

Board Meeting Minutes July 25, 2024

1. Meeting called to order (07:27)

The second meeting of 2024 of the Pension Review Board (PRB) was called to order Thursday, July 25, 2024, at 10:00 a.m. in the William P. Clements building, room 402, 300 W. 15th Street, Austin, TX, 78701.

2. Roll call of board members and consideration to excuse absence (07:46)

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
Rob Ries
Christopher Zook, via videoconference

3. <u>Consideration and possible action to approve March 6, 2024, board meeting minutes</u> (08:29)

Chair Leibe entertained a motion to suspend reading the minutes of the July 25, 2024, board meeting and approve them as circulated.

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

The motion passed unanimously.

4. Public comment (09:21)

Sally Bakko, Director of Policy and Governmental Relations for the City of Galveston, commented on Galveston Firefighter's Relief & Retirement Fund participants' ability to enact changes to system provisions without input from its board. She stated her support for joint funding policies for systems and sponsors before detailing best practices suggestions.

Chair Leibe stated representatives from the city of Midland and Midland Fire had comments that would take place during the FSRP report agenda item.

5. **Rule adoptions (13:15)**

a. Consideration and possible action to adopt a new rule, 40 T.A.C. Section 601.70, pertaining to employee leave pools

Tamara Aronstein stated the new section would adopt rules for the operation of two statutorily required state employee leave pools, the sick leave pool and family leave pool.

Chair Leibe entertained a motion to adopt new rule, 40 Texas Administration Code Section 601.70, pertaining to employee leave pools.

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

The motion passed unanimously.

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

Ms. Aronstein stated that 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. She summarized the rule updates, which included creating an additional form and adding a reference to the statute that requires the PRB to adopt these rules.

Chair Leibe entertained a motion to adopt amendments to 40 Texas Administration Code Sections 605.1 and 605.3, pertaining to standardized forms.

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

The motion passed unanimously.

6. Education Committee (19:23)

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

Ms. Aronstein discussed the goals of the rule revisions and the PRB's engagement with stakeholders during the revision process, including stakeholder feedback. Jasmin Loomis detailed suggested rule revisions, which include:

- Modifying the definition for "first year of service" for new trustees that would change the core MET cycle to calendar year. This recommendation provided a transition period if a trustee's date of hire or first day on the board begins after September 1.
 - Chair Leibe asked for clarity on how this recommended change would affect a trustee that joined a board towards the end of a calendar year but before September 1. Ms. Loomis replied that the rules allow trustees to apply for a three-month extension in that circumstance.
- Modifying annual reporting deadlines and establishing further requirements for submitting forms PRB-150 and PRB-2000.
- Modifying ongoing obligations for accredited sponsors.
- Moving continuing education (CE) cycles to a one-year cycle requiring two credit hours per cycle, rather than a two-year, four-hour requirement.
 - Staff and the board discussed how this revision could best be enacted to engage trustees while enhancing the PRB's administrative efficiency. Amy Cardona clarified that a trustee cannot take a CE course offered on the PRB's website more than once every two years. After discussing the possible effect of the revision on CE conference

Mr. Munter informed the board that four systems had not yet submitted their FY 2022 Investment Practices and Performance Evaluations (IPPEs) as of June 1. Mr. Munter presented preliminary legislative recommendations to update to Texas Government Code Section 802.109 regarding the IPPE requirement. Mr. Munter stated that request for feedback from stakeholders on the preliminary recommendations would be sent out shortly with a deadline of September 6.

d. Consideration and possible action to adopt investment policy statement guidelines, guidance, and tools

Mr. Munter presented the final drafts of the proposed investment policy statement guidelines, guidance, and tools based on board and stakeholder feedback.

Mr. Zook entertained a motion to adopt the investment policy statement guidelines, guidance, and tools.

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

The motion passed unanimously.

At 11:45 a.m. Mr. Zook called for a 15-minute break and the meeting resumed at 12:00 p.m.

8. Actuarial Committee (2:07:01)

a. Actuarial Valuation Report

David Fee provided an overview of changes systems have made to address funding issues, including increasing contributions, and significant economic assumption changes. Mr. Fee highlighted significant pension system news and Ms. Dush clarified a comment she made at a previous Actuarial Committee meeting regarding Midland Fire.

Mr. Fee provided a summary of current metrics for systems. Ms. Dush and Mr. Fee discussed that some valuation reports for these systems included a qualification report from the actuary. Mr. Fee noted a new slide which showed the funding periods after which the unfunded liability would be expected to begin to decrease. The board discussed the importance of setting reasonable assumptions and that the actuary must specify if they believe the assumptions are reasonable. Mr. Brainard asked staff to provide the board with a list of the consulting actuary for each system.

Ms. Dush commented that the system members on the *Systems with employer normal costs under one percent* slide are paying the full cost or more of their benefit without contributing to social security.

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

Mr. Fee provided an overview of FSRP progress updates, including systems immediately subject to 30-year FSRP formulation requirement, those at risk, and those not-yet-at-risk.

Mr. Brainard called on representatives from the City of Midland and Midland Fire to provide remarks on the status of Midland Fire's FSRP requirement. The board, city, and system discussed recent challenges impacting the FSRP progress.

attendance, Chair Leibe requested that PRB staff reach out to the larger providers of those offerings for feedback.

• Adding a requirement for the PRB to report noncompliance annually.

Mr. Ries requested staff to research the possibility of and seek stakeholder feedback regarding a possible future annual increase of CE required hours.

