Actuarial	184%
Galveston Wharves Pension Plan	Closed	12/31/2022	\$ 1,041,242	12.10%	0.00%	12.10%	0.43%	12.53%	38.42%	Actuarial	307%
Employees of Brownsville Navigation District	Active	12/31/2022	\$ 4,338,705	6.19%	4.00%	2.19%	4.16%	6.35%	28.82%	Actuarial	454%
DART Employees	Closed	9/30/2023	\$ 3,847,145	6.95%	0.00%	6.95%	135.25%	142.20%	701.82%	Actuarial	494%
Irving Firemen's Relief & Retirement Fund (7)	Active	12/31/2022	\$ 40,382,350	21.50%	13.00%	8.50%	13.44%	21.94%	216.63%	Fixed	987%
Longview Firemen's Relief & Retirement Fund (7)	Active	12/31/2022	\$ 14,690,046	16.76%	16.53%	0.23%	29.37%	29.60%	326.10%	Fixed	1102%
Paris Firefighters' Relief & Retirement Fund (7)	Active	12/31/2022	\$ 2,871,131	9.57%	16.00%	0.00%	21.71%	15.28%	436.13%	Fixed	2854%
Capital MTA Bargaining (6)	Frozen	12/31/2022	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Actuarial	N/A
Guadalupe-Blanco River Authority (6)	Frozen	12/31/2022	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Actuarial	N/A
Refugio County Memorial Hospital (6)	Frozen	10/31/2023	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Actuarial	N/A
Supplemental Retirement Plan of University Medical Center (6)	Active	8/31/2023	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Other	N/A
Texas Emergency Services Retirement System (6)	Active	8/31/2023	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Other	N/A

Notes

- (1) Plan status indicates whether a plan is active (admitting new hires), closed to new hires (but still accruing benefits), or frozen (not accruing benefits).
- (2) Normal Cost includes any explicit provisions for administrative expenses.
- (3) Values may differ from that reported by the system due to differences in timing and/or rounding. For systems that do not indicate the fiscal year associated with this value (or the requisite valuation has not been provided to
- (4) Recommended Contribution needed for the system to achieve and maintain an amortization period that does not exceed 30 years, in accordance with Texas Code §802.101(a).
- (5) Actual contribution rate is determined as the employer contributions made to the plan during the fiscal year divided by the covered payroll shown. This may differ from the plan's stated contribution rate due to differences bet
- (6) Covered payroll is not reported for this plan.
- (7) Contribution amounts reflect one-time proceeds from pension obligation bond



Item 8c. Reporting Compliance

Bryan Burnham



Overview

- Total net assets
 - Current: \$347,627,036,245
 - 03/06/2024: \$342,062,504,311
- System membership
 - Active: 1,502,609
 - Annuitants: 885,892
 - Inactive: 1,013,064
 - Total: 3,400,907



PRB Noncompliance Policy

- Reminders sent to system 60 and 15 days before reporting deadline.
- Noncompliance notice sent to system 15 and 45 days after deadline.
- Staff contacts system and sponsor when reports are 60 days past due.
- System name published to the <u>List of Plans Noncompliant Over</u> 60 Days on PRB website.
- System may be asked to appear before the board to discuss noncompliance.
- The PRB may subpoena records or other documents (<u>Sec. 801.205</u>, <u>Texas Government Code</u>).



Systems Noncompliant Over 60 Days

This list includes all systems that have not submitted one or more of the following reports to the PRB by the 60th day after the date the reports are due: annual financial report (AFR), membership report (PRB-200), or Investment Returns and Assumptions Report (PRB-1000).¹

System	Missing Report	FY	Due Date
	AFR	2021	1/26/2022
Nacogdoches County Hospital District Retirement Plan	AFR	2022	1/26/2023
	AFR	2023	1/26/2024
Killeen Firemen's Relief & Retirement Fund	AFR, Membership, PRB-1000	2023	4/27/2024
McAllen Firemen's Relief & Retirement Fund	AFR, Membership, PRB-1000	2023	4/27/2024

Since the previous report:

- Midland Fire was removed.
- Killeen Fire and McAllen Fire were added.

¹Sec. 801.209(b), Texas Government Code



Retirement System Updates

- Northwest Texas Healthcare System Retirement Plan
 - System's board approved plan termination in March 2024
 - Submitted zero balance report on May 14
 - System now considered defunct
- 100 systems currently reporting



FY 2023 Compliance Dates

Fiscal Year End	Due Date	Number of Systems	60-Day Noncompliance
February 28, 2023	September 26, 2023	2	December 1, 2023
June 30, 2023	January 26, 2024	6	April 1, 2024
July 31, 2023	February 26, 2024	1	May 1, 2024
August 31, 2023	March 28, 2024	7	June 1, 2024
September 30, 2023	April 27, 2024	14	July 1, 2024
October 31, 2023	May 28, 2024	1	August 1, 2024
December 31, 2023	July 28, 2024	69	October 1, 2024



Item 8d. PRB Pension Funding Guidelines and Guidance for Developing a Funding Policy

Mariah Miller



Overview

- Background
- Project progress
- Initial stakeholder feedback and major changes
- Stakeholder feedback and major changes following May 9 Actuarial Committee meeting
- Summary of overall changes
- Updated project timeline and next steps



Background

- Pension Funding Guidelines last revised in 2017
- PRB developed guidance and a sample policy in 2019
- Focused on updating all documents to reflect statutory changes and updated best practices.



Project Progress: January 2024-April 2024

- First presented drafts to Actuarial Committee on January 25, 2024
- First public comment period open from Feb. 5 March 15, 2024
- Received six comments:

Pension Funding Guidelines

- Most comments about draft Guidelines 4, 5, and 6
- Received general feedback about technical language and scope

Guidance for Developing a Funding Policy

- Requested certain examples removed
- Received some comments generally more applicable to other projects or policies
- Applied some feedback from TLFFRA Governance stakeholder comments



First Round Major Changes: Pension Funding Guidelines

Guideline 4

- Specify that minimum contributions should cover normal cost after system reaches full funding
- Add upper limit of 120 percent funded

Guideline 5

 Replace original target date recommendations with targeting 15 years by Sept. 1, 2040, if funding period is not at least 20 years or less by Sept. 1, 2035.

• Guideline 6

• Specify parameters around benefit or contribution changes after Sept. 1, 2040.



First Round Major Changes: Funding Policy Guidance

- Removed requested examples.
- Added clarifying language around the system and sponsor joint development and adoption requirement.



Project Progress: May 2024 - Present

- Presented revisions at May 9 Actuarial Committee meeting
- Second public comment period open from May 20, 2024, through June 21, 2024.
- Received two comments

Pension Funding Guidelines

- Received one comment from Rudd & Wisdom
 - Clarify Guideline 4 to encourage systems to be more cautious managing a surplus

Guidance for Developing a Funding Policy

- Received one comment from the City of Galveston
 - Specify funding periods should not exceed 30 years, and other actuarial assumptions should be detailed in a funding policy
 - Include information on investment assumptions and internal governance practices

Sample Funding Policy

Received no comments



Sample Funding Policy

- Representative of what a potential funding policy could look like.
- Presented to Actuarial Committee in May with following updates:
 - Technical language
 - Statutory requirements
 - Includes two-year review period
 - Adds a surplus management policy
 - Adds signature lines for system official and city official



Second Round Major Changes

- Pension Funding Guidelines
 - Updated Guideline 4 to say contributions should continue to cover normal cost until funded ratio exceeds at least 120 percent.
- Funding Policy Guidance
 - Organized examples by system type.
- Sample Funding Policy
 - No changes



Summary of Changes

Pension Funding Guidelines

- •FSRP & funding policy statutory requirements
- •Updates language encouraging the coverage of normal cost when overfunded
- Adds language to help systems maintain a decreasing funding period over time
- •Adds parameters around benefit increases and contribution decreases after September 1, 2040
- Adds language encouraging the study of normal cost by tier

Funding Policy Guidance

- Statutory requirements
- Encourages collaboration with actuary
- Adds information about working with sponsor
- Adds guidance for periodic funding policy review
- •Adds more risk management information
- Updated examples

Sample Policy

- •Technical language
- Statutory requirements
- •Suggested two-year review period
- Adds surplus management policy
- Adds signature lines for system official and city official



Project Timeline

2023:

- Aug.-Sept. Research and review
- Oct. Drafting of updated Guidelines/Guidance
- Nov.-Dec. Revision and editing of Guidelines/Guidance

2024:

- Jan. Presented deliverables to the Actuarial Committee
- Feb.-Mar Collect stakeholder feedback and provide board update
- May Present updated materials and updated sample policy to the Actuarial Committee
- July Present final drafts of the following to the board for possible approval:
 - Updated Guidelines
 - Updated Guidance



Commenter	Comment Received	Staff Discussion	
	Introduction		
Texas County & District Retirement System	system is not a statewide retirement system, its associated governmental entity must jointly develop a written funding policy. TEX. GOV'T. CODE § 802.2011(b) (emphasis	Recommendation: Staff has clarified in the guidelines that statewide systems are exempt from certain funding policy requirements.	
	1. Reflecting obligations and assets		
	No comments received		
	2. Allocation of normal cost		
	No comments received		
	3. Funding of UAAL		
	No comments received		
	4. Actual contributions cover normal cost		
Texas County & District Retirement System	While this may be advisable in some contexts, it may not be in others. Some pensions may have reasons for wanting to contribute more than their normal costs; others may	Recommendation: The PRB staff concurs that there may be instances where a system that has reached 100 percent funding chooses to fund more than the normal cost. Staff suggests updating the language on Guideline 4 to specify that minimum contributions should continue to cover normal cost and added a 120	
Rudd and Wisdom, Inc.	"We recommend that the last sentence of guideline 4 be changed to include the following phrase to emphasize that the contributions could exceed the normal cost to cover any potential unfunded liability that occurs from gains and losses: 'to cover the normal cost, at a minimum.'"	percent funded ratio upper limit to account for instances when a system may opt to fund less than the normal cost while maintaining strong funding levels. The Guidance for Developing a Funding Policy provides more information on creating a surplus management policy.	

Commenter	Comment Received	Staff Discussion
5. Target dates		
Texas County & District Retirement System	"the establishment of these target dates may be worthwhile goals for a particular plan in a particular set of circumstances (such as a fixed-rate plan that is operating under an FSRP), but it is important to realize that those dates could – and most likely will – evolve as circumstances (e.g. payroll, workforce health and age, market fluctuations) change. To suggest that these dates should not (or could not) change from year to year could have material and adverse effects on a plan if it is then not allowed (or even encouraged) to adapt to changing circumstances. Our recommendation then, would be that this language focus on amortization periods, rather than on fixed amortization dates. We think that this would be the more appropriate guidance for plans facing these circumstances."	Recommendation: Staff has updated the proposed language on Guideline 5, removing the two date recommendation for reducing and eliminating the UAAL. Instead, staff proposes that Guideline 5 recommend that systems target a funding period of 15 years by September 1, 2040 if their funding period has not decreased to 20 years or less by September 1, 2035. These dates allow for systems to have fluctuations in funding periods year over year in response to various assumptions and circumstances changing while still remaining on a long-term track toward full funding.
City of El Paso Employees Retirement Trust	"It is not entirely clear, but it seems that you are suggesting that a funding method that amortizes unfunded liabilities on a 'level percent of pay' basis should state the number of years it will take before the unfunded liabilities start to decrease often referred to as 'negative amortization.' Our concern, as identified by our actuary, is that the period of negative amortization depends on the payroll growth rate. As the payroll growth rate increases, the number of years of negative amortization increases. Our specific request is to add clarification to proposed guideline number five and to consider how assumption changes could complicate or conflict the satisfaction of this guideline."	
Rudd and Wisdom, Inc.	, ,	Recommendation: Guideline 5 has been updated to reflect dates in accordance with FSRP requirements that will help systems stay on track to have a decreasing funding period over time. The Guidance for Developing a Funding Policy includes information about negative amortization, but is intended to serve as a basis for discussion between systems and sponsors.

Commenter	Comment Received	Staff Discussion	
	6. Benefit increases and contribution decreases		
City of El Paso Employees Retirement Trust	guideline that would require that a plan achieve certain quantifiable parameters before a	Recommendation: PRB staff proposes updating Guideline 6 to specify parameters around benefit or contribution changes after September 1, 2040. Staff recommends systems discuss with their actuary what a material increase would look like for them since it may differ between systems.	
Rudd and Wisdom, Inc.			
Fort Worth Employees' Retirement Fund	"Consider whether to add footnotes to Items 6 and 7 on page 2 of the PRB Pension Funding Guidelines to acknowledge that certain plan sponsors may negotiate their benefits with its	Recommendation: No change. The Guidelines currently support benefit negotiations between system sponsors and employees.	
	7. Benefit decreases and contribution increases		
	No comments received		
	8. Reasonable assumptions		
No comments received			
9. Experience studies			
	No comments received		

Commenter	Comment Received	Staff Discussion	
	General Feedback		
City of El Paso	"Our initial comment is that it should be stressed in these documents that the proposed guidelines are suggestions and they are not intended to supersede the professional advice provided by enrolled actuaries or specific legislative requirements or other factors that Trustees should consider in making funding policy decisions for each specific plan. These guidelines should not be interpreted as "best practices" but resources for consideration in developing funding policies as no "one size fits all" in the development and implementation of a pension funding policy."	Recommendation: No change. The Pension Funding Guidelines preamble currently states that the guidelines servesto provide guidance to public retirement systems and their sponsoring governmental entities.	
City of Fort Worth	"One addition that we would propose to the new draft Guidelines and/or Guidance would be to reaffirm directly that some of the documents' provisions would not apply to funds with an established, legacy Funding Soundness Restoration Plan (FSRP) such as ours, so long as a legacy fund continues to adhere to its plan and remains within a 40-year funding period."	Recommendation: No change. The Guidelines are not a required policy for systems. The 30-year funding period in	
Fort Worth Employees' Retirement Fund	"The document fails to note that some pension plans, such as FWERF, previously implemented an FSRP and should be grandfathered into the Guidelines. One application of this grandfathering is that FWERF could be outside the 30-year amortization but still compliant. It is critical that the Guidelines account for FSRP-grandfathered plans."	the Guidelines has not changed. The legacy FSRP rules continue to provide a way for systems such as FWERF to remain compliant with statute while operating outside the guidelines.	
Rudd and Wisdom, Inc.	"Despite the use of the term "funding period" in the Texas Government Code, we prefer "amortization period" to help distinguish it from so many other places where the word "funding" is used."	Recommendation: No change. Staff will continue using "funding period" to be consistent with statute.	

Commenter	Comment Received	Staff Discussion
	Overview	
Texas County & District Retirement System (TCDRS) - via email	"I'm wondering if this guidance is intended to be for the statewide systems too. The reason I'm asking is that, if this is the case, I am noticing a few places where I might suggest a change. For example, the Government Code section 802.2011(b) exempts the statewide systems from having to jointly adopt a funding policy with 'its associated governmental entity.'"	Recommendation: Staff has clarified in the guidance that statewide systems are exempt from certain funding policy requirements.
	I. Establishing Clear and Concrete Funding Objectives	
	No comments received	
	II. Selecting Actuarial Methods	
City of Galveston	"PRB guidance should include more detailed discussion in the Draft Guidance on the use of the Actuarial Estimated Rate of Return (a.k.a., assumed investment return) and creating an asset allocation plan consistent with achieving the estimated rate of return."	Recommendation: No change. At this time, staff believes that this would be better suited for a different type of guidance. Staff has made a note of this recommendation and will consider it in the future.
	III. Developing a Roadmap to Achieve Funding Objectives	
Fort Worth Employees' Retirement Fund	"On redline page 4, "examples" are listed under the Benefit & Contribution Change Parameters. FWERF requests not to be used as an example in this context."	Recommendation: Staff has removed the FWERF example from this section of the Guidance.
	IV. Adopting Actions to Address Actual Experience That Diverges from Assumpt	ions
City of Fort Worth	Suggested technical changes to the Fort Worth example in the risk-sharing paragraph.	Recommendation: Staff has removed the
Fort Worth Employees' Retirement Fund	"On redline page 7, FWERF requests not to be used as an example in this context. To the extent FWERF is used as an example, a few corrections are needed in the paragraph describing FWERF's funding policy"	FWERF example from this section of the Guidance.

Commenter	Comment Received	Staff Discussion
	General Comments	
City of Galveston	"Given the complexities with pension funding issues and the significant financial implications for beneficiaries and taxpayers, the City of Galveston strongly recommends the additional best practices: 1. Board Composition. Equal governing board and plan sponsor professional representation with an experience requirement to ensure a qualified board. Management of pension assets can often be complex and require a level of understanding beyond that of a layman or even a journeyman, yet many plans are administered by volunteer boards with little or no background in the complexities of investment and asset management. 2. Education Requirements. Education and training requirements will ensure board members have the background to make informed decisions to preserve a healthy and sustainable pension plan. The importance of education and training as well as the principle that no pension board should be comprised principally of plan beneficiaries and appointees was emphasized with HB 2763, Galveston's police pension reform legislation enacted in 2019."	Recommendation: No change. The PRB is currently undertaking other projects that entail researching governance practices and will make note of the feedback for the future.
City of El Paso Employees Retirement Trust	"Our initial comment is that it should be stressed in these documents that the proposed guidelines are suggestions and they are not intended to supersede the professional advice provided by enrolled actuaries or specific legislative requirements or other factors that Trustees should consider in making funding policy	Recommendation: No change. The PRB <i>Pension Funding Guidelines</i> serve
	decisions for each specific plan.	to provide guidance to public retirement systems and their sponsoring
	These guidelines should not be interpreted as "best practices" but resources for consideration in developing funding policies as no "one size fits all" in the development and implementation of a pension funding policy."	governmental entities. This information is captured in the guidelines preamble.

Commenter	Comment Received	Staff Discussion
	General Comments (cont)	
City of Fort Worth	"One addition that we would propose to the new draft Guidelines and/or Guidance would be to reaffirm directly that some of the documents' provisions would not apply to funds with an established, legacy Funding Soundness Restoration Plan (FSRP) such as ours, so long as a legacy fund continues to adhere to its plan and remains within a 40-year funding period."	Recommendation: No change. The guidance is intended to serve as a starting point for systems when creating a funding policy and offers suggestions for material they may want to include. The guidance document is not intended to supersede provisions in an FSRP.
Fort Worth Employees' Retirement Fund	"Anywhere "Fort Worth Employees' Retirement Fund" is referenced, please include the plural possessive apostrophe, as follows: Employees'."	Recommendation: Staff has removed the examples from FWERF from the guidance but has noted the technical feedback for the future.

Commenter	Comment Received	Staff Discussion
	Pension Funding Guidelines	
	4. Actual contributions cover normal cost	
Rudd and Wisdom, Inc.	"We recommend that the last sentence of guideline 4 be changed to include the following phrase to emphasize that the contributions could exceed the normal cost to cover any potential unfunded liability that occurs from gains and losses: 'to cover the normal cost, at a minimum.'"	Recommendation: The PRB staff concurs. Changes made reflecting this suggestion.
	Funding Policy Guidance	
	I. Establishing Clear and Concrete Funding Objectives	
City of Galveston	"the Draft Guidance should include the language 'but not to exceed 30 years, in accordance with state law" to be consistent with Draft PRB Pension Funding Guidelines.	Recomendation: No change. The guidance refers to funding policy and Funding Soundness Restortation Plan statutes, which outline the funding period threshold.
	II. Selecting Actuarial Methods	
City of Galveston		Recommendation: No change.
	"Including Draft Guidance detailed discussion covering the use of the assumed investment return and creating an asset allocation plan consisted with achieving the estimated rate of return is vitally important."	At this time, staff believes that this would be better suited for a different type of guidance. Staff has made a note of this recommendation and will consider it in the future.

Commenter	Comment Received	Staff Discussion
	Funding Policy Guidance	
	General Comments	
	or even a journeyman, yet many plans are administered by volunteer boards with little or no background in the complexities of investment and asset management. 2. Education Requirements. Education and training requirements will ensure board.	Recommendation: No change. The PRB is currently undertaking other projects that entail researching governance practices and will make note of the feedback for the future.



PRB Pension Funding Guidelines

Adopted: TBD

Introduction:

The purpose of the Pension Review Board's Pension Funding Guidelines is to provide guidance to public retirement systems and their sponsoring governmental entities in meeting their long-term pension obligations. The Guidelines are intended to foster communication between systems-plans and their sponsors as they determine a reasonable approach to responsible funding, whether the contribution rate is fixed or actuarially determined.

According to state law, each public retirement system and its sponsoring governmental entity shall jointly develop and adopt a written funding policy. The system and sponsor must revise this policy to reflect any significant changes, including changes required after implementing a funding soundness restoration plan (FSRP).

Public retirement systems should develop a funding policy, the primary objective of which is to fund the obligations over a time frame that ensures benefit security while balancing the additional, and sometimes competing, goals of intergenerational equity and a stable contribution rate.

Guidelines:

- 1. The funding of a pension plan should reflect all plan obligations and assets.
- 2. The allocation of the normal cost portion of the contributions should be level or declining as a percentage of payroll over all generations of taxpayers and should be calculated under applicable actuarial standards.
- 3. Funding of the unfunded actuarial accrued liability should be level or declining as a percentage of payroll over the <u>funding amortization</u> period. <u>State law requires a funding policy to include a plan for achieving a 100 percent or greater funded ratio.³ Starting September 1, 2025, funded ratio will be a factor in the triggering mechanisms for the FSRP requirement.⁴</u>
- 4. Actual contributions made to the plan should be sufficient to cover the normal cost and to amortize the unfunded actuarial accrued liability over as brief a period as possible, but not to exceed 30 years, in accordance with state law. with 10 25 years being the preferable target range.* For plans

¹ Statewide systems are exempt from Section 802.2011(b), which includes the requirement for the system and sponsor to jointly develop and adopt the funding policy.

² Section 802.2011, Texas Government Code

³ Section 802.2011, Texas Government Code

⁴ Section 802.2015, Texas Government Code specifies that on or after September 1, 2025, systems with a funding period of between 30 and 40 years and a funded ratio of less than 65 percent will trigger the FSRP requirement after one actuarial valuation.

⁵ Section 802.2015, Texas Government Code establishes a 30-year funding period as the state's minimum funding standard for public retirement systems as part of the Funding Soundness Restoration Plan (FSRP) requirement.

Any systems that subsequently become subject to the Revised FSRP requirement must meet a stricter 25-year funding period and implement an actuarially determined contribution, among other requirements.

that use multiple amortization layers, the weighted average of all amortization funding periods should not exceed 30 years. ** Benefit increases should not be adopted if all plan changes being considered cause a material increase in the amortization period and if the resulting amortization period exceeds 25 years.] Once a system reaches 100 percent funded, at minimum, contributions should continue to cover the normal cost until the funded ratio exceeds at least 120 percent.

- 5. If the funding period has not decreased to 20 years or less by September 1, 2035, the funding policy should be updated to target a funding period of 15 years by September 1, 2040.
- 6. After September 1, 2040, benefit increases and contribution decreases should not be adopted if the proposed changes cause a material increase in the funding period and if the resulting funding period exceeds the greater of 15 and the average future working lifetime of the current active members. ⁶
- 7. Benefit decreases and contribution increases should not be adopted without studying how the resulting normal costs compare to the contribution rates of each tier, and board discussion of whether members in each tier will receive a benefit that is worth more than their contributions.
- 58. The choice of assumptions <u>used by a system</u> should be reasonable and should comply with applicable actuarial standards.
- 69. Public retirement systems should monitor, review, and report the impact of actual plan experience on actuarial assumptions at least once every five years.

*Plans with amortization periods that exceed 30 years as of 06/30/2017 should seek to reduce their amortization period to 30 years or less as soon as practicable, but not later than 06/30/2025.

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⁶ For example, if members on average have accrued 12 years of service and are expected to retire after 25 years of service, any benefit increases should be paid for within the 13 expected remaining service years of the current active members.



PRB Pension Funding Guidelines

Adopted: TBD

Introduction:

The purpose of the Pension Review Board's Pension Funding Guidelines is to provide guidance to public retirement systems and their sponsoring governmental entities in meeting their long-term pension obligations. The Guidelines are intended to foster communication between systems and their sponsors as they determine a reasonable approach to responsible funding, whether the contribution rate is fixed or actuarially determined.

According to state law, each public retirement system and its sponsoring governmental entity shall jointly develop and adopt a written funding policy. The system and sponsor must revise this policy to reflect any significant changes, including changes required after implementing a funding soundness restoration plan (FSRP).

Guidelines:

- 1. The funding of a pension plan should reflect all plan obligations and assets.
- 2. The normal cost portion of the contributions should be level or declining as a percentage of payroll over all generations of taxpayers and should be calculated under applicable actuarial standards.
- 3. Funding of the unfunded actuarial accrued liability should be level or declining as a percentage of payroll over the funding period. State law requires a funding policy to include a plan for achieving a 100 percent or greater funded ratio.³ Starting September 1, 2025, funded ratio will be a factor in the triggering mechanisms for the FSRP requirement.⁴
- 4. Actual contributions made to the plan should be sufficient to cover the normal cost and to amortize the unfunded actuarial accrued liability over as brief a period as possible, but not to exceed 30 years, in accordance with state law. For plans that use multiple amortization layers, the weighted average of all funding periods should not exceed 30 years. Once a system reaches 100 percent funded, at minimum, contributions should continue to cover the normal cost until the funded ratio exceeds at least 120 percent.

¹ Statewide systems are exempt from Section 802.2011(b), which includes the requirement for the system and sponsor to jointly develop and adopt the funding policy.

² Section 802.2011, Texas Government Code

³ Section 802.2011, Texas Government Code

⁴ Section 802.2015, Texas Government Code specifies that on or after September 1, 2025, systems with a funding period of between 30 and 40 years and a funded ratio of less than 65 percent will trigger the FSRP requirement after one actuarial valuation.

⁵ Section 802.2015, Texas Government Code establishes a 30-year funding period as the state's minimum funding standard for public retirement systems as part of the Funding Soundness Restoration Plan (FSRP) requirement. Any systems that subsequently become subject to the Revised FSRP requirement must meet a stricter 25-year funding period and implement an actuarially determined contribution, among other requirements.

- 5. If the funding period has not decreased to 20 years or less by September 1, 2035, the funding policy should be updated to target a funding period of 15 years by September 1, 2040.
- 6. After September 1, 2040, benefit increases and contribution decreases should not be adopted if the proposed changes cause a material increase in the funding period and if the resulting funding period exceeds the greater of 15 and the average future working lifetime of the current active members.⁶
- 7. Benefit decreases and contribution increases should not be adopted without studying how the resulting normal costs compare to the contribution rates of each tier, and board discussion of whether members in each tier will receive a benefit that is worth more than their contributions.
- 8. The choice of assumptions used by a system should be reasonable and should comply with applicable actuarial standards.
- 9. Public retirement systems should monitor, review, and report the impact of actual plan experience on actuarial assumptions at least once every five years.

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⁶ For example, if members on average have accrued 12 years of service and are expected to retire after 25 years of service, any benefit increases should be paid for within the 13 expected remaining service years of the current active members.



Guidance for Developing a Funding Policy (Adopted TBD)

Overview

Section 802.2011, Texas Government Code requires the governing board of a Texas public retirement system and, if the system is not a statewide system, its sponsor to jointly develop and adopt the same written funding policy and timely revise the policy to reflect any significant changes, including those made because of a funding soundness restoration plan (FSRP). To jointly develop and adopt means that the governing bodies of both the system and sponsor should work together to develop, adopt, and review the funding policy periodically. The policy is intended to be a roadmap to fully fund the system's long-term obligations.

The funding policy requirement includes several components. By statute, the policy must be filed with the Texas Pension Review Board (PRB) no later than the 31st day after the date the policy is changed or adopted. The most recent version of the funding policy must also be available on a publicly available website.

A funding policy is required by law to be revised in a timely manner to reflect any changes a system and its sponsor make due to an FSRP. For purposes of a revised FSRP, the funding policy revisions must include any risk-sharing mechanisms, the adoption of an actuarially determined contribution structure, and other adjustable benefit or contribution mechanisms.¹ For more information about the FSRP requirement, including applicable statute, rules and policy, see the PRB's FSRP webpage.

A funding policy helps a system achieve the three fundamental goals of public pension funding: benefit security, contribution stability, and intergenerational equity. Different retirement systems and their governmental sponsors may prioritize these goals differently, but the funding policy should strive to **balance** these three primary pension funding goals. Member benefits should be secure, employers and employees should be afforded some level of contribution predictability from year to year, and liabilities should be managed so that plan members and future taxpayers are not burdened with costs associated with a previous generation's service. For a more detailed discussion of the benefits of adopting a funding policy, please see the PRB's 2019 Interim Study: Funding Policies for Fixed-Rate Pension Plans.

A funding policy should include clear and concrete funding objectives, actuarial methods, a roadmap to achieve funding objectives, and actions that will be taken to address actual experience that diverges from assumptions. The following material provides more detail on each of these necessary components of a funding policy. While this guidance uses examples of Texas retirement system funding policy provisions

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¹ Section 802.2011(c), Texas Government Code

under various components, the use of such examples is for informational purposes and does not constitute endorsement or recommendation by the PRB.

Components of a Funding Policy

I. Establishing Clear and Concrete Funding Objectives

A funding policy should clearly establish the retirement system's funding objectives. The funding policy must target a funded ratio of 100 percent or greater and be jointly developed and adopted with the system's sponsor.² The PRB recommends that systems adopt a funding policy that fully funds the plan over as brief a period as possible, using a finite, or closed, funding period.

II. Selecting Actuarial Methods

An important role of a funding policy is to **set boundaries on what is allowable for actuarial calculations**. The system's actuary should be involved with the development of a funding policy by advising the board on selecting actuarial methods that align closely with the system's funding objectives, reducing volatility in returns, allowing a more predictable budget and increasing the likelihood of meeting obligations.³ At a minimum, the three actuarial methods that should be addressed are the actuarial cost method, the assetsmoothing method, and the amortization policy.

Actuarial Cost Method

An actuarial cost method is a way to allocate pieces of a participant's total expected benefit to each year of their working career.

The most common actuarial cost method used in Texas, and the cost method required by GASB for financial reporting disclosures, is the entry age normal (EAN) method.

Under the EAN method, benefits are assumed to accrue as a level percentage of pay over the period from the member's entry into the system until their assumed termination or retirement.

A funding policy should state the desired goals and purpose of the cost method if it does not specify the exact cost method to be used.

Asset Smoothing Method

Asset smoothing techniques can help keep contributions stable and more predictable over time. Under smoothing, asset gains and losses are generally recognized over a period of years rather than immediately.

A five-year smoothing period where 20 percent of any gain or loss is recognized in each subsequent year is typically used in Texas.

The funding policy should specify the amount of return subject to smoothing (i.e., how much is deferred), the time period of the deferral, and if the smoothed value is subject to a corridor.

FSRP rules allow a system to use the greater of the market value of assets and the actuarial smoothed value of assets when determining

Amortization Policy

An amortization method is a procedure for determining the amount, timing, and pattern of recognition of a plan's gains and losses. Amortization amounts can be level dollar amounts or determined as a percentage of covered payroll. Level dollar amounts are preferable unless payroll is expected to decrease in the future.

One approach that helps minimize annual contribution volatility while maintaining a finite, closed funding period is the use of layered amortization, where a single closed-period amortization base is established for each year's realized experience.

Another approach is to establish closedperiod amortization bases with varying recognition periods dependent upon the cause of a gain or loss. For example, one approach might be to amortize investment and/or actuarial experience gains or losses

² Section 802.2011, Texas Government Code

³ "Sustainable Funding Practices for Defined Benefit Pensions and Other Postemployment Benefits (OPEB)" *Government Finance Officers Association* 3, 5-7, approved March 3, 2023, https://www.gfoa.org/materials/sustainable-funding-practices-for-defined-benefit-pensions

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A funding policy may also include directions on how to account for expected system administrative expenses, how often experience studies should be completed to maintain up-to-date demographic actuarial assumptions, and how to set the interest discount rate.

Negative Amortization

Negative amortization occurs when contributions are insufficient to cover the cost of benefits accrued and the interest accrued on the unfunded liability during the year. Systems should be careful in their use of negative amortization. If a system's amortization policy results in negative amortization, the funding policy should outline the expected period over which negative amortization will occur and provide justification for the use of negative amortization.

III. Developing a Roadmap to Achieve Funding Objectives

A funding policy should provide a clear plan detailing how the system's funding goals will be met.

Contribution Rates

An actuarially determined contribution (ADC) structure requires the payment of an ADC rate. An ADC is defined as the cost of benefits earned by workers in the current year (the normal cost) plus an amortization payment to recognize prior gains and/or losses. ADC contribution structures automatically adjust to the system's changing funded status to maintain the overall trajectory towards fully funding benefit promises. This approach contrasts with fixed-rate funding structure which does not change from year-to-year unless proactive steps are taken.

If contributions are not made based on an ADC rate, the system's governing body should establish and include the following items in the funding policy:

- 1. Determine an ADC that can be used as a benchmark to monitor whether the actual contributions are guiding the system toward the stated funding objectives.
- Establish what conditions will trigger action when the current actual contribution rate moves away from the benchmark ADC. For example, a certain funded ratio or difference between actual contribution and ADC could be used.
- Identify tangible steps that will be taken to mitigate the differences between the actual and benchmark contribution rates, such as contribution and benefit changes. See Section IV for examples.

Benefit and Contribution Change Parameters

A funding policy should include elements designed to impede deviation from progress toward funding goals. This may be done by establishing parameters under which future benefit increases and contribution reductions can be considered.

Examples:

- TLFFRA system. The board agrees that any benefit enhancements/changes to be submitted to the membership for vote will:
 - require that member contributions solely cover any increases to the ADC as a result of such benefit enhancements/changes, to the extent such sole coverage by members is permitted under TLFFRA statute; and
 - have been analyzed pursuant to the actuarial analysis process agreed to with the sponsor.
- Municipal system. Every two years, the board may review potential changes to the governing statute. The board may not recommend actions that result in a funding ratio less than 90 percent or an effective amortization period of over 15 years.
- > TLFFRA system. The funding policy states that the board supports:
 - A reduction in the employer contribution rate only when the funding ratio would be above 105 percent and the total contribution rate is not less than the normal cost.
 - Benefit enhancements only if the amortization period is below five years, the
 resulting amortization period after reflecting the enhancements is above 10 years,
 and the average experience of three consecutive annual actuarial valuations must be
 used to evaluate actual fund status before any plan improvements can be brought to
 a vote.

Working With the Sponsor

A system and its sponsoring governmental entity are required to jointly create and approve the same funding policy. Working together will allow a system and its sponsoring entity to craft a funding policy that will achieve the system's objectives while maintaining agreed upon boundaries. Some Texas systems have established parameters like contribution levels or funding objectives in agreements with sponsors such as collective bargaining or meet and confer agreements.

Examples:

➤ TLFFRA system. The system and the sponsor use a Meet and Confer Agreement to establish certain responsibilities and funding goals shared by both parties. For example, the members agree to not raise benefits during the term of the agreement and the city agrees to only adjust contributions based upon an actuarial valuation.

Monitoring and Evaluation

A governing board should periodically review and revise their funding policy to better reflect the system's goals. A regular review policy could be adopted by the board by including a clause detailing the timeline or conditions for re-evaluating the funding policy using updated information from actuarial valuations and experience studies.

A board should proactively monitor its system's financial condition. Monitoring requires that a board continually analyze investment returns, contributions, and benefits. A board can also establish actions to provide the system with a roadmap when it encounters adverse investment returns, unexpected member behavior, or other unforeseen events.

Examples:

- > Municipal system. A committee of the board will review the policy at least every two years and make recommendations to the system's full board necessary to maintain progress towards the goals and objectives in the funding policy.
- > Municipal system. Actuarial experience studies are completed no less than every five years or at the board's direction. The board will also review the funding policy in conjunction with the experience review.

IV. Adopting Actions to Address Actual Experience That Diverges from Assumptions

A funding policy should develop predetermined steps for how a system should respond to **both positive** and negative experiences that differ from the system's assumptions. The following methods can be used to manage funding risk.

Risk-Sharing

A funding policy should identify key risks faced by the system and how those risks, and their associated costs, will be distributed between the employer and employees. This structure prevents one party from bearing all the risk in a funding policy. Often when there is no formal risk-sharing policy, benefit reductions or cost increases are imposed on employees, retirees, or both after the system's condition has deteriorated, rather than proactively, in advance, and in a manner transparent to members and stakeholders.⁴

There are multiple methods a system can utilize to implement a formal risk-sharing policy:

Total ADC Driven	Normal Cost Driven	Milestone Driven
determined in relation to the ADC rate. Under this system,	Employee contributions are calculated in relation to the normal cost. This may result in a variable contribution rate. Employees are exposed to less risk due to their contributions not accounting for the system's unfunded liability. ⁶	contributions fixed until certain funding or investment

⁴ Brainard, Keith, and Alex Brown, *In Depth: Risk Sharing in Public Retirement Plans. National Association of State Retirement Administrators*, January 2019, https://www.nasra.org/content.asp?contentid=124

https://www.nasra.org/files/Spotlight/Risk%20Sharing%20in%20Public%20Retirement%20Plans.pdf

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⁵ Keith Brainard and Alex Brown, "In-depth: Risk Sharing Retirement Plans" National Association of State Retirement Administrators. 7-13, December 2018

⁶ Brainard and Brown, Risk Sharing

⁷ Brainard and Brown, Risk Sharing

Examples:

- Municipal system. The system's statutory funding policy established a target contribution rate and a corridor around that rate. The system and the city are required to take corrective action, including negotiating benefit reductions, if the recommended contribution falls outside the corridor.
- > TLFFRA system. When the calculated amortization period deviates significantly from the benchmark ADC amortization period, the system and city will work together to implement a contribution rate that is reasonably close to the ADC. The rate increase will be no more than 2 percent of pay, can be phased in with two increases one year apart, and will initially be split equally between the members and city.

Contributions

A solution to ensure the system meets its funding objectives is to require that the actual contribution rate is equal to or exceeds the ADC. If that is not achievable, the funding policy should identify what the trigger should be for a required adjustment to actual contribution rates. If the contributions to the fund are consistently below the ADC, the fund becomes insolvent. Techniques such as the following could be used to help move the actual contribution rate in the proper direction.

Contribution Corridor

Example: If the actual total contribution rate is within 2 percent of the ADC, no change is required. However, if the total contribution is more than 2 percent *over or under* the ADC, a change in contribution rates is required.

Maximum and Minimum Contribution Rates

Example: If the ADC exceeds a pre-determined maximum contribution rate, the funding policy may require the system to adopt benefit changes. Conversely, if the ADC drops beneath a pre-determined minimum rate, the funding policy may require certain benefit increases, such as a COLA.

Contribution Smoothing

Examples:

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- If the actual total contribution rate needs to be increased by 2 percent, the rate could be increased in increments until the total contribution rate meets the ADC. Similarly, if the contribution rate needs to be decreased by 2 percent, the rate may be slowly decreased over time. The funding policy may state that the contribution rate may not increase or decrease by more than a given percentage each fiscal year.
- > Statewide system. The board sets aside investment reserves at its discretion to offset negative future returns. The reserves are not counted as a part of the participating employer's assets until the reserves are used.

⁸ "The Role of the Actuarial Valuation Report in Plan Funding" *Government Finance Officers Association,* Approved February 28, 2013, https://www.gfoa.org/materials/the-role-of-the-actuarial-valuation-report-in-plan

While the above techniques can stand alone, they are often included in risk-sharing provisions.

Benefits

A funding policy may also establish when benefit adjustments will occur and include provisions that specify how both positive and negative experience will be addressed. Systems may allow for increased benefits or an increased COLA as a result of a positive deviation, but systems will need to ensure they are able to consistently meet the new funding demands of the changes.

Example: The funding policy could require that if sponsor contributions are increased, member benefits must be decreased in some proportional manner. Alternatively, the policy may include provisions that grant a COLA to retirees if the funded ratio, after the benefit change, remains above a specified percentage. Caps may also be placed on maximum COLAs, or COLAs can be tied to inflation, to manage system costs.

- Municipal system. Any benefit increase (including COLAs) may be adopted if:
 - The funded ratio of the system is above 80 percent after the benefit increase, and the decrease of the funded ratio is not more than 1 percent after the benefit increase.

The system also outlines provisions specifically for COLAs:

- The maximum amount of a COLA should not exceed the actual increase in the Consumer
 Price Index since the last COLA was granted.
- o A COLA will only apply to members who have been retired for over one year.
- The board can choose to grant the COLA as a one-time payment or a monthly benefit increase.
- > TLFFRA system. COLAs are tied to investment returns. The crediting rate for the COLA is lesser of the consumer price index or 100 percent of the five-year smoothed return minus 5 percent, not less than 0 percent, not greater than 4 percent.

Some factors to keep in mind when setting such parameters:

- Evaluating the impact of the plan provision on the amortization period and funded ratio after the
 plan provision takes effect, including whether the system will still meet is target date to reach full
 funding.
- Putting thresholds in place such that an increase can take effect only if the amortization period is below a specified threshold and the funded ratio is above a specified threshold after the benefit increases are factored in.
- Assessing whether the benefit increases are paid for by current active members to avoid passing down benefit costs to future generations.

Surplus Management

If a system is consistently funded at a rate above the ADC, there is a stronger likelihood of the system achieving a high funded ratio. A funding policy should include provisions detailing steps to follow if a system achieves full funding. A surplus management policy should include the following elements:

- Reviewing system risk management policies to evaluate their efficacy.
- Evaluating current assumptions to ensure reasonableness.

- Considering what changes should be made to employer and employee contributions (if any) when the system is in a surplus.
- Working with the sponsor to establish acceptable conditions for possible benefit enhancements, especially permanent ones, and provide accurate estimations for the immediate and long-term costs.⁹

Examples:

- Municipal system. If the system is overfunded, the surplus will be amortized over an open amortization period of 30 years.
- > Statewide system. If the system is overfunded, all prior bases are erased, and one surplus base would be established. The asset surplus is used to generate a contribution credit for the year that is projected to remain the same over time and keep the funded ratio constant year over year. This practice reduces contribution rate volatility.

⁹ "Core Elements of a Funding Policy for Governmental Pension and OPEB Plans" *Government Finance Officers Association*, approved March 23, 2023, https://www.gfoa.org/materials/core-elements-of-a-funding-policy

Questions Systems and Sponsors Should Discuss During Funding Policy Development

The process of developing a funding policy presents an opportunity for a system's board of trustees to have an open, robust discussion of their priorities regarding the funding needs of the system. The policy should be created with input from the system's sponsoring governmental entity whenever possible. The following checklist represents a set of fundamental questions trustees should consider during funding policy development but is not exhaustive.

Introduction
☐ What is the purpose of the policy? What are we trying to achieve in this policy?
☐ How often should we review the funding policy?
☐ How is the system governed? What statutes or ordinances govern system funding?
☐ What are our funding priorities?
Funding objectives
☐ What is the target date to achieve 100 percent funding?
☐ How will we measure progress towards full funding? How will we measure if our funding objectives are being met?
Actuarial methods
☐ What valuation methods do we use to determine the ADC (or benchmark ADC)?
☐ How frequently should we calculate the ADC (or benchmark ADC)?
☐ How will we ensure we are meeting the ADC (or benchmark ADC)?
☐ Will we employ any asset smoothing methods? If so, what are they?
☐ What measures do our system and sponsor need to take to achieve 100 percent funding?
How should we prepare for unanticipated changes?
How frequently will actuarial experience studies occur?
How is the interest discount rate determined?
☐ Is a negative amortization period ever acceptable, and if so, under what conditions?
Plan for achieving funding objectives
☐ How much money do we need today to pay for future promises?
☐ Will we use contribution smoothing methods? If so, what are they?
What conditions must be met for contribution decreases to occur?
When to allow benefit increases
☐ What conditions must be met to adopt benefit increases or cost-of-living adjustments?
lacktriangle What will the impact of the benefit increase be on the amortization period and funded ratio?
Will the system still meet its target date to achieve full funding?
☐ Will the resulting amortization period be less than the average remaining future service for current active members?
☐ Will the resulting funded ratio be above the system's desired threshold?
Contribution distribution between members and city
☐ Will members contribute appropriately for the level of benefits received?

U	employee contribution percent)?
Risk ma	anagement policy
	What actions will we take should actual investment returns be less than the assumed investment returns used in the actuarial valuation? Should we consider action after a certain margin or threshold (positive or negative)?
	What actions will trigger changes to our assumptions at the next actuarial valuation?
	What conditions would trigger a contribution increase and what conditions must be met for contributions to return to their normal rate?
	Could we increase contributions temporarily?
	What conditions would trigger a review of our system's funding policy?
Surplus	s management policy
	What actions will we take should the system receive funding over the ADC?
	What actions will we take when the system exceeds 100 percent funding?