Ms. Dush entertained a motion to approve the publication in the Texas Register of the proposed repeal of Texas Administration Code Chapter 607 and of the proposed new rules in 40 Texas Administration Code Chapter 607, pertaining to the minimum educational training program.

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

The motion passed unanimously.

7. Investment Committee (1:06:35)

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

Ms. Aronstein provided a summary of how PRB engaged stakeholders and received feedback on the recommended rule changes, such as modifying definitions. Mr. Gonzales asked if the updated "investment service" definition included the price of software tools used by vendors. Robert Munter stated those amounts were usually provided elsewhere in reports.

Mr. Zook entertained a motion to approve the publication in the Texas Register of the proposed repeal of 40 Texas Administration Code Section 609.109 and of the proposed amendments to 40 Texas Administration Code Sections 609.105 and 609.111, pertaining to investment expense reporting.

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

The motion passed unanimously.

b. Investment Data Report (1:14:39)

Mr. Munter explained updates to the investment data report that incorporated board feedback and included a summary sheet and ordering system organized by 10-year return versus assumption. Mr. Zook provided context of key updates and tables available in the report. The board discussed the report and Mr. Munter stated that quarterly investment data from publicly available reports and liquidity metrics would be added to the report in the future.

c. Update on Investment Practices and Performance Evaluations and Investment Performance Report

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

Bryan Burnham stated Killeen Fire and McAllen Fire had been added to the list of systems noncompliant over 60 days. Mr. Burnham noted that Northwest Healthcare System Retirement Plan's board approved plan termination in March 2024 and the system is now considered defunct.

d. Consideration and possible action to adopt PRB Pension Funding Guidelines and Guidance for Developing a Funding Policy

Ashley Rendon provided an overview of stakeholder feedback and major changes made with consideration to the feedback before presenting the updated guidelines and guidance final drafts to the board.

Mr. Brainard entertained a motion to adopt the PRB Pension Funding Guidelines and Guidance for Developing a Funding Policy.

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

The motion passed unanimously.

e. Consideration and possible action to adopt Guidance for Calculating and Administering Lump Sums

Mr. Fee highlighted important components that made up the guidance, which covered actuarial equivalence, reasonable assumptions, and administrative practices. He detailed changes made to the guidance based on stakeholder feedback before presenting the final draft to the board.

Mr. Brainard entertained a motion to adopt the Guidance for Calculating and Administering Lump Sums.

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

The motion passed unanimously.

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

Ms. Rendon presented staff-identified issues and proposed recommendations divided into four topic areas. The board discussed the topic areas and Ms. Rendon noted staff would incorporate discussion and provide stakeholders another opportunity for feedback.

9. <u>2024 Customer Service Survey</u>

Ms. Rendon provided an overview of the survey process and feedback received.

10. 2026-2027 Appropriations Request (4:38:38)

Wes Allen presented an overview of the appropriations request timeline before highlighting exceptional item requests regarding technology needs and salary increases for PRB staff. Chair Leibe recommended that the request include an additional item to raise the executive director to a higher job classification group.

Chair Leibe entertained a motion to direct staff to work with the Chair and Vice Chair to finalize the 2026-2027 Legislative Appropriations Request.

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

The motion passed unanimously.

11. Executive Director Report (4:47:06)

a. TEXPERS and TLFFRA conference updates

Amy Cardona discussed the PRB staff presentations at the 2024 TEXPERS conference and TLFFRA peer review conference before detailing upcoming conferences.

b. 2025-2029 Strategic Plan

Ms. Cardona presented an overview of the strategic plan, which was completed in June.

c. Updated Fiscal Year 2024 Operating Budget

Ms. Cardona presented the updated fiscal year 2024 operating budget.

d. Approval of Fiscal Year 2025 Operating Budget

Ms. Cardona presented the proposed fiscal year 2025 operating budget.

Chair Liebe entertained a motion to approve the fiscal year 2025 operating budget as presented.

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

The motion passed unanimously.

Art Alfaro- TEXPERS

12. Future meetings: agenda items, dates, locations, and other arrangements (4:50:31)

Chair Leibe announced the next board meeting will take place at 10:00 a.m. on September 25 with the location TBD.

13. Adjournment (4:50:00)

The meeting was adjourned at 2:43 p.m.

PRB staff in attendance:

Amy Cardona	David Fee	Tamara Aronstein	Lindsay Seymour
Ashley Rendon	Robert Munter	Wes Allen	Jasmin Loomis
Prion Purnham			

Bryan Burnham

Members of the public in attendance:

Terry Bratton- Houston Police

Officers' Pension System	and Fire Pension System	ATTAINIO TEXTENS
Lori Blong- City of Midland	Tyler Grossman- El Paso Firemen & Policemen's Pension	Scott Olguin- Dimensional Fund Advisors

Kelly Gottschalk- Dallas Police

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Morris Williams, Jr.- City of Midland

Eric Davidson- City of Midland

Robin Poole- City of Midland

Erik Brown- Odessa Firemen's Relief and Retirement Fund

Brian Hebert- Beaumont Firemen's Relief and Retirement Fund

Travis Jones- Odessa Firemen's Relief and Retirement Fund Ben Marts- Odessa Firemen's Relief and Retirement Fund

Francis Kurio- Matz and Company

Paul Thompson- El Paso Firemen & Policemen's Pension

Joe Gimenez-TEXPERS

Laura Matz- Matz and Company

Lily Tu- Sage Advisory

Adam Cheng- Dimensional Fund Advisors

Pat Haggerty- El Paso Firemen & Policemen's Pension

John Posey- Legislative Budget Board

Jay Dyer-TCDRS

Stephanie Leibe, Chair