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Guidance for Developing a Funding Policy

As required by Senate Bill 2224 (86R) (Adopted October 17, 2019TBD)

Overview

Section 802.2011, Texas Government Code §802.2011 requires the governing board of a Texas public retirement system and, if the system is not a statewide system, its sponsor to jointly develop and adopt athe same written funding policy by January 1, 2020 and timely revise the policy to reflect any significant changes, including those made because of a funding soundness restoration plan (FSRP). To jointly develop and adopt means that the governing bodies of both the system and sponsor should work together to develop, adopt, and review the funding policy periodically. The policy is intended to be used as a retirement system's a roadmap to fully fund itsthe system's long-term obligations.

The policy should be created with input from the system's sponsoring governmental entity whenever possible.

<u>The</u>-funding policy <u>is required to requirement includes several components. By statute, the policy must</u> be filed with <u>its sponsor and</u> the Texas Pension Review Board (PRB) no later than the 31st day after the date the policy is changed or adopted. <u>The most recent version of the funding policy must also be available on a publicly available website.</u>

A funding policy is required by law to be revised in a timely manner to reflect any changes a system and its sponsor make due to an FSRP. For purposes of a revised FSRP, the funding policy revisions must include any risk-sharing mechanisms, the adoption of an actuarially determined contribution structure, and other adjustable benefit or contribution mechanisms. For more information about the FSRP requirement, including applicable statute, rules and policy, see the PRB's FSRP webpage.

A funding policy helps a system achieve the three fundamental goals of public pension funding: benefit security, contribution stability, and intergenerational equity. While different pension plans Different retirement systems and their governmental sponsors may prioritize these goals differently, but the funding policy should strive to balance these three primary pension funding goals—so that member. Member benefits are should be secure; employers and employees are should be afforded some level of contribution predictability from year to year; and liabilities are should be managed so that plan members and future taxpayers are not burdened with costs associated with a previous generation's service. For a more detailed discussion of the benefits of adopting a funding policy, please see the PRB's 2019 Interim Study: Funding Policies for Fixed-Rate Pension Plans.

A funding policy should include the following components:

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¹ Section 802.2011(c), Texas Government Code

- I. Clearclear and concrete funding objectives;
- II. Actuarial, actuarial methods;
- III. A, a roadmap to achieve funding objectives; and

Actions actions that will be taken to address actual experience that diverges from assumptions. The following material provides more detail on each of these necessary components of a funding policy. While this guidance uses examples of Texas retirement system funding policy provisions under various components, the use of such examples is for informational purposes and does not constitute endorsement or recommendation by the PRB.

Components of a Funding Policy

I. Establishing Clear and Concrete Funding Objectives

A funding policy should clearly establish the retirement system's funding objectives. Per Government Code §802.2011, the The funding policy must target a funded ratio of 100% percent or greater, and be jointly developed and adopted with the system's sponsor. The PRB recommends that systems adopt a funding policy that fully funds the plan over as brief a period as possible, with 10 – 25 years being the preferable range, using a finite, or closed, funding period.

II. Selecting Actuarial Methods

An important role of a funding policy is to **set boundaries on what is allowable for actuarial calculations**. The system's actuary should be involved with the development of a funding policy by advising the board on selecting actuarial methods that align closely with the system's funding objectives, reducing volatility in returns, allowing a more predictable budget and increasing the likelihood of meeting obligations.³ At a minimum, the three actuarial methods that should be addressed are the actuarial cost method, the assetsmoothing method, and the amortization policy.

Actuarial Cost Method

An actuarial cost method is a way to allocate pieces of a participant's total expected benefit to each year of their working career.

The most common actuarial cost method used in Texas, and the cost method required by GASB for financial reporting disclosures, is the entry age normal (EAN) method.

Under the EAN method, benefits are assumed to accrue as a level

Asset Smoothing Method

Asset smoothing techniques can help keep contributions stable and more predictable over time. Under smoothing, asset gains and losses are generally recognized over a period of years rather than immediately.

A five-year smoothing period where 20% percent of any gain or loss is recognized in each subsequent year is typically used in Texas.

Amortization Policy

An amortization method is a procedure for determining the amount, timing, and pattern of recognition of a plan's gains and losses. Amortization amounts can be level dollar amounts or determined as a percentage of covered payroll. Level dollar amounts are preferable unless payroll is expected to decrease in the future.

One approach that helps minimize annual contribution volatility while maintaining a finite, closed funding period is the use of layered amortization, where a single

² Section 802.2011, Texas Government Code

³ "Sustainable Funding Practices for Defined Benefit Pensions and Other Postemployment Benefits (OPEB)" *Government Finance Officers Association* 3, 5-7, approved March 3, 2023, https://www.gfoa.org/materials/sustainable-funding-practices-for-defined-benefit-pensions

percentage of pay over the period from the member's entry into the plansystem until his/hertheir assumed termination or retirement.

A funding policy should state the desired goals and purpose of the cost method if it does not specify the exact cost method to be used.

The funding policy should specify the amount of return subject to smoothing (i.e., how much is deferred), the time period of the deferral, and if the smoothed value is subject to a corridor.

FSRP rules allow a system to use the greater of the market value of assets and the actuarial smoothed value of assets when determining the funding period to compare against the FSRP 30-year threshold.

closed-period amortization base is established for each year's realized experience.

Another approach is to establish closed-period amortization bases with varying recognition periods dependent upon the cause of a gain or loss. For example, one approach might be to amortize investment and/or actuarial experience gains or losses over a 5five-year period, gains or losses attributable to assumption changes over a 10-year period, and gains or losses attributable to plan amendments over as short of a 25period as possible.

A well-developed amortization policy will help a system maintain an amortization period below the 30-year period. statutory threshold and avoid triggering a funding soundness restoration plan.

A funding policy may also include directions on how to account for expected plansystem administrative expenses, how often experience studies should be completed to maintain up-to-date demographic actuarial assumptions, and how to set the interest discount rate.

Negative Amortization

Negative amortization occurs when contributions are insufficient to cover the cost of benefits accrued and the interest accrued on the unfunded liability during the year. PlansSystems should be careful in their use of negative amortization. If a plan's amortization policy results in negative amortization, the funding policy should outline the expected period over which negative amortization will occur and provide justification for the use of negative amortization.

III. Developing a Roadmap to Achieve Funding Objectives

A funding policy should provide a clear plan detailing how the system's funding goals will be met.

Contribution Rates

An actuarially determined contribution (ADC) structure requires the payment of an ADC rate. An ADC is defined as the cost of benefits earned by workers in the current year (the normal cost) plus an amortization payment to recognize prior gains and/or losses. ADC contribution structures inherently automatically adjust to the plan's system's changing funded status to maintain the overall trajectory towards fully funding benefit promises. This approach contrasts with fixed-rate funding structure which does not change from year-to-year unless proactive steps are taken.

If contributions are not made based on an ADC rate, the plan'ssystem's governing body should establish and include the following items in the funding policy:

1. Determine an ADC that can be used as a benchmark to monitor whether the actual contributions are guiding the plansystem toward the stated funding objectives.

- Establish what conditions will trigger action when the current actual contribution rate moves away from the benchmark ADC. For example, a certain funded ratio or difference between actual contribution and ADC could be used.
- 3. Identify tangible steps that will be taken to mitigate the differences between the actual and benchmark contribution rates, such as contribution and benefit changes. See Section IV for examples.

Benefit and Contribution Change Parameters

A funding policy should include elements designed to impede deviation from progress toward funding goals. This may be done by establishing parameters under which future benefit increases and contribution reductions can be considered.

Examples:

A funding policy might state TLFFRA system. The board agrees that:

- <u>any</u> benefit enhancements <u>can/changes to</u> be <u>made only if submitted to</u> the <u>funded ratio</u> membership for vote will <u>remain at a certain level after the increase; or :</u>
 - require that member contributions solely cover any increases to the ADC as a result of such benefit enhancements/changes, to the extent such sole coverage by members is permitted under TLFFRA statute; and
 - have been analyzed pursuant to the actuarial analysis process agreed to with the sponsor.
- Municipal system. Every two years, the board may review potential changes to the governing statute. The board may not recommend actions that result in a funding ratio less than 90 percent or an effective amortization period of over 15 years.
- **TLFFRA system**. The funding policy states that the board supports:
 - A reduction in the employer contribution rate only when the funding ratio would be above 105 percent and the total contribution rate is not less than the normal cost.
 - <u>Senefit</u> enhancements only if the amortization period is below five years, the resulting amortization period after reflecting the enhancements is above 10 years, and the average experience of three consecutive annual actuarial valuations must be used to evaluate actual fund status before any plan improvements can be brought to a vote.

Working With the Sponsor

A system and its sponsoring governmental entity are required to jointly create and approve the same funding policy. Working together will allow a system and its sponsoring entity to craft a funding policy that will achieve the system's objectives while maintaining agreed upon boundaries. Some Texas systems have established parameters like contribution levels or funding objectives in agreements with sponsors such as collective bargaining or meet and confer agreements.

Examples:

TLFFRA system. The system and the sponsor use a Meet and Confer Agreement to establish certain responsibilities and funding goals shared by both parties. For example, the members

agree to not raise benefits during the term of the agreement and the city agrees to only adjust contributions based upon an actuarial valuation.

Monitoring and Evaluation

A governing board should periodically review and revise their funding policy to better reflect the system's goals. A regular review policy could be adopted by the board by including a clause detailing the timeline or conditions for re-evaluating the funding policy using updated information from actuarial valuations and experience studies.

A board should proactively monitor its system's financial condition. Monitoring requires that a board continually analyze investment returns, contributions, and benefits. A board can also establish actions to provide the system with a roadmap when it encounters adverse investment returns, unexpected member behavior, or other unforeseen events.

- <u>Examples:</u>contribution reductions may only occur if a minimum amortization period is maintained.
- Municipal system. A committee of the board will review the policy at least every two years and make recommendations to the system's full board necessary to maintain progress towards the goals and objectives in the funding policy.
- Municipal system. Actuarial experience studies are completed no less than every five years or at the board's direction. The board will also review the funding policy in conjunction with the experience review.

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A funding policy should develop predetermined steps for how a plansystem should respond to both positive and negative experiences that differ from the plan's system's assumptions. The following methods can be used to manage funding risk.

Risk-Sharing

A funding policy should identify key risks faced by the plansystem and how those risks, and their associated costs, will be distributed between the employer and employees. This structure prevents one party from bearing all the risk in a funding policy. Often when there is no formal risk-sharing policy, benefit reductions or cost increases are imposed on employees, retirees, or both after the plan's condition has deteriorated, rather than proactively, in advance, and in a manner transparent to members and stakeholders.¹

Example: If investment returns system's condition has deteriorated, rather than proactively, in advance, and in a manner transparent to members and stakeholders.⁴

⁴ Brainard, Keith, and Alex Brown, *In Depth: Risk Sharing in Public Retirement Plans. National Association of State Retirement Administrators*, January 2019, https://www.nasra.org/content.asp?contentid=124

<u>There</u> are not as high as projected, the associated costs will need multiple methods a system can utilize to be covered by additional contributions or implement a formal risk-sharing policy:

Total ADC Driven	Normal Cost Driven	Milestone Driven
Employee contributions are determined in relation to the ADC rate. Under this system, employees are given the most direct exposure to the system's total experience. Systems can also decide the exact risk sharing ratio (i.e. 50/50, 60/40, etc). ⁵	Employee contributions are calculated in relation to the normal cost. This may result in a variable contribution rate. Employees are exposed to less risk due to their contributions not accounting for the system's unfunded liability.	A system keeps employee contributions fixed until certain funding or investment thresholds are met. 7

Examples:

- Municipal system. The system's statutory funding policy established a target contribution rate and a corridor around that rate. The system and the city are required to take corrective action, including negotiating benefit reductions-distributed amongst, if the recommended contribution falls outside the corridor.
- TLFFRA system. When the calculated amortization period deviates significantly from the benchmark ADC amortization period, the system and city will work together to implement a contribution rate that is reasonably close to the ADC. The rate increase will be no more than 2 percent of pay, can be phased in with two increases one year apart, and will initially be split equally between the members and the sponsor.

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⁶ Brainard and Brown, Risk Sharing

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city.

Contributions

A solution to ensure the <u>plansystem</u> meets its funding objectives is to require that the actual contribution rate is equal to or exceeds the ADC. If that is not achievable, the funding policy should identify what the trigger should be for a required adjustment to actual contribution rates. <u>If the contributions to the fund are consistently below the ADC, the fund becomes insolvent.</u> Techniques such as the following could be used to help move the actual contribution rate in the proper direction.

Contribution Corridor

Example: If the actual total contribution rate is within 2% <u>percent</u> of the ADC, no change is required. However, if the total contribution is more than 2% <u>percent</u> over or under the ADC, a change in contribution rates is required.

Maximum and Minimum Contribution Rates

Example: If the ADC exceeds a pre-determined maximum contribution rate, the funding policy may require the plansystem to adopt benefit changes. Conversely, if the ADC drops beneath a pre-determined minimum rate, the funding policy may require certain benefit increases, such as a COLA.

Contribution Smoothing

Examples:

- Example: If the actual total contribution rate needs to be increased by 2%, percent, the rate could be increased in increments until the total contribution rate meets the ADC. Similarly, if the contribution rate needs to be decreased by 2%, percent, the rate may be slowly decreased over time. The funding policy may state that the contribution rate may not increase or decrease by more than a given percentage each fiscal year.
- > Statewide system. The board sets aside investment reserves at its discretion to offset negative future returns. The reserves are not counted as a part of the participating employer's assets until the reserves are used.

While the above techniques can stand alone, they are often included in risk-sharing provisions.

Benefits

A funding policy may also establish when benefit adjustments will occur and include provisions that specify how both positive and negative experience will be addressed. PlansSystems may allow for increased benefits or an increased COLA as a result of a positive deviation, but planssystems will need to ensure they are able to consistently meet the new funding demands of the changes.

Example: The funding policy could require that if sponsor contributions are increased, member benefits must be decreased in some proportional manner. Or Alternatively, the policy may include provisions that

⁸ "The Role of the Actuarial Valuation Report in Plan Funding" *Government Finance Officers Association*, Approved February 28, 2013, https://www.gfoa.org/materials/the-role-of-the-actuarial-valuation-report-in-plan

grant a COLA to retirees if the funded ratio, after the benefit change, remains above a specified percentage. Caps may also be placed on maximum COLAs, or COLAs can be tied to inflation, to manage plansystem costs.



Examples of Funding Policy Components

- <u>Many pension plans across</u> <u>Municipal system</u>. Any benefit increase (including COLAs) may be adopted if:
 - The funded ratio of the United States system is above 80 percent after the benefit increase, and the decrease of the funded ratio is not more than 1 percent after the benefit increase.

The system also outlines provisions specifically for COLAs:

- The maximum amount of a COLA should not exceed the actual increase in the Consumer
 Price Index since the last COLA was granted.
- A COLA will only apply to members who have already adopted a been retired for over one
 year.
- The board can choose to grant the COLA as a one-time payment or a monthly benefit increase.
- TLFFRA system. COLAs are tied to investment returns. The crediting rate for the COLA is lesser of the consumer price index or 100 percent of the five-year smoothed return minus 5 percent, not less than 0 percent, not greater than 4 percent.

Some factors to keep in mind when setting such parameters:

- Evaluating the impact of the plan provision on the amortization period and funded ratio after the plan provision takes effect, including whether the system will still meet is target date to reach full funding.
- Putting thresholds in place such that an increase can take effect only if the amortization period is below a specified threshold and the funded ratio is above a specified threshold after the benefit increases are factored in.
- Assessing whether the benefit increases are paid for by current active members to avoid passing down benefit costs to future generations.

Surplus Management

If a system is consistently funded at a rate above the ADC, there is a stronger likelihood of the system achieving a high funded ratio. A funding policy, including several in should include provisions detailing steps to follow if a system achieves full funding. A surplus management policy should include the following elements:

- Reviewing system risk management policies to evaluate their efficacy.
- Evaluating current assumptions to ensure reasonableness.
- Considering what changes should be made to employer and employee contributions (if any) when the system is in a surplus.
- Working with the sponsor to establish acceptable conditions for possible benefit enhancements, especially permanent ones, and provide accurate estimations for the immediate and long-term costs.⁹

⁹ "Core Elements of a Funding Policy for Governmental Pension and OPEB Plans" Government Finance Officers Association, approved March 23, 2023, https://www.gfoa.org/materials/core-elements-of-a-funding-policy

Examples:

- Municipal system. If the system is overfunded, the surplus will be amortized over an open amortization period of 30 years.
- > Texas. Below are examples of components from those funding policies. Statewide system. If the system is overfunded, all prior bases are erased, and one surplus base would be established. The asset surplus is used to generate a contribution credit for the year that is projected to remain the same over time and keep the funded ratio constant year over year. This practice reduces contribution rate volatility.

Component	Plan	Description
	South Dakota Retirement System	The system may not consider benefit improvements unless the fair value funded ratio is and will remain after fully funding the cost of the improvement, over 120%. Proposed benefit improvements must be consistent with both the Board's long-term benefit goals and sound public policy with regard to retirement practices.
Benefit and Contribution Change Parameters	City of Austin Employees' Retirement System	Employer contribution rate reductions should be considered only when annual COLA adjustments are built into funding assumptions and the funded ratio will remain greater than or equal to 105% after the reduction. ³
	City of Austin Employees' Retirement System	A COLA may be adjusted only when the adjustment can be financially supported; the funded ratio is ≥ 80% after incorporating the COLA; the amortization period is ≤ 20 years after incorporating the COLA; and the actual employer contribution rate is ≥ the ADC but no more than 18% after incorporating the COLA.⁴
Contribution Smoothing	Fort Worth Employees' Retirement Fund	The contribution rate may not increase more than 2% of pay in one year or 4% in total to account for the ADC increase. If the maximum contribution increase has been applied and the actual contribution is still insufficient, the City Council must consider additional benefit reductions. ⁵
	South Dakota Retirement System	Should the funded ratio fall below 100% or if the fixed contribution rates are not sufficient to meet the actuarial requirement, the system is required to recommend corrective action, including benefit or contribution changes, in its annual report to the Legislature and Governor. ⁶
Risk sharing	Houston Firefighters' Relief & Retirement Fund Houston Municipal Employees Pension System	The 3 Houston plans have a statutory funding policy that established a target contribution rate and a corridor around that rate. The plans and the City are required to take corrective action, including negotiating benefit reductions, if the recommended contribution falls outside the corridor.

Component	Plan	Description
	Houston Police Officers' Pension System	
	Galveston Employees Retirement Plan for Police	Beginning January 1, 2025, if the actuarial valuation recommends an ADC that exceeds the aggregate (employee and City) contribution rate, the excess contribution will be split equally as a percentage of pay between the City and employee contribution rates.8
Risk-sharing	Maine Public Employees	COLAs are tied to investment returns. Reductions to COLAs may occur after severe market losses. The reductions will be removed once markets improve. ⁹
	Wisconsin State Retirement System	Retirement annuities are adjusted using a formula that factors in investment returns. 10
	Pennsylvania State Employees' Pennsylvania Public School Employees'	The employee contribution rate increases or decreases based on investment plan returns. 11

Questions Systems and Sponsors Should Discuss During Funding Policy Development

The process of developing a funding policy presents an opportunity for a system's board of trustees to have an open, robust discussion of their priorities regarding the funding needs of the plansystem. The policy should be created with input from the system's sponsoring governmental entity whenever possible. The following checklist represents a set of fundamental questions trustees should consider during funding policy development but is not exhaustive.

What are our funding priorities? Funding Objectivesobjectives Over what time period will weWhat is the target date to achieve 100% percent funding? How will we measure progress towards full funding? How will we measure if our fund objectives are being met? Actuarial Methodsmethods What valuation methods do we use to determine the ADC (or benchmark ADC)? How frequently should we calculate the ADC (or benchmark ADC)? How will we ensure we are meeting the ADC (or benchmark ADC)? Will we employ any asset smoothing methods? If so, what are they? What measures do our system and sponsor need to take to achieve 100% percent funding How should we prepare for unanticipated changes? How frequently will actuarial experience studies occur? How is the interest discount rate determined? Is a negative amortization period ever acceptable, and if so, under what conditions? Plan for Achieving Funding Objectivesachieving funding objectives How much money do we need today to pay for future promises? Will we use contribution smoothing methods? If so, what are they? What conditions must be met for contribution decreases to occur? When to allow benefit increases What conditions must be met to adopt benefit increases or cost-of-living adjustments? What will the impact of the benefit increase be on the amortization period and funded rat Will the system still meet its target date to achieve full funding?	☐ Introdu	ıction
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	Is there a target employer normal cost as percent of pay (total normal cost percent less
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<u> </u>	What actions will we take when the system exceeds 100 percent funding?
	ith, and Alex Brown, In Depth: Risk Sharing in Public Retirement Plans. National Association of State Retirement
	s, January 2019, https://www.nasra.org/content.asp?contentid=124
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c%20F 2%20F	unding%20Policy%20and%20Guidelines%202014 11 25.pdf?ver=2015 06 17 102341 677.
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5-Employees'	Retirement Fund of the City of Fort Worth, <i>Annual Actuarial Valuation</i> , 19 April 2019, p. 9,
	orthretirementtx-investments.documents-on-
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⁷ Retirement I	d.gov/docs/SDRSFundingPolicy.pdf.
https://www.	d.gov/docs/SDRSFundingPolicy.pdf. Horizons Incorporated, <i>City of Houston HMEPS Pension Reform Cost Analysis</i> ,15 March 2017, houstontx.gov/pensions/public/documents/rhi HMEPS.pdf.
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Sample Funding Policy

Section 802.2011, Texas Government Code §802.2011—requires the governing board of a Texas public retirement system to "and, if the system is not a statewide system, its sponsor to jointly develop and adopt athe same written funding policy that details the governing body's and timely revise the policy to reflect any significant changes, including those made because of a funding soundness restoration plan-for achieving a funded ratio of the system that is equal to or greater than 100 percent.". The process of developing a funding policy presents an opportunity for system trustees and their sponsor's governing body to have an open, robust discussion of the plan's system's funding needs to establish the board's funding priorities. The policy should be created with input from the system's sponsoring governmental entity whenever possible.

The <u>Guidance for Developing a Funding Policy</u>, adopted by the Pension Review Board (PRB) on October 17, 2019, includes a checklist of potential questions for trustees to consider during funding policy development and, recognizing the wide variety of governing structures throughout Texas, does not attempt to provide a one-size-fits-all approach. However, it should be noted that more than 50 percent of Texas plans currently contribute on a fixed-rate basis, and the governing boards have limited discretionary authority over either benefit or contribution changes. At the request of stakeholders, the PRB developed the following sample funding policy with this governance structure in mind.

This sample funding policy is provided as an example of what a funding policy may look like and is not intended to indicate the specific methods outlined below are the best methods for any given retirement system, nor to imply an endorsement of these specific methods over other actuarial best practices.

Introduction

This funding policy outlines a formal long-term strategy for financing the pension obligations accruing under the *(system name)* with the goal of achieving a funded ratio that is equal to or greater than 100%, percent, as required by Section 802.2011, Texas Government Code §802.2011.

This policy is limited by the authority granted to the board of trustees under (*governing statute*). and was created in collaboration with (*sponsoring entity name*). Therefore, this document creates a framework for proactively managing risks by outlining how the board will approach future changes to benefit and contributions levels under different conditions. In the event this policy conflicts with any statutory language, the statute shall prevail.

Funding Priorities

The primary funding priorities are to:

1. Ensure the security of accrued benefits by making certain contributions and assets are sufficient to pay benefits when due.

- 2. Limit the volatility of contribution rates for both the members of *(system name)* and *(sponsoring governmental entity)*, consistent with other funding objectives.
- Ensure that each generation of members and employers incurs the cost of benefits for the employees who provide services to them, rather than deferring those costs to future members and employers;
- 4. Provide a reasonable margin for adverse experience to help offset risks.
- 5. Continue progress of systematic reduction of the <u>Unfunded Actuarial Accrued Liability unfunded</u> actuarial accrued liability.

Funding Objectives

The system's funding objectives are:

- A funded ratio of 100% percent or more by (date).
- A fully funded system with no unfunded liabilities.

Actuarial Methods

The board has adopted the following actuarial methods for purposes of actuarial valuations and the determination of the benchmark ADC:

I. Cost Method

The individual entry age normal actuarial cost method.

II. Asset Smoothing

A five-year asset smoothing period where 20% percent of any gain or loss is recognized in each subsequent year.

III. Amortization Policy

The amortization payment will be calculated as a level percent of payroll, as follows:

The amortization payment will be calculated as a layered closed-period amortization method with a single 30-year closed-period amortization base established for the initial UAAL base and a single 20-year closed-period amortization base established for each year's realized gains or losses thereafter.

Given the current assumed rate of return of X% percent and payroll growth of Y%, percent, the amortization payment is expected to result in negative amortization if the single equivalent amortization funding period is above Z years. The board's goal is to eliminate negative amortization as quickly as possible and ultimately maintain a contribution rate above the threshold that results in negative amortization.

Actuarial Assumptions Guidelines

A comprehensive experience study will be completed at least once every <u>5 five</u> years with possible review of individual assumptions more frequently, based on advice from the system's actuary. All assumptions will be determined based on actuarial standards of practice taking into account both actual experience and reasonable future expectations.

Actuarially Determined Contribution Benchmark

This policy has outlined a benchmark ADC for establishing a path towards achieving the goal of 100% percent funding. The following will trigger the board to act to adjust or recommend adjustments to benefit and/or contribution levels.

The board will notify (sponsoring governmental entity) upon receipt of 2two actuarial valuations showing the actual contribution is more than 2% percent over or under the ADC. In such case, a change in contribution rates is recommended. If the actual rate is within 2% percent of the ADC, no change is required.

Consideration of Plan Modifications

Guidelines for Future Reductions in Contributions

The board believes it is best to consider supporting a reduction in the actual employer contribution rate only when the following conditions exist:

- A. The funded ratio is at least 105%; percent.
- B. Benefit reductions for current active members implemented within the last 10 years have been reinstated.
- C. Regular cost of living adjustments are built into funding assumptions; and.
- D. The total contribution rate is not less than the Normal Cost normal cost.

Guidelines for Future Benefit Enhancements

For all other benefit enhancements not specifically mentioned above, the board believes it is best to support such enhancements only when the following conditions exist:

- A. Annual cost of living adjustments are built into funding assumptions; and.
- B. The <u>funded ratiofunding period</u> is <u>less than or equal</u> to <u>or greater than 120%10 years</u> after incorporating the benefit enhancement, and.
- C. The actuarially determined contribution rate is less than or equal to the actual contribution rate.

Surplus Management Policy

In the event that the system achieves a funding ratio equal to or greater than 120 percent for at least two actuarial valuations, the board may consider the following actions:

- A. Review system risk management policies for efficacy.
- B. Evaluate current assumptions for reasonableness.
- C. Consider changes to employer and employee contributions.
- D. Work with *(sponsoring entity)* to review guidelines for benefit enhancements and implement potential changes.

Risk-Sharing Mechanisms

The board has determined that the key risk facing the system is when actual experience diverges from actuarial assumptions, resulting in actuarial losses. The following methods for sharing risk between the members and the sponsoring government will be considered/recommended:

- The actual contribution will be compared to the ADC each year. If the actual rate is less than the ADC rate for 2 consecutive years, the sponsor and employee contributions will be increased by no more than 2% percent of pay in one year or 4% percent total. The increase will be split 60% percent sponsor and 40% percent employees. If the maximum contribution increase has been applied and the actual contribution is still insufficient, the board shall recommend corrective action, including benefit or contribution changes, to the members and the sponsoring governmental entity.
- COLAs are tied to investment returns. Crediting rate is the lesser of CPI or 100% percent of the 5-year smoothed return minus 5%, percent, not less than 0% percent or greater than 4%, percent.

Review of Funding Policy

This policy may be amended from time-to-time to reflect changes in other board policies, emerging best practices for public defined benefit pension plans, prevailing opinions of future board members, and suggested changes by system stakeholders. The board and sponsoring entity will review the policy at least every two years and make recommendations if necessary to maintain progress towards the system's goals and objectives. Suggested changes to the policy may be submitted to the board in writing for consideration at future meetings.

This Policypolicy was adopted on (date).	
(NAME), System Official	(NAME), City Official



Sample Funding Policy

Section 802.2011, Texas Government Code requires the governing board of a Texas public retirement system and, if the system is not a statewide system, its sponsor to jointly develop and adopt the same written funding policy and timely revise the policy to reflect any significant changes, including those made because of a funding soundness restoration plan. The process of developing a funding policy presents an opportunity for system trustees and their sponsor's governing body to have an open, robust discussion of the system's funding needs to establish funding priorities.

The <u>Guidance for Developing a Funding Policy</u> includes a checklist of potential questions for trustees to consider during funding policy development and, recognizing the wide variety of governing structures throughout Texas, does not attempt to provide a one-size-fits-all approach. However, it should be noted that more than 50 percent of Texas plans currently contribute on a fixed-rate basis, and the governing boards have limited discretionary authority over either benefit or contribution changes. At the request of stakeholders, the PRB developed the following sample funding policy with this governance structure in mind.

This sample funding policy is provided as an example of what a funding policy may look like and is not intended to indicate the specific methods outlined below are the best methods for any given retirement system, nor to imply an endorsement of these specific methods over other actuarial best practices.

Introduction

This funding policy outlines a formal long-term strategy for financing the pension obligations accruing under the *(system name)* with the goal of achieving a funded ratio that is equal to or greater than 100 percent, as required by Section 802.2011, Texas Government Code.

This policy is limited by the authority granted to the board of trustees under (governing statute) and was created in collaboration with (sponsoring entity name). Therefore, this document creates a framework for proactively managing risks by outlining how the board will approach future changes to benefit and contributions levels under different conditions. In the event this policy conflicts with any statutory language, the statute shall prevail.

Funding Priorities

The primary funding priorities are to:

- 1. Ensure the security of accrued benefits by making certain contributions and assets are sufficient to pay benefits when due.
- 2. Limit the volatility of contribution rates for both the members of *(system name)* and *(sponsoring governmental entity)*, consistent with other funding objectives.

- 3. Ensure that each generation of members and employers incurs the cost of benefits for the employees who provide services to them, rather than deferring those costs to future members and employers;
- 4. Provide a reasonable margin for adverse experience to help offset risks.
- 5. Continue progress of systematic reduction of the unfunded actuarial accrued liability.

Funding Objectives

The system's funding objectives are:

- A funded ratio of 100 percent or more by (date).
- A fully funded system with no unfunded liabilities.

Actuarial Methods

The board has adopted the following actuarial methods for purposes of actuarial valuations and the determination of the benchmark ADC:

I. Cost Method

The individual entry age normal actuarial cost method.

II. Asset Smoothing

A five-year asset smoothing period where 20 percent of any gain or loss is recognized in each subsequent year.

III. Amortization Policy

The amortization payment will be calculated as a level percent of payroll, as follows:

The amortization payment will be calculated as a layered closed-period amortization method with a single 30-year closed-period amortization base established for the initial UAAL base and a single 20-year closed-period amortization base established for each year's realized gains or losses thereafter.

Given the current assumed rate of return of X percent and payroll growth of Y percent, the amortization payment is expected to result in negative amortization if the single equivalent funding period is above Z years. The board's goal is to eliminate negative amortization as quickly as possible and ultimately maintain a contribution rate above the threshold that results in negative amortization.

Actuarial Assumptions Guidelines

A comprehensive experience study will be completed at least once every five years with possible review of individual assumptions more frequently, based on advice from the system's actuary. All assumptions will be determined based on actuarial standards of practice taking into account both actual experience and reasonable future expectations.

Actuarially Determined Contribution Benchmark

This policy has outlined a benchmark ADC for establishing a path towards achieving the goal of 100 percent funding. The following will trigger the board to act to adjust or recommend adjustments to benefit and/or contribution levels.

The board will notify *(sponsoring governmental entity)* upon receipt of two actuarial valuations showing the actual contribution is more than 2 percent over or under the ADC. In such case, a change in contribution rates is recommended. If the actual rate is within 2 percent of the ADC, no change is required.

Consideration of Plan Modifications

Guidelines for Future Reductions in Contributions

The board believes it is best to consider supporting a reduction in the actual employer contribution rate only when the following conditions exist:

- A. The funded ratio is at least 105 percent.
- B. Benefit reductions for current active members implemented within the last 10 years have been reinstated.
- C. Regular cost of living adjustments are built into funding assumptions.
- D. The total contribution rate is not less than the normal cost.

Guidelines for Future Benefit Enhancements

For all other benefit enhancements not specifically mentioned above, the board believes it is best to support such enhancements only when the following conditions exist:

- A. Annual cost of living adjustments are built into funding assumptions.
- B. The funding period is less than or equal to 10 years after incorporating the benefit enhancement.
- C. The actuarially determined contribution rate is less than or equal to the actual contribution rate.

Surplus Management Policy

In the event that the system achieves a funding ratio equal to or greater than 120 percent for at least two actuarial valuations, the board may consider the following actions:

- A. Review system risk management policies for efficacy.
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- C. Consider changes to employer and employee contributions.
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The board has determined that the key risk facing the system is when actual experience diverges from actuarial assumptions, resulting in actuarial losses. The following methods for sharing risk between the members and the sponsoring government will be considered/recommended:

- The actual contribution will be compared to the ADC each year. If the actual rate is less than the ADC rate for 2 consecutive years, the sponsor and employee contributions will be increased by no more than 2 percent of pay in one year or 4 percent total. The increase will be split 60 percent sponsor and 40 percent employees. If the maximum contribution increase has been applied and the actual contribution is still insufficient, the board shall recommend corrective action, including benefit or contribution changes, to the members and the sponsoring governmental entity.
- COLAs are tied to investment returns. Crediting rate is the lesser of CPI or 100 percent of the 5year smoothed return minus 5 percent, not less than 0 percent or greater than 4 percent.

Review of Funding Policy

This policy was adopted on *(date)*

This policy may be amended from time-to-time to reflect changes in other board policies, emerging best practices for public defined benefit pension plans, prevailing opinions of future board members, and suggested changes by system stakeholders. The board and sponsoring entity will review the policy at least every two years and make recommendations if necessary to maintain progress towards the system's goals and objectives. Suggested changes to the policy may be submitted to the board in writing for consideration at future meetings.

This policy was adopted on (auto).	
(NAME), System Official	(NAME), City Official

Item 8e: Lump Sum Guidance

David Fee



Summary

- Purpose
- Actuarial equivalence
- Reasonable assumptions
 - Reasonable interest rate
 - Reasonable timeline to update mortality table
- Administrative practices
 - Relative values
 - Spousal consent
- Changes reflecting stakeholder feedback
- Timeline



Purpose

- Inform and remind pension systems
 - Actuarial equivalence plan provisions are often not regularly reviewed and updated
- Provide guidance
 - Pension systems offering lump sums could benefit from a common set of reasonable suggestions and principles
- Provides a resource for systems with suggestions and items to consider



Actuarial Equivalence

- Two components
 - Interest rate
 - Mortality table
- Affect all optional forms, but lump sums especially
 - Lump sums are paid far in advance of other payment forms
 - Both interest and mortality effects are inflated the farther the payment timing is moved from the original date
 - One guaranteed payment at age 65 is very different than 300 potential payments spread over 25 years between age 65 and age 90
- Both can become outdated if not reviewed and updated regularly
 - One Texas public pension system uses a table from 1971
 - Several use tables from 1984
 - Most use tables released in the last decade in their actuarial valuations



Actuarial Equivalence: Reasonable Assumptions

- Reasonable assumptions are important for both the pension system and its members
- To the extent the optional form conversion uses reasonable assumptions:
 - The pension system will not incur gains or losses regardless of the form of payment chosen by the member
 - The member will receive a benefit that is arguably equal in value to the value of the normal form of payment
- There is no agreed-upon definition of "reasonable" actuarial equivalence
- Guidance provides potential definitions of reasonable interest rates and mortality tables



Actuarial Equivalence: Reasonable Assumptions

Actuarial assumptions that approximate the SYSTEM's future experience



Member's choice of one optional form over another will not cause losses for the SYSTEM

Actuarial assumptions that approximate the MEMBER's future experience



Member's choice of one optional form over another will not cause losses for the MEMBER



Reasonable Interest Rate

- A reasonable interest rate will be no higher than the system's best estimate of future investment returns used in the actuarial valuation
 - It is not reasonable to expect the member to achieve an investment return that exceeds the return of the pension system's professionally managed portfolio
- Should the system choose an interest rate below the system's best estimate of future returns
 - The system should take steps to understand the cost to the system of various optional forms of payment



Reasonable Timeline to Update Mortality Table

- Pension systems should review and consider updating this plan provision at least once per decade
 - New widely adopted mortality tables typically come out approximately every 10 years
 - Retiree expected lifetimes grow over time
 - Outdated mortality tables underestimate the number of pension payments under the normal form annuity
 - The underestimation results in smaller lump sums



Administrative Practices

- Two administrative practices are required by IRS for private pensions but not for Texas public retirement systems.
 - Disclosure of relative values
 - Prospective retirees face a difficult decision when presented with various optional forms.
 - This decision requires a substantial amount of information.
 - Spousal consent
 - When a prospective retiree chooses a payment form that does not include payments continuing to the spouse after the member's death, the spouse is greatly affected by this decision.



Relative Values

- The system should consider including some or all of the following in optional forms election paperwork:
 - The interest rate and mortality assumptions used to calculate the options
 - A statement that the various options may not be of equal value
 - If the interest rate and mortality assumptions differ substantially from those used in the actuarial valuation, the relative value of each option if the valuation assumption had been used.



Spouse Approval

- The best practice is to require the spouse's signature for acknowledgement and approval of the member's choice.
 - For any payment form that does not include payments that continue to the spouse after the member's death.
 - If not required, the spouse may never be informed they are not covered after the member's death.
 - Per Texas Administrative Code, ERS requires spousal consent for such payment forms.



Changes Reflecting Stakeholder Feedback

- Added "significant" before "gains or losses" as suggested
- Allowed for the possibility that a plan sponsor may not want the lump sums to be equivalent in value to other payment forms
- Allowed for the possibility that actuarial equivalence could be expressed as a table of factors rather than a specified interest rate and mortality table
- Referred to effects as they apply to the average member rather than as if they apply uniformly to all members
- Incorporated potential automatic interest rate and mortality updates in addition to the previous ad hoc periodic updates
- Allowed for relative values using more conservative assumptions than the system's funding valuation assumptions



Timeline

Date	Step
May 9, 2024	Directed by Actuarial Committee to draft lump sum guidance
May 20, 2024	Sent draft lump sum guidance to stakeholders for comment
May 20, 2024 - June 21, 2024	Received suggestions from two stakeholders during comment period
July 25, 2024	Presenting updated lump sum guidance to board for possible adoption





Guidance for Calculating and Administering Lump Sums (Adopted TBD)

Overview

A pension system may offer its members a choice among various optional forms of payment including the option of taking a full or partial lump sum. When providing optional forms of payment, the system should include plan provisions and administrative practices that help members and their spouses recognize the differences in these optional forms of payment. An optional form of payment can have a significant impact on the ultimate level of benefits received by members and their spouses. An effort should be made to help members make a fully informed decision, especially regarding lump sum benefits.

The following guidance provides more detail on these administrative practices and plan provisions, which can become outdated if not reviewed regularly. This guidance applies to all optional forms of payment but is especially important for lump sums, where a single payment is traded for a lifetime of payments.

Lump sums work best for both the plan sponsor and plan members when <u>pension systems periodically</u> <u>revisit the intent of their lump sum option and regularly review and update</u> the definition of actuarial equivalence and administrative practices are reviewed and updated regularly. ¹

Components of Actuarial Equivalence

The pension plan document specifies how to convert the normal form annuity into other optional forms of payment. The specifications will include an interest rate and mortality table, which together are used to determine actuarial equivalent forms of payment. Some systems use a table of factors for actuarial equivalence, though the factors were usually determined originally as a simplified version of an interest rate and mortality table. To the extent that the conversion uses reasonable assumptions:

- the pension system will not <u>be expected to incur significant</u> gains or losses regardless of the form of payment chosen by the member and
- the member will receive a benefit that is arguably equal in value to the value of the normal form of payment.

Actuarial equivalence assumptions that approximate the system's future experience will help ensure that a member's choice of one optional form over another will not cause losses for the system. Additionally, actuarial equivalence assumptions that approximate the member's future experience will help ensure that a member's choice of one optional form over another will not cause losses for the member.

¹ For example, the lawsuit *Whetstone v. Howard University et al* filed in August 2023 alleges the use of "outdated actuarial assumptions" used to calculate optional payment forms.

At this time there is no agreed-upon definition of "reasonable" actuarial equivalence, or even whether public pension systems must be expected to use a "reasonable" definition; however, the sections below offer potential definitions of a reasonable interest rate and reasonable mortality table for plan sponsors that desire a lump sum option that is expected to be of equal value to the other available payment forms.

I. Interest Rate

Because it is not reasonable to expect the member to achieve an investment return after retirement that exceeds the return of the pension system's professionally managed portfolio, a reasonable interest rate will be no higher than the system's best estimate of future investment returns that is used in the actuarial valuation.

When a pension system uses an interest rate higher than their best estimate of the system's future investment returns, the plan sponsor benefits financially to the member's detriment when the member chooses a lump sum option. Conversely, should the system choose an interest rate below the system's best estimate of future returns, the system should take steps to understand the cost to the system of lump sum payments. When interest rates that are different from the system's best estimate of future investment returns are used to determine other actuarial equivalent forms of payment, the system should understand if these assumptions are expected to generate gains or losses.

II. Mortality Table

Because retiree expected lifetimes have only grown over time, an outdated mortality table will generally underestimate the number of monthly pension payments expected to be paid to a member under the normal form annuity, causing lump sums to be smaller than they would if calculated with updated expected retiree lifetimes. When systems use outdated mortality tables, the system benefits financially to the average member's detriment when the member chooses a lump sum option.

New widely adopted mortality tables typically come out approximately every 10 years. Pension systems should review and consider updating this plan provision at least once per decade to align with typical timeframes for mortality table updates.

III. Automatic Updates

Automatic updates to the interest rate and/or mortality table may be written into the plan to ensure timely updates. For example, the interest rate could be set to change periodically based on an index or the plan's funding assumptions. The mortality table could be set to change annually based on the IRS "applicable mortality table"." Such automatic updates should still be reviewed regularly to ensure they are achieving the desired result.

Administrative Practices: Disclosures and Transparency

^{1 (}Internal Revenue Code) 26 U.S.C. Section 417(e)(3)

Two administrative practices that are required by the Internal Revenue Service for private pensions but are not required for all Texas public pension systems include relative value statements and spousal consent requirements. 1,2

The system should consider including statements regarding the relative value of each option and requiring spouses to approve any optional form that does not include payments continuing after the prospective retiree's death.

Prospective retirees presented with various optional forms of payment face a difficult decision that requires a substantial amount of information. Should the prospective retiree choose an optional form of payment that does not include payments continuing to the spouse after the member's death, the spouse will also be greatly affected by the decision.

III.IV. Relative Values

When presenting the prospective retiree with the optional forms of payment, the system should consider including some or all of the following in the benefit election paperwork:

- The interest rate and mortality assumptions used to calculate the options
- A statement that the various options may not all be of equal value
- If the interest rate and mortality assumptions differ substantially from those used in the actuarial valuation, tThe relative value of each option if the valuation assumptions had been used on the basis for comparison selected by the system, as described below.
 - For example, the lump sum may be worth 75 percent of the normal form annuity. The system's actuary can calculate these percentages.
 - The comparative value of the normal form annuity can be determined using the pension system's funding assumptions or a more conservative set of assumptions such as the IRS "applicable interest rate" and "applicable mortality table" or other more conservative alternatives developed by the pension system under consultation with its actuary. 3

IV.V. Spouse Approval

For annuity and lump sum optional forms of payment that do not include payments that continue to the spouse after the death of the member, the best practice is to require the spouse's signature for acknowledgement and approval of the member's choice. For example, by rule the Employees Retirement System of Texas requires spousal consent for such payment forms.⁴

If the spouse's signature is not required for approval, the spouse may not ever be informed that they are not covered after the member's death.

¹ 26 C.F.R. Section 1.417(a)(3)-1(c)(2)

² (Internal Revenue Code) 26 U.S.C. Section 417(a)(2)

³ (Internal Revenue Code) 26 U.S.C. Section 417(e)(3)

⁴ 34 T.A.C. Section 73.29



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The following guidance provides more detail on these administrative practices and plan provisions, which can become outdated if not reviewed regularly. This guidance applies to all optional forms of payment but is especially important for lump sums, where a single payment is traded for a lifetime of payments.

Lump sums work best for both the plan sponsor and plan members when pension systems periodically revisit the intent of their lump sum option and regularly review and update the definition of actuarial equivalence and administrative practices.¹

Components of Actuarial Equivalence

The pension plan document specifies how to convert the normal form annuity into other optional forms of payment. The specifications will include an interest rate and mortality table, which together are used to determine actuarial equivalent forms of payment. Some systems use a table of factors for actuarial equivalence, though the factors were usually determined originally as a simplified version of an interest rate and mortality table. To the extent that the conversion uses reasonable assumptions:

- the pension system will not be expected to incur significant gains or losses regardless of the form of payment chosen by the member and
- the member will receive a benefit that is arguably equal in value to the value of the normal form of payment.

Actuarial equivalence assumptions that approximate the system's future experience will help ensure that a member's choice of one optional form over another will not cause losses for the system. Additionally, actuarial equivalence assumptions that approximate the member's future experience will help ensure that a member's choice of one optional form over another will not cause losses for the member.

At this time there is no agreed-upon definition of "reasonable" actuarial equivalence, or even whether public pension systems must be expected to use a "reasonable" definition; however, the sections below

¹ For example, the lawsuit *Whetstone v. Howard University et al* filed in August 2023 alleges the use of "outdated actuarial assumptions" used to calculate optional payment forms.

offer potential definitions of a reasonable interest rate and reasonable mortality table for plan sponsors that desire a lump sum option that is expected to be of equal value to the other available payment forms.

I. Interest Rate

Because it is not reasonable to expect the member to achieve an investment return after retirement that exceeds the return of the pension system's professionally managed portfolio, a reasonable interest rate will be no higher than the system's best estimate of future investment returns that is used in the actuarial valuation.

When a pension system uses an interest rate higher than their best estimate of the system's future investment returns, the plan sponsor benefits financially to the member's detriment when the member chooses a lump sum option. Conversely, should the system choose an interest rate below the system's best estimate of future returns, the system should take steps to understand the cost to the system of lump sum payments. When interest rates that are different from the system's best estimate of future investment returns are used to determine other actuarial equivalent forms of payment, the system should understand if these assumptions are expected to generate gains or losses.

II. Mortality Table

Because retiree expected lifetimes have grown over time, an outdated mortality table will generally underestimate the number of monthly pension payments expected to be paid to a member under the normal form annuity, causing lump sums to be smaller than they would if calculated with updated expected retiree lifetimes. When systems use outdated mortality tables, the system benefits financially to the average member's detriment when the member chooses a lump sum option.

New widely adopted mortality tables typically come out approximately every 10 years. Pension systems should review and consider updating this plan provision at least once per decade to align with typical timeframes for mortality table updates.

III. Automatic Updates

Automatic updates to the interest rate and/or mortality table may be written into the plan to ensure timely updates. For example, the interest rate could be set to change periodically based on an index or the plan's funding assumptions. The mortality table could be set to change annually based on the IRS "applicable mortality table." Such automatic updates should still be reviewed regularly to ensure they are achieving the desired result.

Administrative Practices: Disclosures and Transparency

Two administrative practices that are required by the Internal Revenue Service for private pensions but are not required for all Texas public pension systems include relative value statements and spousal consent requirements. ^{3,4}

² (Internal Revenue Code) 26 U.S.C. Section 417(e)(3)

³ 26 C.F.R. Section <u>1.417(a)(3)-1(c)(2)</u>

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The system should consider including statements regarding the relative value of each option and requiring spouses to approve any optional form that does not include payments continuing after the prospective retiree's death.

Prospective retirees presented with various optional forms of payment face a difficult decision that requires a substantial amount of information. Should the prospective retiree choose an optional form of payment that does not include payments continuing to the spouse after the member's death, the spouse will also be greatly affected by the decision.

IV. Relative Values

When presenting the prospective retiree with the optional forms of payment, the system should consider including some or all of the following in the benefit election paperwork:

- The interest rate and mortality assumptions used to calculate the options
- A statement that the various options may not all be of equal value
- The relative value of each option on the basis for comparison selected by the system, as described below.
 - For example, the lump sum may be worth 75 percent of the normal form annuity. The system's actuary can calculate these percentages.
 - The comparative value of the normal form annuity can be determined using the pension system's funding assumptions or a more conservative set of assumptions such as the IRS "applicable interest rate" and "applicable mortality table" or other more conservative alternatives developed by the pension system under consultation with its actuary. 5

V. Spouse Approval

For annuity and lump sum optional forms of payment that do not include payments that continue to the spouse after the death of the member, the best practice is to require the spouse's signature for acknowledgement and approval of the member's choice. For example, by rule the Employees Retirement System of Texas requires spousal consent for such payment forms.⁶

If the spouse's signature is not required for approval, the spouse may not ever be informed that they are not covered after the member's death.

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⁵ (Internal Revenue Code) 26 U.S.C. Section 417(e)(3)

⁶ 34 T.A.C. Section 73.29

Item 8f. Texas Local Fire Fighters Retirement Act (TLFFRA) Governance Project

Mariah Miller



Overview

- Project background and status
- Updated legislative recommendations & stakeholder feedback
- Project timeline



Project Background

- Project based on:
 - Prior research and intensive reviews
 - University of Texas LBJ student report
 - Stakeholder Work Group sessions
 - More stringent FSRP requirements set to take full effect in 2025.



Project Progression

- First draft of potential issues and recommendations presented to Actuarial Committee on January 25, 2024.
 - First public comment period from Feb 12, 2024, through March 29, 2024.
- Draft presented at last board meeting on March 6, 2024
- Presented draft at TLFFRA Peer Review training on May 2, 2024.
- Presented updated draft for discussion at the May 9, 2024 Actuarial Committee Meeting
 - Second public comment period from May 22, 2024, through June 26, 2024.
 - Received one written comment.
 - Hosted six individual meetings with stakeholders.
- Presenting updated options for board discussion and input.



Identified Topic Areas

- Topic Area 1: System funding and decision-making practices
- Topic Area 2: Board structure and membership
- Topic Area 3: Transparency and communication
- Topic Area 4: Additional areas for research and consideration



Updated Legislative Recommendations and Feedback

Topic Area 4: Additional Areas

• 4.1 – *New* – Propose language authorizing boards to adopt an education policy.

Stakeholder Feedback

- Some favored the creation of education requirements, but it was also noted that it may make recruitment harder.
- Feedback suggesting a legislative recommendation for a shift to an actuarially determined contribution rate.



Updated Legislative Recommendations and Feedback

Topic Area 3: Transparency and Communication

• 3.1 Require TLFFRA system sponsor to make system reports available on their website.

Stakeholder Feedback

 Feedback from sponsors that it would not be difficult for them to implement website postings. Many sponsors already post this information.



Updated Legislative Recommendations

Topic Area 2: Board Structure and Membership.

- 2.1 *Modified* Eliminate one citizen seat and make it a mayoral appointee and retain one citizen seat.
- 2.1a New & Modified Provide statutory authorization for TLFFRA boards to adopt a policy that would allow for the conversion of one citizen seat to a city appointee position if either citizen seats is unable to be filled. The policy must include the length of time the agreement is effective and specify the term length for the converted city appointee seat. Additionally, remove the exclusion from the TLFFRA statute that prevents a city employee from participating as a citizen trustee.



Updated Legislative Recommendations

Topic Area 2: Board Structure and Membership.

- 2.1b New Allow for one active member seat to be filled by either an active or retired system member. Also, update the citizen seat provision to specify that a retired member may not serve in a citizen position.
- 2.1c *New* Require citizen seats be elected by a two-thirds super majority vote of the system board.



Feedback Summary – Topic 2

- Positive feedback for options that provide choice and flexibility.
- Mixed feedback on active member seats being filled by retired members.
 - Retired members' benefits are protected and cannot be altered by board decisions
 - Limiting retired members' participation may be a disadvantage for some plans



Updated Legislative Recommendations

Topic Area 2: Board Structure and Membership.

- 2.2 *Modified* Authorize each board to adopt a policy for removing inactive or noncompliant board members.
- 2.2a **New** Formalize in statute that it is a ground for removal from the board when a member is absent from more than 25 percent of the regularly scheduled board meetings that the member is eligible to attend during a calendar year without an excuse approved by a majority vote of the board. Provide statutory authorization for boards to adopt a policy for addressing a board member's noncompliance with Minimum Educational Training (MET) requirements.
- 2.3 **New** Include statutory language specifying the mayor may appoint a designee from city council or city staff if the mayor determines they are unable to actively participate on the board. Also specify for the CFO of the sponsoring entity, or the individual acting in that capacity, may appoint a designee from city council or city staff who has a financial background if the CFO is unable to actively participate on the board.

Feedback Summary – Topic 2

- Having statutory authority to create policies was viewed favorably.
- Having a 25 percent absentee threshold was generally acceptable.
- Concern about removal process, particularly for city officials.
- Proposed having different attendance requirements based on different seat positions.
- High level city staff or city council members may make for a good mayoral designee, but it may be harder to find a city council member who could be the CFO designee.
 - Generally favorable feedback on restricting mayoral/CFO designee to a city staff or city council member.
 - Some feedback that noted any mayoral appointee would be representing the city's interest, even if they were not directly on staff or on the council.



Updated Legislative Recommendations

Topic Area 1: System Funding and Decision-Making Practices

- 1.1 *Modified* Require governing body of the sponsoring entity to approve ballot options prior to a member vote.
- 1.1a **New & Modified** Require the system to provide notice to the governing body of the sponsoring entity of key plan changes during a 60-day comment period preceding a member vote. Any comments would be made publicly available to members before a vote in coordination between the system and sponsoring entity.



Updated Legislative Recommendations

Topic Area 1: System Funding and Decision-Making Practices

- 1.1b *New* Require the governing body of the sponsoring entity to first approve any ballot options concerning benefit or contribution changes prior to a member vote if the system and sponsor solely utilizes an actuarially determined contribution (ADC) rate. If the system and sponsor do not solely use an ADC, the system must provide notice to the sponsor of key plan changes during a 60-day comment period preceding a member vote. Any comments would be made publicly available to members before a vote.
- 1.1c **New** Authorize the system and the governing body of the sponsoring entity to enter into a separate agreement defining parameters for member contribution and benefit decisions. These agreements may be reflected in a jointly developed and adopted funding policy as required by Section 802.2011, Texas Government Code.



Feedback Summary – Topic 1

- System trustees tended to oppose direct sponsor approval authority, whereas sponsors tended to prefer having direct input over contribution and benefit changes.
- Some concern that city councils would not provide comments or comments would not be considered by voting members.
- Comment period should be time-limited, and a lack of comment should not prevent a vote.



Guidance and Technical Assistance Recommendations

Topic 1: System Funding and Decision-Making Practices

- 1.2 -The PRB may publish guidance based on experiences of multiple TLFFRA systems for improving overall plan governance.
- 1.3 The PRB may create a continuing education (CE) course on successful system reforms, potentially featuring a panel of TLFFRA stakeholders.

Topic 2: Board Structure and Membership

• 2.4 - The PRB may compile information and guidance on processes used by TLFFRA systems for identifying citizen members with qualifications and example policies used by systems to set standards for engagement of their board members, including attendance policies and education policies.



Guidance and Technical Assistance Recommendations

Topic 3: Transparency and Communication

 3.2 - The PRB may issue guidance or conduct continuing education on transparency and communication topics. Such guidance or education may include recommending system boards provide regular updates to the governing body of the sponsoring entity, such as presentations regarding the system's funding condition with each actuarial valuation report.

Topic 4: Additional Areas for Research and Consideration

- 4.2 The PRB could create a new core or CE course on reporting requirements and the role of the PRB for new administrators and trustees. The PRB may also consider other topics based on TLFFRA stakeholder requests, including additional education on actuarial matters.
- **4.3** The PRB could implement a process to collect, share, and regularly update example polices, requests for proposal, and other relevant resources.



Updated Timeline

2023:

Oct.-Dec. - Met with stakeholder work group

2024:

- Jan. Presented draft findings to the Actuarial Committee
- Feb.-Mar. Collect stakeholder feedback and provide board update
- May Present updated materials and comments to Actuarial Committee
- June Collect additional stakeholder feedback and revise options
- July Present materials with committee and stakeholder input to board
- Sept. Final recommendations presented to board for possible approval
- Nov. Include any recommendations in PRB Biennial Report to the legislature



TLFFRA Governance Project – Changes Following May 9, 2024, PRB Actuarial Committee Discussion and Additional Stakeholder Feedback

Summary

Texas Local Fire Fighters Retirement Act (TLFFRA) governance has been a recent subject of legislative and board interest. In 2023, the Pension Review Board (PRB) formally directed staff to conduct a study and present recommendations on TLFFRA governance issues. PRB staff presented a report to the PRB Actuarial Committee on January 25, 2024. The document was divided into four topic areas covering different aspects of TLFFRA system governance. Between February 12, 2024, and March 29, 2024, staff requested feedback from stakeholders on the proposed recommendations. Seven responses were received, and staff used the feedback to further refine the recommendations. Most of the feedback received was generally positive. However, some stakeholders expressed concern regarding some of the proposed recommendations, particularly regarding statutory decision-making processes and TLFFRA board structure.

On May 3, 2024, staff led a collaborative discussion at the TLFFRA Peer Review conference focusing on the preliminary recommendations. The general sentiment from the Peer Review was in line with the previously received feedback discussed above.

The Actuarial Committee received an update on the project at the May 9, 2024, meeting. During the meeting, the committee further refined the additional options for consideration.

Following the Actuarial Committee meeting, staff released updated recommendations for stakeholder consideration. Another comment period was opened through Wednesday, June 26, 2024, and the agency received one written comment. Staff also hosted informal meetings with stakeholders, including systems, consultants, and sponsors, to receive additional feedback on the recommendations. Comments from stakeholders provided the foundations for staff to further refine some of the options presented for board discussion at the July 25, 2024, board meeting.

The following is a summary of the current recommendation options updated by staff to incorporate discussions from the Actuarial Committee, additional alternatives newly developed by staff, and input from stakeholders. The updated *Potential TLFFRA Governance Issues and Recommendations* document with the additional options may be found following this summary document.

TOPIC AREA 1: SYSTEM FUNDING AND DECISION-MAKING PRACTICES

Identified Issue

TLFFRA statutory decision-making processes may hinder progress toward resolving funding issues faced by many TLFFRA systems and their sponsors.

Staff recommendations - Statutory/legislative

Option 1.1 – Modified based on stakeholder feedback requesting clarification.

Require the governing body of the sponsoring entity to first approve any ballot options concerning benefit or contribution changes prior to a member vote.

Option 1.1a – *New* - Based on stakeholder feedback following initial comment period and modified based on stakeholder feedback requesting clarifications.

Require the system to provide notice to the governing body of the sponsoring entity of key plan changes during a 60-day comment period preceding a member vote. Any comments would be made publicly available to members before a vote in coordination between the system and sponsoring entity.

Option 1.1b – *New* - Following the 05.09.2024 Actuarial Committee discussion and modified based on stakeholder feedback requesting clarifications.

Require the governing body of the sponsoring entity to first approve any ballot options concerning benefit or contribution changes prior to a member vote if the system and sponsor solely utilizes an actuarially determined contribution (ADC) rate. If the system and sponsor do not solely use an ADC, the system must provide notice to the sponsor of key plan changes during a 60-day comment period preceding a member vote. Any comments would be made publicly available to members before a vote.

Option 1.1c – New – Based on stakeholder feedback.

Authorize the system and the governing body of the sponsoring entity to enter into a separate agreement defining parameters for member contribution and benefit decisions. These agreements may be reflected in a jointly developed and adopted funding policy as required by <u>Section 802.2011</u>, <u>Texas</u> Government Code.

<u>Staff recommendations - PRB guidance/technical assistance</u>

Option 1.2 – No modifications, presented for additional comments.

The PRB may publish guidance based on experiences of multiple TLFFRA systems for improving overall plan governance.

Option 1.3 – No modifications, presented for additional comments.

The PRB may create a continuing education (CE) course on successful system reforms, potentially featuring a panel of TLFFRA stakeholders.

TOPIC AREA 2. BOARD STRUCTURE AND MEMBERSHIP

Identified Issues

- TLFFRA board structure may need updating to address identified concerns and ensure balanced representation.
- TLFFRA boards occasionally struggle with disengaged and/or noncompliant trustees, but systems lack tools and policies to address these issues.

<u>Staff recommendations - Statutory/legislative</u>

Option 2.1– *Modified* – Based on stakeholder feedback following the 05.09.2024 Actuarial Committee meeting.

Consider changes to statutory TLFFRA board structure. A potential option could be to eliminate one citizen seat and make it a mayoral appointee and retain one citizen seat. Such a change would provide even representation between city and plan members but still retain one citizen member meant to represent taxpayers.

Option 2.1a – *New* - Based on stakeholder feedback following initial comment period and modified based on stakeholder feedback following the 05.09.2024 Actuarial Committee meeting.

Provide statutory authorization for TLFFRA boards to adopt a policy that would allow for the conversion of one citizen seat to a city appointee position if either citizen seat is unable to be filled. The policy must include the length of time the agreement is effective and specify the term length for the converted city

appointee seat. Additionally, remove the exclusion from the TLFFRA statute that prevents a city employee from participating as a citizen trustee.

Option 2.1b – *New* - Following the 05.09.2024 Actuarial Committee discussion.

Allow for one active member seat to be filled by either an active or retired system member. Also, update the citizen seat provision to specify that a retired member may not serve in a citizen position.

Option 2.1c – *New* – Following the 05.09.2024 Actuarial Committee discussion and further modified from stakeholder feedback.

Require citizen seats be elected by a two-thirds supermajority vote of the system board.

Option 2.2 – *Modified* - Following the 05.09.2024 Actuarial Committee discussion.

Authorize each board to adopt a policy for removing inactive or noncompliant board members. The specific criteria would be left up to each system's board.

Option 2.2a – *New* – Based on stakeholder feedback following the 05.09.2024 Actuarial Committee meeting.

Formalize in statute that it is a ground for removal from the board when a member is absent from more than 25 percent of the regularly scheduled board meetings that the member is eligible to attend during a calendar year without an excuse approved by a majority vote of the board. Provide statutory authorization for boards to adopt a policy for removing a board member noncompliant with Minimum Educational Training (MET) requirements.

Option 2.3 – New - Following 05.09.2024 Actuarial Committee discussion.

Include statutory language specifying the mayor may appoint a designee from city council or city staff if the mayor determines they are unable to actively participate on the board. Also specify for the CFO of the sponsoring entity, or the individual acting in that capacity, may appoint a designee from city council or city staff who has a financial background if the CFO is unable to actively participate on the board.

Staff recommendation - PRB guidance/technical assistance

Option 2.4 – No modifications, presented for additional comments.

The PRB may compile information and guidance on processes used by TLFFRA systems for identifying citizen members with qualifications and example policies used by systems to set standards for engagement of their board members, including attendance policies and education policies.

TOPIC AREA 3. TRANSPARENCY AND COMMUNICATION

Identified Issues

- Information may not be easily accessible by all parties, including sponsoring entity and membership.
- Some TLFFRA systems have difficulty contacting their sponsoring entity to discuss plan issues.
- Minutes and board meeting materials are sometimes incomplete or not comprehensive.

<u>Staff recommendation- Statutory/legislative</u>

Option 3.1– No modifications, presented for additional comments.

Require the sponsoring entity of a TLFFRA system to make publicly available on their website reports submitted to the PRB by the system.

Staff recommendation - PRB guidance/technical assistance

Option 3.2 – *Modified* – Based on stakeholder feedback following the 05.09.2024 Actuarial Committee meeting.

The PRB may issue guidance or conduct continuing education on transparency and communication topics. Such guidance or education may include recommending system boards provide regular updates to the governing body of the sponsoring entity, such as presentations regarding the system's funding condition with each actuarial valuation report.

TOPIC AREA 4: ADDITIONAL AREAS FOR RESEARCH AND CONSIDERATION

Identified Issues

- Statutory language is potentially outdated in some areas and may not reflect current practices.
- Additional information-sharing mechanisms and resources may be helpful for TLFFRA systems.

Staff recommendations - Statutory/legislative

Option 4.1 – New – Based on stakeholder feedback following initial comment period, replacing prior option 4.1 requesting suggestions from stakeholders.

Propose language authorizing boards to adopt an education policy.

Staff recommendations - PRB guidance/technical assistance

Option 4.2 – Modified based on stakeholder feedback.

The PRB could create a new core or CE course on reporting requirements and the role of the PRB for new administrators and trustees. The PRB may also consider other topics based on TLFFRA stakeholder requests, including additional education on actuarial matters.

Option 4.3 – No modifications, presented for additional comments.

The PRB could implement a process to collect, share, and regularly update example polices, requests for proposal, and other relevant resources.

Potential TLFFRA Governance Issues and Recommendations July 2024

Overview

In 2020, the Pension Review Board (PRB) directed staff to study Texas public retirement system governance structures and practices. Staff began the process of studying system governance of all 100 systems by completing reports on board structure, outlining each system's decision-making process, and providing data on board qualifications for some systems. Since that time, the PRB's focus on studying governance has shifted more specifically to the 42 systems that operate under the Texas Local Fire Fighters Retirement Act (TLFFRA).

The primary reason for focus on TLFFRA systems is that these systems tend to struggle more from a funding standpoint, accounting for 11 out of the 12 systems that have been subject to PRB intensive reviews, which typically prioritize poorly funded systems for review. In addition, most of the systems currently subject to the Funding Soundness Restoration Plan (FSRP) requirement are TLFFRA systems. While some TLFFRA systems are well-funded, on average, TLFFRA systems have the highest median expected return, highest median funding period, and lowest median funded ratio of all categories of Texas public retirement systems. In addition, TLFFRA systems have recently been in the legislative spotlight. In 2022, the Speaker's interim charges included a charge to the House Pensions, Investments, and Financial Services (PIFS) Committee to study governance of systems under TLFFRA. The PRB provided testimony during an interim committee hearing in August of 2022 and the PIFS committee issued a report in December of the same year.

To complete preliminary research on TLFFRA governance, in the fall of 2022, PRB staff engaged a team of graduate students at the LBJ School of Public Affairs at the University of Texas at Austin to conduct a policy research project to study TLFFRA governance, develop research findings, and identify potential recommendations. The team completed their research and provided a report (LBJ student report) to the PRB in the spring of 2023.

In the fall of 2023, the PRB worked with TLFFRA stakeholders to form a workgroup comprised of stakeholders from multiple TLFFRA systems and sponsoring entities representing small, medium, and large systems. The PRB's goal in forming the TLFFRA Governance Work Group (Work Group) was to build on previous research and identify areas for improvement in TLFFRA governance by working directly with stakeholders. The intended outcome of this process is to help the PRB develop possible recommendations that can improve governance of these systems and ultimately help them succeed. Recommendations adopted by the board may include statutory changes, development of PRB guidance or other education/technical assistance, or direction for the PRB to engage in further studies.

¹ Texas Pension Review Board, Intensive Reviews, accessed January 11, 2024, https://www.prb.texas.gov/intensive-reviews/

² Texas Pension Review Board, FSRP Updates (Austin: Texas Pension Review Board, November 2023)

³ Pension Review Board November 2023 Actuarial Valuation Report

⁴ Texas House of Representatives, Interim Charges for the 87th Legislature, 24, accessed January 3, 2024, https://house.texas.gov/media/pdf/interim-charges-87th.pdf

⁵ House Committee on Pensions, Investments, and Financial Services, *Interim Report to the 88th Texas Legislature*, accessed January 12, 2024, https://house.texas.gov/media/pdf/committees/reports/87interim/Pensions-Investments-and-Financial-Services-Committee-Interim-Report-2022.pdf

This document is intended to outline the potential governance issues found through the research conducted thus far and propose possible recommendations to address those issues. The PRB used multiple sources and reports to identify issues and possible recommendations, primarily the Work Group meetings, the LBJ student report, and previous experience working with TLFFRA systems and sponsoring entities. This document reflects PRB staff's analysis and synthesis of those sources of information and is meant to be a concrete starting point for stakeholder and board feedback and deliberations in a public forum to result in finalized board recommendations later this year.

TOPIC AREA 1: SYSTEM FUNDING AND DECISION-MAKING PRACTICES

Background: The Texas Local Fire Fighters Retirement Act (TLFFRA) was originally created in 1937 by the 45th Legislature and named the Firemen's Relief and Retirement Fund. In 1989, the Act was restated under Article 6243e and renamed as the Texas Local Fire Fighters Retirement Act. The Act allows for paid and part-paid fire departments and volunteer fire departments in participating cities to administer their own local retirement systems.

The Act provides general guidelines for fund management, including some investment restrictions, but leaves administration, plan design, contributions, and specific investments to each system's local board. Systems operating under TLFFRA are entirely locally funded.

Local retirement systems established under TLFFRA have authority to determine member contribution rates, benefit levels, and other plan provisions locally through procedures outlined in TLFFRA. However, the composition of TLFFRA boards of trustees is set in statute. The composition of the TLFFRA board represents the interests of the member, governing entity, and taxpayers. Sponsoring entities of TLFFRA systems must meet a statutory minimum contribution rate but may adopt by ordinance a higher contribution rate than that set in statute.⁶

<u>Identified Issue:</u> TLFFRA statutory decision-making processes may hinder progress toward resolving funding issues faced by many TLFFRA systems and their sponsors.

TLFFRA systems must adhere to certain operational and funding guidelines set in statute, including minimum contribution rates and a pre-determined board structure. While sponsoring entities control their employer contribution levels, typically through city budget processes, changes to benefits and member contributions occur through board-initiated action rather than a statutory change or change to city charter, as is common with many non-TLFFRA systems. Prior to a benefit or contribution change being finalized, the changes must be first approved by the system's actuary, as well as by a majority vote of participating members of the system. At least 50 percent of all participating members must participate in the vote. Use of a membership vote to decide member contribution and benefit changes is mostly unique to TLFFRA when comparing these systems to others in Texas. While decision-making mechanisms vary from system to system, the PRB identified only two municipal systems that include a vote of members for certain decisions. El Paso Police and Fire Pension Fund has a member vote for making benefit and member contribution changes. However, the system's board must first submit any proposed benefit or member

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⁶ TLFFRA Peer Review Committee et. all, Texas Local Fire Fighters Retirement Act Trustee Manual, 2022

⁷ Section 7(b), Article 6243e, Vernon's Texas Civil Statutes

contribution changes to the city's governing body for approval before the board is able to adopt a change.⁸ Fort Worth Employees Retirement Fund (FWERF) utilizes a member vote for changes to member contributions. Unlike El Paso Fire and Police, FWERF does not require proposed member contribution changes to first be approved by both the board and the system.⁹

The TLFFRA member vote mechanism allows for individual plan members to have influence over the management of their pension plan. Some Work Group members characterized the member vote requirement as a helpful and necessary check and balance; however, the goals of the system administration, sponsoring governmental entity, and plan membership may not always be in alignment, potentially preventing necessary changes from occurring. For example, some sponsoring entities may hesitate to provide increased contributions, or implement an actuarially determined contribution (ADC), out of the belief that plan members will vote to increase their own benefits and, in turn, increase the sponsor's financial burden since the sponsoring entity does not have a specific role in approving benefit changes, other than the two seats they hold on the seven-member system board. Conversely, plan members may be hesitant to vote for changes that would reduce their own benefits, even in cases where those changes are needed to address funding gaps.

The LBJ student report noted that system representatives interviewed were generally in favor of shifting to an ADC contribution structure that would allow for the system's contribution levels to adequately address the unfunded liability. The report's analysis also showed a correlation between high-performing TLFFRA systems and actual contribution rates above the ADC. However, the analysis also found that some sponsors are wary of moving towards an ADC structure because there are concerns that systems will raise benefits.¹⁰

Due to the current statutory decision-making structure, sponsors are not required to be directly involved in setting benefit levels unless more specific working agreements are developed between systems and sponsors, as discussed below. During Work Group meetings, members noted that there is often not a formalized communication or agreement structure between the system and sponsor, and the quality of the working relationship may vary depending on the specific people involved and their willingness to work together on pension issues. Without such an agreement, the system, sponsor, and plan members may not be able to effectively work together to resolve any existing funding issues or address issues in a timely manner when they arise. While nearly all TLFFRA systems have a funding policy as required under legislation passed in 2019, policies submitted initially were not required to be jointly developed and adopted by the system and sponsor. With amendments to the funding policy requirement passed by the legislature in 2021, funding policies now require involvement from both parties. ¹¹

Through research and the Work Group meetings, PRB staff identified a trend of more sponsors and systems creating their own agreements or memorandums of understanding (MOUs) to outline parameters surrounding contributions and benefits changes. Some of these agreements are summarized in the chart, *Examples of Agreements*. These parameters, often referred to as "guardrails," allow for the

⁸ El Paso Firemen and Policemen's Pension Fund, *Statement of Funding Policy*, January 2019, https://www.elpasofireandpolice.org/index.php/about/board-documents-2/board-policies/961-epfppf-statement-of-funding-policy/file

⁹ Section 5.07, Article 6243i, Vernon's Texas Civil Statutes

¹⁰ Ryan Hurt, Richard Guzman, Noah Jones, *Putting Out the Fire: Pension Governance of TLFFRA Plans* (Austin: The Lyndon B. Johnson School of Public Affairs), 69.

¹¹ Section 802.2011, Texas Government Code

sponsor to have peace of mind that no unfunded benefit increases will occur, while allowing the system to obtain additional needed funding to resolve funding issues and ensure that members will ultimately receive the benefits they are promised. Such agreements can lead to improved funding and potentially allow for additional benefits when the plan is well-funded; for example, Denton Fire and the City of Denton agreed to an ad-hoc cost-of-living adjustment in 2022 while maintaining a funding period below 10 years. Joint working agreements may occasionally occur more informally, but the PRB recommends that any jointly agreed upon terms regarding contribution and benefit levels are eventually incorporated into a funding policy, particularly since the statute now provides a foundation for jointly developed and adopted funding policies.

Examples of Agreements		
Denton Fire	The system and the city use a Meet and Confer Agreement to establish certain	
	responsibilities and funding goals shared by both parties. For example, the system	
	agrees to not raise benefits during the term of the agreement and the city agrees to	
	only adjust contributions based upon an actuarial valuation. 12	
Longview Fire	The system and city entered into a memorandum of understanding that the city	
	would provide the system a lump-sum contribution from the proceeds of a pension	
	obligation bond and the system would not enhance benefits unless the funding	
	period was less than five years and the enhancement would not increase the	
	system's funding period above 10 years. 13	
Irving Fire	The system and the city entered into a formal agreement surrounding a pension	
	obligation bond. The bond will pay down a portion of the system's UAAL and as a	
	result, the system agrees that any benefit enhancement submitted for a	
	membership vote will require that the member contributions solely cover the	
	increase to the ADC. It further states that both the members and city will equally	
	split the ADC if it is lower than 26 percent of pay, but if it goes above 26 percent, the	
	members will only be responsible for a maximum of 13 percent. 14	
Corpus Christi	The city informally agreed to increase contributions, with the understanding by the	
Fire	system that they could not use the additional contributions to increase benefits.	

Sometimes the system and sponsor may be in alignment about needed changes, but as previously mentioned, changes to benefits and member contributions require approval from plan members as a final step. During Work Group meetings, group members discussed past difficulties some systems have experienced in convincing members to support needed reforms; however, they identified proactive, robust education efforts as a key to success. Some of the Work Group members represent systems that have recently implemented significant reforms to address funding issues, and they discussed the measures that they have taken in the past to help ensure that their members are well informed about on the proposed changes, including conveying the potential repercussions of having an inadequately funded plan. They explained how they educated members prior to votes, including bringing the system actuary in to talk to the members directly, offering multiple options, and holding votes immediately following the

¹² Meet and Confer Agreement Between the City of Denton and the Denton Firefighters Association, *Denton Firemen's Relief and Retirement Fund*. 24 September 2019, https://www.prb.texas.gov/wp-content/uploads/2023/12/Denton-Funding-Policy.pdf

¹³ Longview Firemen's Relief and Retirement Fund and the City of Longview, *Agreement Regarding City of Longview Pension Obligation Bonds*, 23 June 2022.

¹⁴ Irving Firemen's Relief and Retirement Fund and the City of Irving, Texas, *Agreement Regarding City Pension Obligations Bonds*, 21 March 2022.

discussion. The members noted that when systems take proactive measures to educate the plan members, the overall process to obtain support from the membership tends to go smoothly and systems are able to make the changes needed to address funding challenges.

Preliminary Staff Recommendations

Statutory/legislative

- 1.1 Require the governing body of the sponsoring entity to first approve any ballot options concerning benefit or contribution changes prior to a member vote. This recommendation would ensure sponsors and systems work collaboratively on potential changes before going to a member vote and could change the incentive structure to make it more likely sponsors would be less hesitant to provide necessary employer contributions.
- 1.1a Require the system to provide notice to the governing body of the sponsoring entity of key plan changes during a comment period preceding a member vote. Any comments would be made publicly available to members before a vote. This recommendation would improve member education by allowing the sponsors' input to be considered by members and would keep the current process in which a board selected actuary and a majority of participating members approve changes.
- 1.1b Require the governing body of the sponsoring entity to first approve any ballot options concerning benefit or contribution changes prior to a member vote if the system and sponsor solely utilize an actuarially determined contribution (ADC) rate. If the system and sponsor do not solely use an ADC, the system must provide notice to the sponsor of key plan changes during a comment period preceding a member vote. Any comments would be made publicly available to members before a vote. This recommendation would allow for sponsors paying an ADC, who experience higher levels of risk associated with changes to plan provisions, to have direct input on benefit and member contribution changes.
- 1.1c Authorize the system and the governing body of the sponsoring entity to enter into a separate agreement defining parameters for member contribution and benefit decisions. These agreements may be reflected in a jointly developed and adopted funding policy as required by Section 802.2011, Texas Government Code. This recommendation would allow for both parties to proactively define conditions in which contribution and benefit changes could be made, ensuring mutual agreement especially for those systems for which the sponsoring entity pays an ADC.

PRB guidance/technical assistance

- 1.2 The PRB may publish guidance based on experiences of multiple TLFFRA systems for improving overall plan governance. This may take the form of best practices for creating a joint working agreement (and ultimately jointly adopted funding policies) between the system and sponsor, encouraging the use of guardrails to limit the system's ability to enact benefit increases or contribution decreases without consideration of factors which may include sponsor agreement and the plan's actuarial health. Such guidance could also highlight methods for effectively educating members in preparation for a vote on plan changes. Included in this effort could be compiling actual agreements and funding policies as examples and making them publicly available.
- 1.3 The PRB may create a continuing education (CE) course on successful system reforms, potentially featuring a panel of TLFFRA stakeholders.

TOPIC AREA 2. BOARD STRUCTURE AND MEMBERSHIP

Background: TLFFRA boards are comprised of seven members:

- the mayor of the municipality or the mayor's designated representative
- the chief financial officer (CFO) of the municipality, the person who performs the functions of a CFO, or the CFO's designated representative
- three members of the retirement system elected by participating members
- two citizens of the state who are not officers or employees of the municipality and are elected by participating members. 15

The distribution of trustee seats is set in statute.

<u>Identified Issue: TLFFRA board structure may need updating to address identified concerns and</u> ensure balanced representation.

The LBJ student report noted that filling citizen trustee positions is challenging for many TLFFRA systems regardless of overall system performance. The Work Group members echoed this concern. During Work Group sessions, members noted that excluding the statutory residency requirement – the citizen seat for any TLFFRA system must be filled by a Texas resident – there is currently no guidance available to systems about what qualifications they should look for when filling the citizen seat. However, filling citizen seats with individuals with relevant and helpful expertise—such as financial or legal expertise—can also be difficult, especially for smaller TLFFRA systems. As a result of the difficulties associated with filling citizen seats, they are often filled by retired firefighters, many times retired firefighters who formerly served on the TLFFRA board. While this expertise and institutional knowledge can be useful, citizen seats filled by retired firefighters can also mean that firefighter/plan member perspectives outnumber others, especially sponsor perspectives.

Outside of TLFFRA systems, recent legislative reforms of some municipal public pension boards have resulted in shifting the balance towards having more representation from the sponsoring entity and adding required qualifications for certain trustees, as described in the table, *Examples of Recently Changed Board Structures and Qualifications*.¹⁷

Examples of Recent Legislative Changes to Board Structures and Qualifications			
	Board Structure	Required Qualifications	
Galveston	Increased board from seven to eight	To be designated or elected a trustee, a	
Police (2019)	total members, additional member	person must have 1) demonstrated	
	designated by city representatives.	financial, accounting, business, investment,	
		budgeting, or actuarial experience; 2) a	
		bachelor's degree from an accredited	
		institution of higher education; or 3) been	
		vetted to verify that the person is capable	

¹⁵ Section 19, Article 6243e, Vernon's Texas Civil Statutes

¹⁶ Ryan Hurt, Richard Guzman, Noah Jones, *Putting Out the Fire: Pension Governance of TLFFRA Plans* (Austin: The Lyndon B. Johnson School of Public Affairs), 57.

¹⁷ For example, Section 2.021, Article 6243p, Vernon's Texas Civil Statutes_Section 3.02, Article 6243n-1, Vernon's Texas Civil Statutes, and Section 4, Article 6243n, Vernon's Texas Civil Statutes.

		of performing the duties and
		responsibilities of a trustee. 18
Austin Police	One active member seat replaced	The citizen trustee member must have
(2021)	with a citizen appointed by the city	demonstrated financial or investment
	council.	experience. ¹⁹

Some Work Group members indicated their systems voluntarily try to find candidates for citizen seats that have expertise/qualifications, such financial or investment industry backgrounds. This became a discussion point amongst the members which indicated further guidance or sharing of best practices would be beneficial.

<u>Identified Issue</u>: TLFFRA boards occasionally struggle with disengaged and/or noncompliant trustees, but systems lack tools and policies to address these issues.

Work Group participants noted that some TLFFRA systems struggle with low engagement particularly from sponsor representatives sitting on the board, such as not attending board meetings. They further noted that typically sponsor representatives on the board are responsible for bringing pertinent information from the TLFFRA board to the attention of the sponsoring entity as a whole, making their role on the board and level of engagement critical to the overall working relationship between the system and the sponsor.

Members also raised the concern that there are some TLFFRA trustees who are not compliant with the PRB's Minimum Educational Training (MET) program requirements. They noted that system administrators make attempts but are still sometimes unable to get their trustees compliant. The PRB is currently pursuing a project working with all systems with trustees out of compliance, with core education specifically, to understand reasons for noncompliance and assist where possible.

A suggestion offered by Work Group members was adding statutory authority allowing TLFFRA systems to remove inactive or noncompliant members. The chart below, *Examples of Statutory Removal of Members*, provides some examples of mechanisms in current law for several Texas municipal systems.

Examples of Statutory Removal of Members				
Removal by elector/appointer				
San Antonio Fire and	Allows firefighter or police officers to vote to remove their appointed			
Police	representatives. Subsection (b) allows retiree members to vote to remove			
	elected retiree representatives. ²⁰			
Attendance requirement				
Austin Police	Provides that trustees who are absent from five consecutive regular board			
	meetings will be removed. ²¹			
Board member vote, with hearing				
Houston Police	The board may vote to remove a board member, with agreement from a			
	hearing examiner. ²²			

¹⁸ Section 2.021, Article 6243p, Vernon's Texas Civil Statutes

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¹⁹ Section 3.02(a)(5), Article 6243(n-1), Vernon's Texas Civil Statutes

²⁰ Section 2.03(a), Article 6243o, Vernon's Texas Civil Statutes

²¹ Section 3.06(c), Article 6243n-1, Vernon's Texas Civil Statutes

²² Section 7(a), Article 6243g-4, Vernon's Texas Civil Statutes,

Through the Work Group discussions, PRB staff also learned that some systems have developed their own policies and procedures to promote board member engagement and education. In general, members indicated these policies are helpful in promoting engagement and compliance. The policies are as follows:

- Education policy. Odessa Firemen's Relief & Retirement Fund created an education policy which
 requires board members to complete 15 to 30 hours of MET training annually. If a board member
 does not complete their requirement, they must share their reason for noncompliance with the
 board chair and the board will decide what actions to take regarding the trustee's position on the
 board.
- Attendance policy. Irving Firemen's Relief and Retirement Fund created an attendance policy requiring trustees to attend at least 75 percent of regular board meetings each year. The board of trustees may excuse absences in the case of unusual circumstances, but otherwise a trustee who is noncompliant with the policy will be asked to consider resigning from the board.

Preliminary Staff Recommendations

Statutory/legislative

- 2.1 Consider changes to statutory TLFFRA board structure. A potential option could be to eliminate one citizen seat and make it a mayoral appointee and retain one citizen seat. Such a change would provide even representation between city and plan members but still retain one citizen member meant to represent taxpayers.
- 2.1a Provide statutory authorization for TLFFRA boards to adopt a policy that would allow for the conversion of one citizen seat to a city appointee position if both citizen seats are unable to be filled. The policy must include the length of time the agreement is effective and specify the term length for the converted city appointee seat. Additionally, remove the exclusion from the TLFFRA statute that prevents a city employee from participating as a citizen trustee.2.1b Allow for one active member seat to be filled by either an active or retired system member. Also, update the citizen seat provision to specify that a retired member may not serve in a citizen position.
- 2.1c Require citizen seats be elected by a super majority vote of the system board.
- 2.2 Authorize each board to adopt a policy for removing inactive or noncompliant board members. The specific criteria would be left up to each system's board.
- 2.2a Formalize in statute that it is ground for removal from the board when a member is absent from more than 25 percent of the regularly scheduled board meetings that the member is eligible to attend during a calendar year without an excuse approved by a majority vote of the board. Provide statutory authorization for boards to adopt a policy for removing a board member noncompliant with Minimum Educational Training (MET) requirements.
- 2.3 Include statutory language specifying the mayor may appoint a designee from city council or city staff if the mayor determines they are unable to actively participate on the board. Also specify that the CFO of the sponsoring entity, or the individual acting in that capacity, may appoint a designee from city council or city staff who has a financial background if the CFO is unable to actively participate on the board.

PRB guidance/technical assistance

2.4 The PRB may compile information and guidance on processes used by TLFFRA systems for identifying citizen members with qualifications and example policies used by systems to set standards for engagement of their board members, including attendance policies and education policies. This

recommendation would provide information and assistance to TLFFRA systems while not mandating specific qualifications for citizen members, which may be difficult for some systems to comply with.

TOPIC AREA 3. TRANSPARENCY AND COMMUNICATION

Background: In general, good communication practices and overall transparency help mitigate issues and help ensure stakeholders of any organization are all on the same page and have the information needed to effectively make decisions. The LBJ student report states that representatives of high-performing TLFFRA systems interviewed by the team described having consistent and reliable communications with plan members specifically as a key governance success factor. ²³ In other words, improving communication and transparency could ultimately lead to improved overall performance of the system.

Through the Work Group meetings, communication among the systems, their sponsors, their members, and the PRB was a topic discussed at length. PRB staff aimed to understand current methods of communication and identify issues and found systems use a variety of methods to communicate with their members, which helps improve the member vote process and helps the plan members understand their benefits overall. Generally, TLFFRA systems have very few staff members, so most day-to-day communication occurs through the administrator and occasionally the board members themselves, particularly when systems are contemplating major reforms.

<u>Identified Issue:</u> Information may not be easily accessible by all parties, including sponsoring entity and membership.

Some existing statutory requirements already exist that are meant to promote transparency for all Texas retirement systems, such as the requirement for all reports submitted to the PRB to also be published on a website. Examples of required reports include actuarial valuations, annual financial reports, and funding policies. This statute does not require each system to have a website; instead, it allows for the information and reports to be posted on any public website, such as that of the sponsoring entity. The LBJ student report noted that many TLFFRA systems currently lack a website, or the website is missing information. The team arrived at this conclusion after conducting a search for and review of websites of all 42 TLFFRA systems. In addition, the need for increased transparency was addressed in the most recent PRB intensive review; the system reviewed (Abilene Fire) has since made improvements to address the deficiencies highlighted in the report, such as missing and outdated reports on the system website. Expression of the system website.

For systems without their own website, the information required to be posted may be unavailable on any public website, including required reports. Sponsoring entities — a majority of which are cities — already have websites and post other publicly available documents online. It is an intuitive location for members of the public to go when looking for financial and actuarial information, and many cities' websites already include this information for local retirement systems. Work Group members noted that administering a

²³ Ryan Hurt, Richard Guzman, Noah Jones, *Putting Out the Fire: Pension Governance of TLFFRA Plans* (Austin: The Lyndon B. Johnson School of Public Affairs), 62.

²⁴ Section 802.107, Texas Government Code

²⁵ Ryan Hurt, Richard Guzman, Noah Jones, *Putting Out the Fire: Pension Governance of TLFFRA Plans* (Austin: The Lyndon B. Johnson School of Public Affairs), 70.

²⁶ Texas Pension Review Board, Intensive Review: Abilene Firemen's Relief and Retirement Fund, September 2023, 25.

website is difficult for systems because they do not typically have the in-house knowledge or bandwidth needed to manage it themselves and third-party administrators can be expensive.

<u>Identified Issue:</u> Some TLFFRA systems have difficulty contacting their sponsoring entity to discuss plan issues.

Work Group members noted that they are often dependent on the level of engagement from the sponsor representative on the system's board. Getting information in front of the sponsor has been a challenge for some TLFFRA systems, but a few who have completed an FSRP or been part of an intensive review by the PRB did mention that having to complete those processes improved communication and working relationships overall. During the Work Group sessions, it became apparent that there may also be a lack of understanding surrounding certain reporting cycles. In particular, actuarial valuations and experience studies are typically not completed on the same timeline as city budgeting cycles. This mismatch has led to some sponsors hesitating to make contribution decisions until they have a more recent report, which can increase the overall amount of time it takes to address funding issues. As a result, at least one system represented on the Work Group has moved to annual actuarial valuations to ensure stakeholders have updated actuarial information on a more frequent basis.

<u>Identified Issue: Minutes and board meeting materials are sometimes incomplete or not comprehensive.</u>

Governmental entities are required to keep minutes or a recording of their public meetings, but they are currently not required to keep detailed records of discussions or other information that may be pertinent to system status.²⁷ Beyond statutory compliance, the use of detailed and easily obtainable meeting minutes helps keep both the membership aware of the system's decisions, as well as provides a resource for the sponsor.

The LBJ student report found that high-performing TLFFRA systems were more likely to have detailed minutes and scored higher on various transparency measures than low- and medium-performing systems. However, the report found that TLFFRA board meeting minutes and materials were often unavailable for many systems. During their analysis, the student team discovered that they were unable to locate minutes for 19 of the 42 TLFFRA systems. They noted that it was often due to being unable to find system websites overall.²⁸

Preliminary Staff Recommendations

Statutory/legislative

3.1 Require the sponsoring entity of a TLFFRA system to make publicly available on their website reports submitted to the PRB by the system. This change would facilitate access to information about TLFFRA systems even in situations where the system is unable to maintain an independent website.

PRB guidance/technical assistance

3.2 The PRB may issue guidance or conduct continuing education on transparency and communication topics. Such guidance or education may include recommending system boards

²⁷ Section 551.021, Texas Government Code

²⁸ Ryan Hurt, Richard Guzman, Noah Jones, *Putting Out the Fire: Pension Governance of TLFFRA Plans* (Austin: The Lyndon B. Johnson School of Public Affairs), 53, 70.

provide regular updates to the governing body of the sponsoring entity, such as presentations regarding the system's funding condition with each actuarial valuation report.

TOPIC AREA 4. ADDITIONAL AREAS FOR RESEARCH AND CONSIDERATION

<u>Identified Issue:</u> Statutory language is potentially outdated in some areas and may not reflect current practices.

The Work Group members made PRB staff aware that TLFFRA statute contains some outdated language that needs revising to reflect current trends and practices. They noted that the statute was created in the 1930s and some sections have not been updated since then. For example, in various provisions, the statute still addresses volunteer systems within systems that have no volunteers. Not only does the current statute not always align with current system structures, but it has also historically made it more difficult for struggling TLFFRA systems to close their plan to new members and join statewide systems. The Texas Municipal Retirement System (TMRS) statute allows for local systems to join TMRS through city ordinance; however, TLFFRA systems may still lack clarity on this process. ²⁹

<u>Identified Issue:</u> Additional information-sharing mechanisms and resources may be helpful for TLFFRA <u>systems.</u>

The PRB often fields questions from TLFFRA systems about reporting requirements and Minimum Educational Training (MET) requirements. This has primarily occurred via technical assistance requests but was briefly brought up during Work Group meetings. Work Group members noted that when first joining the board, it is difficult to learn certain PRB reporting requirements, such as the MET reporting, especially when there is high turnover on the board or when a system has a new administrator. It was also noted that the sponsor representatives may need more information about how defined benefit plans work overall.

Work Group meetings often led to the participating systems sharing information about how they handle certain topics and issues. While PRB staff moderated the meetings, Work Group members chimed in asking questions of each other and sharing their own system's unique practices. One of the benefits of the Work Group sessions beyond information gathering for the PRB was providing an avenue for Work Group members to share resources and information amongst themselves. For example, when filling citizen seat positions, some Work Group members shared that they ask the prior citizen seat member to provide a list of recommendations. Systems would benefit from having access to examples and templates to help them conduct daily operations without starting from scratch. TLFFRA systems in particular could benefit from such assistance because they tend to have few staff and resources to administer their plans.

Preliminary Staff Recommendations

Statutory/legislative

4.1 Propose language authorizing boards to adopt an education policy.

PRB guidance/technical assistance

4.2 The PRB could create a new core or CE course on reporting requirements and the role of the PRB

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²⁹ Section 852.005, Texas Government Code

Potential TLFFRA Governance Issues

July 2024

for new administrators and trustees. The PRB may also consider other topics based on TLFFRA stakeholder requests, including additional education on actuarial matters. Such a course could help trustees and administrators more easily learn statutory reporting and education requirements and make compliance easier.

4.3 The PRB could implement a process to collect, share and regularly update example polices, requests for proposal and other relevant resources. This process would ultimately make it easier for systems to access useful examples since they would just have to go to one place.

Item 9. 2024 Customer Service Survey

Ashley Rendon



Background

- Biennial requirement for strategic planning process
- Sent survey to 450 contacts consisting of:
 - System administrators
 - Governmental contacts
 - MET course participants
 - Other PRB stakeholders
- 13 questions in eight topic areas:
 - Mission/Transparency
 - Communications
 - Facilities
 - Complaints/timely information
- Education/technical assistance
- TLFFRA
- Staff
- Overall satisfaction



Customer Service Survey Results

- Survey open March 18 April 12
- Received 46 responses, 10.22 percent response rate
- Overall averages in "satisfied" range (above 3 rating)
- Least number of answers for complaints, TLFFRA, and facilities questions
- Highest satisfaction percentage regarding the agency's ability to timely serve stakeholders
- Submitted report June 1, 2024 and posted to PRB website



Sample of Survey Feedback

Feedback	Response
Request for agency to be more proactive when providing training, reminders, or deadlines and opportunities for feedback	Besides emails, the PRB has added new methods of outreach: - LinkedIn posts - Included in weekly News Clips - Expanded use of stakeholder meetings
Request for more in-person training and expanded online courses.	 Staff regularly presents in-person at stakeholder conferences, such as TEXPERS and TLFFRA. Agency will continue to provide additional online courses in various formats.
MET annual report (PRB-2000) does not align with training cycles, difficult to keep up with reporting.	PRB is currently updating MET rules and anticipates changes, if approved, will streamline cycles and reporting deadlines.

Feedback, cont.

Feedback	Response
Not able to upload documents onto PRB website/continuously submit required reports, but PRB reports not updated.	Staff anticipates the PRB <i>Pension Online Reporting Tool</i> will help to alleviate issues with data submission. The tool will serve to allow systems to see what they've submitted and work with current PRB systems and staff workflow.
Sound quality at meetings not held in the Capitol is poor.	Staff is working to troubleshoot issues and will identify additional equipment needed to provide better audio/visual quality of its meetings.
Break down MET noncompliant systems by trustee type.	The PRB's <i>Biennial Report to the Legislature</i> includes the MET Compliance Report, which shows compliance broken down by trustee and type.



Suggestions

- Make it easier to access governing laws for individual municipal plans
- Expand MET online courses



Positive Feedback

- I think the PRB is very good about letting people know about opportunities to get involved in policy and provide feedback on potential changes or recommendations.
- It is nice that the agency has been able to do more research and release more information about best practices recently. The governance study has been in the works for a long time.
- Ms. Cardona has done a wonderful job of improving relationships with many TLFFRA funds.
- The staff is great to work with and always helpful. They work very hard to make pensions easier.
- Our contact, Bryan Burnham has always addressed our questions. He has been very helpful.
- Bryan Burnham is always very helpful with questions and guidance.
- Staff are very knowledgeable and friendly.
- The website looks great and is much easier to navigate than the old one. It is updated regularly.



Report on Customer Service

May 2024



Survey Objective & Inventory of External Customers

As part of the strategic planning process, the Texas Pension Review Board (PRB) conducts a biennial external assessment of the services provided by the agency. The most recent assessment was conducted in March and April of 2024. The survey was administered through an online host service where participants remained anonymous. Responses were automatically emailed to PRB staff for compilation and analysis.

The PRB sent the survey to public retirement system trustees and administrators of actuarially funded defined benefit systems, governmental contacts, PRB online course participants, as well as other PRB stakeholders. This group of customers receive a variety of services from the PRB, including agency reviews of Texas public retirement system reports, education, and technical assistance.

This year the agency received a higher volume of additional written feedback than in previous surveys. All received comments can be found at the end of the report, separated by question number.

Information Gathering Methods

The survey included questions on the PRB's mission, transparency, communications, educational materials, Texas Local Fire Fighters Retirement Act (TLFFRA) relations, facilities, staff, complaints, timeliness, and overall satisfaction. Respondents were also able to provide additional comments after each question to identify areas for improvement.

On March 18, 2024, emails containing links to the online survey were sent to 450 contacts with the response period ending on April 12, 2024. The PRB received responses from 46 participants translating to a response rate of 10.22 percent, which is lower than the previous 2022 Customer Service Survey response rate of 12.85 percent, but still a typical response rate for a survey of this type.

For this survey, the PRB utilized the Office of the Governor's and the Legislative Budget Board's standard list of questions within the *Instructions for Preparing and Submitting Agency Strategic Plans Fiscal Years 2025 to 2029*. Additionally, the PRB included questions specific to the agency's operations and responsibilities. The final survey included 13 questions, not including optional short response questions. Each question had six response categories: *Very Unsatisfied, Unsatisfied, Neutral, Satisfied, Very Satisfied,* and *N/A* (not applicable). These response categories were given the numerical representation of one through five, respectively, and the N/A response received no score.

To interpret the responses for the 2024 survey, the results in each category were divided into two areas: Satisfied and Not Satisfied. The PRB then tabulated a response of four or greater as *Satisfied*, a response of three as *Neutral*, and a response of two or lower as *Not Satisfied*. To determine the final overall satisfaction percentage for each category, the total number of responses equaling four or greater was then divided by the total number of responses indicating a numerical value. To calculate the average ranking in each category, all numerical responses were summed and then averaged. The standard deviation represents the deviation of response values from the calculated average. Larger standard deviations indicate that the average score was strongly affected by outlier responses.

Key Findings

The following tables in this section show each question and the responses received under the response categories. Please note the questions are sorted by topical category rather than in the order given in the survey.

Mission/Transparency

The agency's mission is to provide the state of Texas with the necessary information and recommendations to help ensure that public retirement systems, whose combined assets total in the multi-billions, are actuarially sound; benefits are equitable; the systems are properly managed; tax expenditures for employee benefits are kept to a minimum while still providing for those employees; and to expand the knowledge and education of administrators, trustees, and members of Texas public retirement systems. The PRB strongly believes in its mission and uses the mission to direct agency practices. The following two questions fell into this topical category.

How satisfied are	you with the a	gency's promo	tion of sound pensi	on prac	tices?	
Very Satisfied	Satisfied	Neutral	Unsatisfied	Very l	Jnsatisfied	N/A
19	17	4	2		1	3
Total Responses: 43 Average Answer: 4.19 Percent Satisfied: 83.72% Standard Deviation: 0.9						

How satisfied are you with the overall openness and transparency of the PRB's operations?						
Very Satisfied Satisfied Neutral Unsatisfied Very Unsatisfied						N/A
21	15	4	0		2	4
Total Responses: 42 Average Answer: 4.26 Percent Satisfied: 85.71% Standard Deviation: 0						

These two questions received average answers higher than 4, indicating overall satisfaction in this topic area. Both showed higher current satisfaction rates compared to the prior survey.

A respondent noted that they would like more help getting system sponsors to be involved in solving funding issues. The PRB makes itself available for technical assistance, especially in matters related to Funding Soundness Restoration Plan (FSRP) development. Generally, the agency communicates with systems according to the <u>Policy for Promoting Compliance with the Funding Soundness Restoration Plan Requirements</u>, which the PRB adopted in 2022 to help outline the FSRP requirements as well as lay out the PRB's outreach and procedure when a system is noncompliant. If a system needs additional assistance on these matters, the PRB encourages that system to contact the agency.

Another respondent requested the agency to be more proactive when providing training, reminders, or implementing new legislation. The PRB provides email notifications regarding upcoming reporting deadlines and opportunities for feedback. It also provides information on its website pertaining to these items, and has more recently begun to reinforce reminders, new training opportunities, and opportunities to provide feedback by posting the information on its LinkedIn social media page and in the PRB's weekly News Clips publication. The agency has also begun to hold more stakeholder meetings on agency projects, providing information throughout these processes.

On transparency, a respondent noted that the agency does well keeping stakeholders informed about opportunities to provide feedback, and another requested more transparency when the PRB seeks legislative changes. The agency is currently undertaking several projects that provide opportunities for input. During the interim between legislative sessions, the agency often studies and considers whether there are any recommendations to send to the legislature on pension matters. Currently, those projects include topics such as governance related to systems under the Texas Local Fire Fighters Retirement Act (TLFFRA) and investment-related reporting. To request feedback, the PRB sends emails to its system and governmental relations contacts, uses social media, and posts the information on its website. The PRB also discusses these projects and potential recommendations during board and committee meetings, where members of the public have an opportunity to provide testimony. In addition, staff have provided updates agency projects and opportunities for input at conferences and trainings held by other entities. The agency welcomes any additional ways to effectively communicate these opportunities for input. It is important to note that the agency can only suggest or recommend changes to the legislature, which may or may not be considered by legislative offices; the PRB does not write or file any legislation. Also, during legislative session, the agency posts bill tracking reports to its website to keep stakeholders informed.

Education/Technical Assistance

The PRB maintains and administers the Minimum Educational Training (MET) Program, which outlines minimum requirements and accredits courses and entities that provide training to Texas public retirement system trustees and administrators. The agency strives to provide education and assistance to stakeholders, including public retirement systems and their sponsors, the legislature, taxpayers, and the public. One question in the survey pertained to the overall satisfaction with all educational services provided by the PRB. This question also captures a performance measure for the agency, which is sent to the LBB biennially.

Overall, how satisfied are you with the agency's educational services, including technical assistance, presentations, research papers, guidance, news clips, Texas Public Pension Data Center, and online courses?

Very Satisfied	Sat	isfied	Neutral	Unsatisfied	Very Unsatisfied		N/A
19	:	15	3	2	2		5
Total Responses: 41 Av		Average A	nswer: 4.15	Percent Satisfied: 8	32.93%	Standard D	eviation: 1.07

The percent satisfied for this question improved from the last survey from 80.56 percent to 82.93 percent. The agency launched a new education website in January of 2023 which focused on user experience. Whereas the prior website relied more heavily on the PRB as the recordkeeper of training information, the new website allows users to register and maintain their own course information, including test scores and course completion certificates. The new website provides the seven core courses that were previously available, and in the past two years, staff has produced and published four continuing education courses, with one course provided by the PRB's Investment Committee chair, Christopher Zook. For two courses, the PRB provided live webinars, and the other two were in a recorded video presentation format. All four continuing education courses are available on the education website.

Respondents requested more in-person training and expanded online courses. The agency will continue to provide additional courses on timely and helpful topic areas, such as Texas pension reporting

requirements, investments, and governance. The PRB staff and board members present in-person at various stakeholder conferences, usually twice or more a year.

Another respondent commented on the MET annual report (PRB-2000) and how the deadline did not line up with the participants' training cycle end dates. The PRB is currently undergoing a review of its MET program rules, some of which address the misalignment of reporting deadlines with training cycles, which stakeholders emphasized to the agency through successful stakeholder meetings. Staff anticipates the rule changes could be approved by the board before the end of the year, to streamline the training cycles and reporting deadlines. The PRB hopes this change helps simplify MET reporting and compliance.

Communications

The agency recently has increased its efforts to communicate effectively with stakeholders and has engaged in new ways to reach more stakeholders. The PRB currently reaches out to stakeholders through email, LinkedIn, and posts reports and opportunities to provide input on current projects on its website. It has also worked with the TLFFRA Education Foundation and Texas Association of Public Employee Retirement Systems (TEXPERS) to help get PRB information out to their public retirement system members. The agency has focused on accessibility as well, keeping all users in mind when providing data and graphics on its website and in its reports. The four questions below focused on various communication efforts made by the PRB.

How satisfied are you that the PRB effectively communicates PRB policies, activities, reporting requirements, and information relating to legislative changes?							
Very Satisfied	Very Satisfied Satisfied Neutral Unsatisfied Very Unsatisfied N/A						
16	19	3	3	1 4			
Total Responses: 42 Average Answer: 4.10 Percent Satisfied: 83.33% Standard Deviation: 0.						eviation: 0.97	

How satisfied are you with agency communications, including toll-free telephone access, the average time you spend on hold, call transfers, access to a live person, letters, electronic mail, and any applicable text messaging or mobile applications?

Very Satisfied	Satisfied	Neutral	Unsatisfied	Very Unsatisfied		N/A
18	8	4	1		1	14
Total Responses: 32 Av		Answer: 4.28	Percent Satisfied: 8	31.25%	Standard D	eviation: 1.01

How satisfied are you with the agency's Internet site, including the ease of use of the site, mobile access to the site, information on the location of the site and the agency, and information accessible through the site such as a listing of services and programs and whom to contact for further information or to complain?

Very Satisfied	Sa	atisfied	Neutral	Unsatisfied	Very l	Jnsatisfied	N/A
16		18	6	1		2	3
Total Responses:	43	Average A	nswer: 4.05	Percent Satisfied: 7	9.07%	Standard Do	eviation: 1.01

How satisfied are you with any agency brochures or other printed information, including the accuracy of that information?							
Very Satisfied Satisfied Neutral Unsatisfied Very Unsatisfied N/A							
13 11 1 1 2 18						18	
Total Responses: 28 Average Answer: 4.14 Percent Satisfied: 85.71% Standard Deviation: 1.12							

These questions' results were similar to the prior survey, with the first and third slightly increasing in satisfaction rate, and second and fourth decreasing slightly.

With regard to agency communications including phone calls, one respondent noted that calls are often returned several days later or only after a second call or contact. Staff receives a high volume of requests for technical assistance and works diligently to ensure calls and emails are answered on a timely manner.

While some respondents found the website to have good and helpful information, others asked for a more user-friendly site with the ability to upload reports. The agency is currently developing a reporting portal through which system administrators will be able to easily upload reports directly to the PRB. The portal, *Texas Pension Online Reporting Tool*, will be sent out for stakeholder testing and then fully launched by the Fall of 2024. To improve compliance and navigation, the agency is also undergoing an overview of its website and making sure that information such as noncompliance reports or system statutes are easy to access. The PRB hopes to complete its review and update of the website by the end of this calendar year.

Respondents also commented on the accuracy of reports, noting that some of their system information has not been reported by the PRB with the most up-to-date data. Staff works to provide the most accurate data to the board and stakeholders. The agency has recently completed a project that updated its internal database. Staff uses the database to enter information from reports, which is eventually compiled into its reports to the board and the public-facing data center. Since the project was recently completed, there may be instances where some data is not properly updated, as the agency continues to test and implement the database update. Staff is working through those issues and will work to ensure information reported to the PRB is accurately reflected in its reports.

Texas Local Fire Fighters Retirement Act (TLFFRA)

The agency provides technical assistance and information to the TLFFRA systems on various issues, including questions relating to the TLFFRA statute, reporting requirements, and assists with referrals to the State Office of Administrative Hearings (SOAH) for members appealing local pension board decisions. Additionally, the agency has one staff member who is dedicated to assisting TLFFRA plans, per state law. The TLFFRA specialist is the primary person on staff who assists TLFFRA systems and responds to their questions and inquiries.

In 2022, the PRB collaborated with the TLFFRA Education Foundation and published the updated <u>TLFFRA Trustee Manual</u>, which provides an overview of TLFFRA statute for TLFFRA system trustees. In March of 2024, the PRB released its *2024 TLFFRA Pension Report* providing general and comparative pension-related data for paid and part-paid TLFFRA systems, including current financial, actuarial, and benefits data. New data included in this report included investment expense data, and more up-to-date information on assets and liabilities for TLFFRA systems. The following question was presented to TLFFRA system representatives.

Standard Deviation: 1.18

If you represent a local firefighter plan organized under TLFFRA, how satisfied are you with the agency's TLFFRA resources, including the biennial TLFFRA report and assistance provided by the agency's TLFFRA specialist?

Very Satisfied	Satisfied	Neutral	Unsatisfied	Very Unsatisfied		N/A
6	9	2	0	1		28
Total Responses:	otal Responses: 18 Average		Percent Satisfied: 8	33.33%	Standard	Deviation: 0.97

More TLFFRA system participants participated in this survey compared to the 2022 survey. The average response and percent of respondents satisfied was also higher than the previous survey, which changed from 66.67 percent to 83.33 percent satisfied.

One respondent suggested the PRB study generational equity and another requested greater support from the agency. The agency encourages systems in need of greater assistance to reach out to staff. The PRB also makes an effort to contact systems proactively upon review of regular reports if staff identifies new changes to plan structure or benefits. In reaching out to systems and sponsors this way, the PRB aims to help mitigate greater funding issues in the future.

Facilities

Total Responses: 18

The PRB office location is listed on the PRB website and publications. The office is open to the public throughout the work week, but most public inquiries are handled via phone or email and do not necessitate an in-person visit to the office. Over the past two years, the PRB has utilized SOAH rooms in its office building to hold its meetings while the legislature was in special sessions with the capitol undergoing renovations. The agency realizes that meetings are ideal in locations that provide audio and video support but has had to provide its own audio/visual services in-house for a majority of its more recent meetings. The following is the sole question on agency facility satisfaction.

	How satisfied are you with the agency's facilities, including your ability to access the agency, the office location, signs, and cleanliness?								
Very Satisfied Satisfied Neutral Unsatisfied Very Unsatisfied N/A									
8 4 4 1 1 28									

Average Answer: 3.94

Percent Satisfied: 66.67%

This question is a required element for the customer service survey as outlined in the *Instructions for Preparing and submitting Agency Strategic Plans Fiscal Years 2025 to 2029*. This question had a very high N/A response rate, with 28 N/A responses and only 18 substantive responses in total. The percentage satisfied is the lowest out of all the questions, but with the combination of 18 responses and four *Neutral* responses, the average was more affected.

Respondents provided comments on the sound quality of the meetings in the SOAH rooms, noting that it is very hard to see or hear. Another comment on a different question brought up this same point. As a state agency subject to the Texas Open Meetings Act, the PRB must hold meetings that are open to the public at a specified location. The PRB meetings are publicly accessible at the physical location and the agency also provides a streaming link for convenience of stakeholders and the general public. Since some

Standard Deviation: 0.71

meetings are run in-house, the agency must attempt to troubleshoot before each meeting. The PRB is reviewing and considering potential investments in new equipment to help improve the issues mentioned in the feedback. Also, the agency will continue to focus on user accessibility for its meetings, keeping in mind some of the issues are currently out of the agency's control.

Staff

The PRB is authorized to have 13 full-time positions. Staff prioritizes customer service and works to provide stakeholders with high quality assistance and information. One question of the survey focused specifically on the agency's staff.

How satisfied are you with agency staff, including employee courtesy, friendliness, and knowledgeability, and whether staff members adequately identify themselves to customers by name, including the use of name plates or tags for accountability?									
Very Satisfied	Very Satisfied Satisfied Neutral Unsatisfied Very Unsatisfied N/A								
20 7 4 0 0 15									

This question has historically received among the highest percentage of satisfaction, and this year was no exception. The average answer and percent satisfied were higher this year than in the previous year.

Percent Satisfied: 87.10%

Average Answer: 4.52

Respondents noted that staff is always helpful, knowledgeable, and friendly. They specifically noted that relationships with TLFFRA systems have been improved, which is reflected by the answers to the TLFFRA question above.

Complaints/Timely Information

Total Responses: 31

The agency rarely handles complaints from systems, but promptly responds to and investigates any complaints directed against the agency itself or any registered Texas public retirement system and refers nonjurisdictional complaints to the most appropriate organization. Staff also attempts to promptly respond to requests, including requests for information or assistance.

How satisfied are you with the agency's complaint handling process, including whether it is easy to file a complaint and whether responses are timely?									
Very Satisfied	S	atisfied	Neutral	Unsatisfied	Very U	N/A			
6	3		3	0	1		33		
Total Responses: 13 Averag			Answer: 4	Percent Satisfied: 6	59.23%	Standard Deviation: 1.18			

How satisfied are you with the agency's ability to timely serve you, including the amount of time you wait for service in person?									
Very Satisfied	Sa	tisfied	Neutral	Unsatisfied	Very U	N/A			
13	10		2	0		0	21		
Total Responses: 25 Averag			Answer: 4.44	Percent Satisfied: 92%		Standard Deviation: 0.64			

The first question regarding the agency's complaint handling process had the highest number of *N/A* responses, totaling 33, leaving only 13 actual responses. One respondent noted that they have sent complaints about the agency's website, but they still have not been addressed. With much work happening on the PRB's websites – main website, data center, education, and soon-to-be-launched portal, the PRB anticipates addressing any further comments and feedback given by stakeholders in the near future.

Overall

Please rate your overall satisfaction with the agency.									
Very Satisfied	S	atisfied	Neutral	Neutral Unsatisfied		Jnsatisfied	N/A		
17	20		3	3	1		2		
Total Responses: 44 Average		Answer: 4.11	Percent Satisfied: 8	34.09%	Standard [Deviation: 0.96			

The final question results indicated that 84.09 percent of survey respondents were satisfied overall with the agency.

One respondent stated that no changes or improvements have been made from previous survey responses, and another respondent gave appreciation to the work being done by the board and staff. The agency appreciates all feedback and attempts to continually address input and improve in all areas.

Analysis & Conclusion

The results of the survey indicate overall satisfaction in most categories. Twelve out of 13 survey questions received an average score above four, indicating that the survey respondents are generally satisfied with the services provided by the PRB. The highest scoring questions were regarding satisfaction with agency staff and the agency's ability to timely serve stakeholders. Respondents were 66.67 percent satisfied with the agency's facilities, making it the lowest satisfaction rate overall. Another lower percentage rate was regarding the agency's complaint handling process. Each of those questions had a large number of *N/A* responses, lowering the number of responses counted. This means that a response of *neutral* or *unsatisfied* had a larger effect for these questions.

The 2024 Customer Service Survey was sent to a larger number of stakeholders this year, as the list of participants from the agency's new education website was much larger than in the past. The survey was emailed to customers twice and posted on the agency website, on social media, and shared by other entities, but still received a low response rate.

The 2022 Customer Service Survey concluded with the agency aiming to focus on providing more support to systems by updating major existing programs including providing new educational courses, transitioning to a more user-friendly learning management system, using social media and displaying more information on its website, improving the data center and providing more information after rebuilding its internal database, and creating a new method for systems to provide documentation and reports.

The agency launched its new education website in January of 2023 and has provided four continuing education courses so far. The PRB continues to use social media to reinforce agency projects and education. It has completed its internal database project and has begun working to improve charts and

data on its websites. The agency is working to provide a reporting portal for an easier and more secure report submission by the end of 2024.

As always, the PRB will use the results of this survey to help guide the agency in fulfilling its mission and to consider ways to improve customer satisfaction. The results of this survey show that the PRB remains an asset to Texas public retirement systems, the legislature, and the public. The PRB would like to thank all participants of the 2024 Customer Service Survey for taking the time to share their valuable input.

Customer Service Survey - Complete Feedback

Some responses have been updated for non-substantive copyedits.

How satisfied are you with the agency's promotion of sound pension practices?

- Please continue to work on holding all parties to upholding their obligations.
- Need more help in getting Plan Sponsors, not yet subject to the FSRP, to be involved in setting a
 funding policy to payoff UAAL. Members contributing more than the normal cost should be
 avoided.
- It would be great if there were more proactive trainings and reminders. One issue I have is that it seems as though every legislative session, new requirements are enacted, and little guidance is provided.
- The new staff does not seem to have any respect for the Board of the Pension Fund. They believe the plan sponsor should control everything.
- After a trip to appear before the board I feel they have made it more challenging to comply with their requirements. The goal post is continually moving.

2. How satisfied are you with the overall openness and transparency of the PRB's operations?

- The PRB is not transparent when seeking legislative changes.
- I think the PRB is very good about letting people know about opportunities to get involved in policy and provide feedback on potential changes or recommendations
- 3. Overall, how satisfied are you with the agency's educational services, including technical assistance, presentations, research papers, guidance, News Clips, Texas Public Pension Data Center, and MET online courses?
 - Wish there was a better feed for watching the meetings. The current system often is not reliable.
 - Better training could be offered. Online is fine but doesn't go in depth. TEXPERS is not a great
 conference, and the sponsors pay to present, so there is a lot of bias in the presentations of
 people trying to push their investment products.
 - It is difficult to file the MET Report by September when Trustees have until December to complete the hours. It does not make sense how that is supposed to work. However, the PRB is quick to point out the non-compliance.

- The PRB website is not friendly user. I would like to see a tab added to download documents being submitted to the PRB.
- Expand MET online courses.
- It is nice that the agency has been able to do more research and release more information about best practices recently. The governance study has been in the works for a long time.
- 4. How satisfied are you that the PRB effectively communicates PRB policies, activities, reporting requirements, and information relating to legislative changes?
 - This should be more proactive.
 - Legislative changes are not transparent. There are always suggestions of potential changes, but Funds never know what those changes are until a legislator files a bill. Potential bill language should be known before.
 - The PRB originally given responsibly to support Texas public retirement systems. They were to
 provide education and guidance. To date, they have not provided in person education to
 members. Education is needed for all the reports they require.
 - The reporting schedule does not align with the trustee's deadline to submit continuing
 education hours. Example, the trustee has until December 31st of every year to complete and
 submit continuing education hours but PRB's deadline is September 1st.
- 5. If you represent a local firefighter system established under the Texas Local Fire Fighters Retirement Act (TLFFRA), how satisfied are you with the agency's TLFFRA resources, including the biennial TLFFRA report and assistance provided by the agency's TLFFRA specialist?
 - Really would like the board to evaluate the importance of generational equality, in the evaluations of systems.
 - The report is provided, but no support is provided by the PRB to help with issues.
- 6. How satisfied are you with the agency's facilities, including your ability to access the agency, the office location, signs, and cleanliness?
 - The sound quality of the meetings that are held at the PRB building (not the Capitol) is horrible. It is very hard to hear or see anything.
 - The agency has never invited the membership to their office. I do not even know where it is located, and I have been here for over 20 years.
- 7. How satisfied are you with agency staff, including employee courtesy, friendliness, and knowledgeability, and whether staff members adequately identify themselves to customers by name, including the use of name plates or tags for accountability?
 - Mrs. Cardona has done a wonderful job of improving relationships with many TLFFRA funds.
 - No in-person contact, but staff has been helpful through email and telephone interactions.
 - The staff is great to work with and always helpful. They work very hard to make pensions easier.

- Our contact, Bryan Burnham has always addressed our questions. He has been very helpful.
- Bryan Burnham is always very helpful with questions and guidance.
- Staff are very knowledgeable and friendly.
- 8. How satisfied are you with agency communications, including toll-free telephone access, the average time you spend on hold, call transfers, access to a live person, letters, electronic mail, and any applicable text messaging or mobile applications?
 - Our calls are often returned several days later or only after we reach out for a second time.
- 9. How satisfied are you with the agency's Internet site, including the ease of use of the site, mobile access to the site, information on the location of the site and the agency, and information accessible through the site such as a listing of services and programs and whom to contact for further information or to complain?
 - Wish noncompliant funds could be broken down into what positions are causing the noncompliance, when it's related to missing MET requirements.
 - A lot of good information, but often takes a bit to find it. I don't have any specific comments to help, just sharing my experience.
 - NOT USER FRIENDLY! NOT EASILY NAVIGATED! DOES NOT PROVIDE MEANS FOR SUBMITTING REPORTS!!!
 - It would be useful to have a tab on the PRB website that we can just click on to download documents to the PRB.
 - The site looks great and is much easier to navigate than the old one. It is updated regularly.
 - Make it easier to access governing laws for individual municipal plans.
- 10. How satisfied are you with the agency's complaint handling process, including whether it is easy to file a complaint and whether responses are timely?
 - Send complaints but to date still not addressed. (WEBSITE)
- 11. How satisfied are you with the agency's ability to timely serve you, including the amount of time you wait for service in person?
 - No comments received.
- 12. How satisfied are you with any agency brochures or other printed information, including the accuracy of that information?
 - Continuously submit the required reports, but the information is not printed in the PRB's comprehensive State Reports.
- 13. Please rate your overall satisfaction with the agency.

- I appreciate the hard work and cooperation being done by the Board and Staff to secure Texas pensions.
- It is the same issues and concerns over and over with the PRB. Every survey submitted, yet no changes or improvements made. Disappointing. We just learn to do without.

Approach to Customer Service

The PRB will act in accordance with the highest standards of ethics, accountability, efficiency, and transparency. The agency is proud to be of service to the state by providing the necessary information and recommendations to help ensure that promised pension benefits are provided to the public retirement systems' annuitants and in seeing that tax dollars are spent most efficiently.

To accomplish these objectives, the PRB strives to:

- Support and promote sound pension practices;
- Provide timely and meaningful information on laws, rules, and activities overseen by the agency;
- Return phone calls promptly and, if possible, within one working day;
- Respond to requests for technical assistance within 10 business days and requests for information under the Public Information Act promptly, as required under the Public Information Act (generally within 10 business days);
- Route requests for technical assistance that do not relate to the PRB to the appropriate agency within one working day;
- Provide an internet site (www.prb.texas.gov) that contains information on the agency; the laws
 and reporting procedures that pertain to public pension systems; and publications, pamphlets,
 and presentations on the agency's activities.

Customer Service-Related Performance Measures

Outcome Measures	Estimated FY 2024
Percent of legislative and public retirement system requests for technical	100%
assistance answered	
Percentage of surveyed customer respondents expressing overall satisfaction	84.09%
with services received	
Output Measures	
Number of technical assistance reports produced	150
Number of persons participating in training sessions	800
Total customers surveyed	450
Response rate	10.22%
Total customers served	800
Efficiency Measures	
Cost per customer surveyed	\$0.00
Explanatory Measures	
Number of retirement systems registered with the PRB	347
Total customers Identified	450
Total customer groups inventoried	5

Item 10. Legislative Appropriations Request (LAR)

Westley Allen



Overview

- Every biennium the PRB must submit a Legislative Appropriations Request (LAR).
- The LAR summarizes the PRB's funding requests to the legislature.
- The submission is based on three main criteria:
 - Baseline budget given to the PRB by the Legislative Budget Board (LBB)
 - Exercises for any type of budget reductions
 - Exceptional item requests
- The current LAR submission will be for the fiscal years 2026-2027 budget.



Timeline and Process

- Summer of even numbered years, the LBB provides instructions to complete the LAR
- PRB staff works with board to complete and submit
- Before legislative session, LBB and staff provides overview of request during joint budget hearings
- Following the hearings, LBB develops the general appropriations bill draft
- Final budget decisions made through the appropriations process during the legislative session



Timeline and Process

Legislative process with typical dates

- Budget bill introduced and referred to committees (January 2025)
- Senate Finance and House Appropriations committee hearings (January-February 2025)
- Bill passes each chamber (April 2025)
- Conference committee appointed (April 2025)
- Conference committee version to be approved by both chambers (May 2025)
- Comptroller certification and governor approval (June 2025)



2024-2025 Appropriations Overview

Last session (88R), in addition to the agency's baseline budget, the legislature appropriated the following funds:

- An extension of money from the 87th Session to complete two IT projects over the 2024-2025 biennium
- Increase of staff salaries for merit increases and rising cost of living
- Authorization to increase the executive director salary to the top of Group 3 along with a corresponding increase in the agency's total appropriation



2026-2027 Exceptional Items Overview

- Technology needs:
 - Ongoing to maintain current systems (\$80K)
 - Current software licensing and enhancements
 - Monthly maintenance
 - One-time to make enhancements and replace IT equipment (\$700K)
 - Projects (internal database/portal/data center changes)
 - Equipment (staff laptop replacement)
- Salary increases (\$150K):
 - Mitigate turnover
 - Remain competitive with comparable positions
 - Maintain pace with cost of living



Next steps

- Currently waiting for LAR instructions
- LAR submission likely due before next PRB board meeting
- Staff typically work with the chair and vice chair to finalize the LAR before submission



Item 11. Executive Director's Report

Amy Cardona



11a: TEXPERS and TLFFRA Conference Updates

• TEXPERS events:

- Annual Conference in Dallas (April 2024)
 - Provided update on PRB projects for stakeholders with information on how to participate and provide feedback/input.
- Summer Educational Forum in San Antonio (August 2024)
 - Anticipated PRB staff presentation

TLFFRA events:

- Peer Review in Tyler (May 2024)
 - PRB staff presented on TLFFRA governance project, by request of TLFFRA stakeholders
- Annual Conference in Irving (October 2024)
 - Multiple PRB staff presentations anticipated



11b: 2025-2029 Strategic Plan

- Budget structure change requests due March 2024
 - Technical changes and updates approved for PRB performance measures.
- Completed full strategic plan before the June 1 deadline, consisting of several components:
 - Mission, goals and action plans
 - Redundancies and impediments
 - Several supplemental items, such as:
 - performance measure definitions
 - customer service survey
 - HUB plan



11c and 11d: Operating Budget

- Updated Fiscal Year 2024 Operating Budget
- Approval of Fiscal Year 2025 Operating Budget



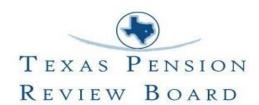


STATE PENSION REVIEW BOARD OPERATING BUDGET FISCAL YEAR 2024

As of June 30, 2024



	LBB Obj.	GAA	ADJUSTED	TOTAL	TOTAL		PERCENT	REMAINING	PERCENT
	Code	BUDGETED	BUDGETED	BUDGETED	EXPENDED	ENCUMBRANCES	EXPENDED	BALANCE	REMAINING
METHOD OF FINANCING									
General Revenue		\$1,281,259.00		\$1,281,259.00					
Add'l One-time GR Approp for IT Pojects									
Tatal Mathe Lat Place along			\$0.00	\$0.00					
Total Method of Financing		\$1,281,259.00	\$0.00	\$1,281,259.00					
OBJECT OF EXPENSE									
Exempt Salaries	1001A	\$149,240.00		\$149,240.00	\$124,366.60		83.33%	\$24,873.40	16.67%
Classified Salaries	1001B	\$1,024,229.00		\$1,024,229.00	\$783,540.52		76.50%	\$240,688.48	23.50%
Other Personal Exp / Longevity Pay	1002A	\$19,600.00		\$19,600.00	\$9,540.00		48.67%	\$10,060.00	51.33%
Retirement Deduction .5% Salary	1002B	\$5,000.00		\$5,000.00	\$4,539.52		90.79%	\$460.48	9.21%
Benefit Replacement Pay	1004	\$0.00		\$0.00	\$0.00		0.00%	\$0.00	100.00%
Non-Overnight Meals	1001C	\$0.00		\$0.00	\$0.00		0.00%	\$0.00	100.00%
Sub-Total Salaries & Wages		\$1,198,069.00	\$0.00	\$1,198,069.00	\$921,986.64	\$0.00	76.96%	\$276,082.36	23.04%
Professional Fees and Services	2001	\$12,500.00		\$3,500.00	\$2,994.87	\$0.00	85.57%	\$505.13	14.43%
Consumable Supplies	2003	\$3,500.00		\$1,000.00	\$313.60	\$0.00	31.36%	\$686.40	68.64%
Travel	2005A	\$26,000.00		\$26,000.00	\$9,967.67	\$0.00	38.34%	\$16,032.33	61.66%
Rent-Building (Record Storage)	2006	\$1,000.00		\$1,000.00	\$774.49	\$0.00	77.45%	\$225.51	22.55%
Rent-Machine & Other (Copier/Software)	2007	\$15,000.00		\$1,500.00	\$834.24	\$0.00	55.62%	\$665.76	44.38%
Operating Costs (Miscellaneous)	2009A	\$6,214.25		\$6,214.25	\$3,328.22	\$0.00	53.56%	\$2,886.03	46.44%
Telecommunication Services	2009D	\$2,000.00		\$6,000.00	\$5,331.99	\$0.00	88.87%	\$668.01	11.13%
Education and Training	2009B	\$2,500.00		\$4,500.00	\$3,747.82	\$0.00	83.28%	\$752.18	16.72%
Postage	2009C	\$500.00		\$500.00	\$356.00	\$0.00	71.20%	\$144.00	28.80%
Printing	2009E	\$1,000.00		\$2,500.00	\$2,174.74	\$0.00	86.99%	\$325.26	13.01%
Subscription/Publications	2009G	\$2,000.00		\$3,500.00	\$3,145.56	\$0.00	89.87%	\$354.44	10.13%
PHC Deduction 1% Salary	2009H	\$8,476.75		\$8,976.75	\$8,902.38	\$0.00	99.17%	\$74.37	0.83%
Hardware & Software	2009F	\$2,499.00		\$17,999.00	\$17,687.58	\$0.00	98.27%	\$311.42	1.73%
Sub-Total Operating Cost		\$25,190.00	\$0.00	\$50,190.00	\$44,674.29	\$0.00	89.01%	\$5,515.71	10.99%
Total Object of Expense		\$1,281,259.00	\$0.00	\$1,281,259.00	\$981,545.80	\$0.00	76.61%	\$299,713.20	23.39%



TEXAS PENSION REVIEW BOARD OPERATING BUDGET FISCAL YEAR 2025



	LBB Obj.	GAA	ADJUSTED	TOTAL BUDGETED	TOTAL EXPENDED		PERCENT	REMAINING	PERCENT
METHOD OF FINANCING	Code	BUDGETED	BUDGETED	BUDGETED	EXPENDED	ENCUMBRANCES	EXPENDED	BALANCE	REMAINING
General Revenue		\$1,281,259.00		\$1,281,259.00					
General Revenue		\$1,201,259.00		\$1,201,239.00					
			\$0.00	\$0.00					
Total Method of Financing		\$1,281,259.00	\$0.00	\$1,281,259.00					
•									
OBJECT OF EXPENSE									
Exempt Salaries	1001A	\$149,240.00		\$149,240.00	\$0.00		0.00%	\$149,240.00	100.00%
Classified Salaries	1001B	\$1,024,229.00		\$1,024,229.00	\$0.00		0.00%	\$1,024,229.00	100.00%
Other Personal Exp / Longevity Pay	1002A	\$19,600.00		\$19,600.00	\$0.00		0.00%	\$19,600.00	100.00%
Retirement Deduction .5% Salary	1002B	\$5,000.00		\$5,000.00	\$0.00		0.00%	\$5,000.00	100.00%
Benefit Replacement Pay	1004	\$0.00		\$0.00	\$0.00		0.00%	\$0.00	100.00%
Non-Overnight Meals	1001C	\$0.00		\$0.00	\$0.00		0.00%	\$0.00	100.00%
Sub-Total Salaries & Wages		\$1,198,069.00	\$0.00	\$1,198,069.00	\$0.00	\$0.00	0.00%	\$1,198,069.00	100.00%
Professional Fees and Services	2001	\$12,500.00		\$12,500.00	\$0.00	\$0.00	0.00%	\$12,500.00	100.00%
Consumable Supplies	2003	\$3,500.00		\$3,500.00	\$0.00	\$0.00	0.00%	\$3,500.00	100.00%
Travel	2005A	\$26,000.00		\$26,000.00	\$0.00	\$0.00	0.00%	\$26,000.00	100.00%
Rent-Building (Record Storage)	2006	\$1,000.00		\$1,000.00	\$0.00	\$0.00	0.00%	\$1,000.00	100.00%
Rent-Machine & Other (Copier/Software)	2007	\$15,000.00		\$15,000.00	\$0.00	\$0.00	0.00%	\$15,000.00	100.00%
Operating Costs (Miscellaneous)	2009A	\$6,214.25		\$6,214.25	\$0.00	\$0.00	0.00%	\$6,214.25	100.00%
Telecommunication Services	2009D	\$2,000.00		\$2,000.00	\$0.00	\$0.00	0.00%	\$2,000.00	100.00%
Education and Training	2009B	\$2,500.00		\$2,500.00	\$0.00	\$0.00	0.00%	\$2,500.00	100.00%
Postage	2009C	\$500.00		\$500.00	\$0.00	\$0.00	0.00%	\$500.00	100.00%
Printing	2009E	\$1,000.00		\$1,000.00	\$0.00	\$0.00	0.00%	\$1,000.00	100.00%
Subscription/Publications	2009G	\$2,000.00		\$2,000.00	\$0.00	\$0.00	0.00%	\$2,000.00	100.00%
PHC Deduction 1% Salary	2009H	\$8,476.75		\$8,476.75	\$0.00	43.00	0.00%	\$8,476.75	100.00%
Hardware & Software	2009F	\$2,499.00		\$2,499.00	\$0.00	\$0.00	0.00%	\$2,499.00	100.00%
Sub-Total Operating Cost		\$25,190.00	\$0.00	\$25,190.00	\$0.00	\$0.00	0.00%	\$25,190.00	100.00%
. 5			· · ·	,					
Total Object of Expense		\$1,281,259.00	\$0.00	\$1,281,259.00	\$0.00	\$0.00	0.00%	\$1,281,259.00	100.00%