

TEXAS PENSION REVIEW BOARD

Monday, June 23, 2008

MINUTES

1. MEETING CALLED TO ORDER (0:03)

The second meeting of 2008 of the Texas Pension Review Board (PRB) was called to order by Chair McElreath on Monday, June 23, 2008, at 3:45 P.M., in the Texas Ballroom One, at the Hyatt Regency Hotel on Lady Bird Lake, Austin, Texas. Chair McElreath asked Ms. Lynda Baker to call the roll.

2. ROLL CALL OF BOARD MEMBERS (0:17)

Board Members Present:

Chair Richard McElreath
Paul Braden
Roy Casanova
Jerry (Robert) Massengale
Norman Parrish
Frederick (Shad) Rowe, Jr.

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

3. APPROVAL OF MINUTES OF APRIL 10, 2008 MEETING (0:50)

Chair McElreath entertained a motion to suspend the reading of the Minutes of the PRB meeting held April 10, 2008.

Motion made by Mr. Braden, seconded by Mr. Casanova, and carried unanimously that the Board suspend the reading of the Minutes of its meeting held April 10, 2008.

MOTION CARRIED UNANIMOUSLY

Chair McElreath asked if any corrections were to be made to the minutes of the April 10, 2008, PRB meeting. There being no corrections the minutes were approved as circulated.

4. CHAIRMAN'S REMARKS (1:23)

Chair McElreath thanked Governor Rick Perry for appointing him as Chair of the PRB. He acknowledged past Chair Frederick (Shad) Rowe for his commitment and leadership and he thanked out-going PRB member, Mr. Ralph Cantu, for his time and service to the Board. He welcomed Mr. Jerry (Robert) Massengale as the newest PRB member. Chair McElreath stated the Mission Statement of the PRB will be his guide in leading the Board and working with staff. He explained that the agency's charge is to do what is in the best interests of the citizens of the State of Texas.

5. REPORT AND DISCUSSION ON FORT WORTH EMPLOYEES RETIREMENT FUND (4:57)

A. Update from the City of Fort Worth

Chair McElreath recognized Ms. Ruth Ryerson, Executive Director of the Fort Worth Employees Retirement Fund. Ms. Ryerson noted she was representing both the Fund and the City. Ms. Ryerson reported all the recommendations that were discussed as a possible solution have been implemented. Those recommendations included a 5% increase in contributions by the City, which resulted in smaller raises for employees. She noted the increased contributions and lower than expected salary increases were good for the Fund. Ms. Ryerson reported the Fund has implemented the new ad hoc COLA option to vested

active members and retirees. In concluding her report, Ms. Ryerson entertained questions from the Board.

At this time, Mr. Parrish commended the Fund and the City for implementing the changes to the Fund. He asked for clarification as to why the COLA is being called an ad hoc. He stated an ad hoc COLA is granted from time to time at the discretion of the plan's sponsor.

Ms. Ryerson stated that a conditional COLA was probably more appropriate than an ad hoc COLA, since the COLA will be granted whenever certain conditions are met, where ad hoc seems to indicate it is up to the Board's discretion.

Mr. Parrish suggested Ms. Ryerson watch the GASB's developments concerning contingent COLAs.

Ms. Ryerson thanked Mr. Parrish and stated these changes are a combined effort of all parties involved.

Mr. Parrish asked for clarification of the ad hoc COLA for new hires.

Ms. Ryerson stated all new hires will receive the ad hoc COLA.

B. Update from the Fort Worth Employees Retirement Fund

Ms. Ryerson represented both the Fund and the City (See comments above).

C. Update from the Attorney General's Office – David Mattax (13:56)

Mr. David Mattax, Chief of Financial Litigation Division of the Office of the Attorney General, commended the City of Fort Worth and the Pension Review Board. He discussed the retirement fund of the City of Fort Worth Actuarial Valuation and disclosure issues with respect to COLAs.

Chair McElreath asked if there were any questions from the Board. There being none, Chair McElreath thanked Mr. Mattax for his time and commended Fort Worth, Ruth Ryerson and all parties involved for their time in correcting past problems affecting the funding of the city's pension fund.

6. WORK OF THE ACTUARIAL COMMITTEE – Norman Parrish, Chair (18:28)

Mr. Parrish called on Mr. Chris Hanson, Policy Analyst, to provide the compliance summary. Mr. Hanson stated currently there is an approximate 70% compliance ratio. Due to database complications, there has been a delay in sending out reminder notices. Mr. Hanson stated staff is recommending that the PRB consider calling two of the non-compliant plans to appear before the Board, per policy. The two plans are Los Fresnos Housing Authority and Los Fresnos Fire.

Mr. Parrish asked if a notice was sent to the non-compliant plans and in the event they complied, would they still be called before the PRB.

Mr. Hanson stated this is at the Board's discretion, but previously the Board has granted an exemption to a plan to appear before the Board once the documents are received.

7. WORK OF THE ADMINISTRATIVE AND LEGISLATIVE COMMITTEE – Shari Shivers, Chair (23:02)

Mr. Paul Braden, in the absence of Ms. Shivers, called on Mr. Paul Nicholson to give a report on the Rule Review Process.

Mr. Nicholson stated that in accordance with the PRB's Rule Review Plan there are 12 existing rules which need to be reviewed in order to determine whether the reason for adopting the rules still exists.

8. WORK OF THE RESEARCH COMMITTEE – Richard McElreath, Chair (24:29)

Chair McElreath recognized Mr. Rowe for a report and Mr. Rowe called on Ms. Dunya Bean, Program Specialist, to provide a report on the regional seminars.

Ms. Bean provided an update on the PRB Seminar held in Dallas on May 2, 2008. Over 100 plans were invited and approximately 40 people attended. The fourth PRB Seminar will be held on August 22, 2008, in Corpus Christi. The last PRB seminar will be held closer to the legislative session in January 2009.

9. APPROVAL OF THE PRB STRATEGIC PLAN FOR FISCAL YEARS 2009-2013 – Chris Hanson (27:33)

Mr. Hanson, Policy Analyst, discussed the draft of the Strategic Plan. The plan reflects the organizational changes within the Agency, including additional staff. The plan also includes a technology development section for upcoming years. Mr. Hanson stated staff is looking for comments, recommendations, and/or any concerns the Board may have.

Chair McElreath opened discussion regarding the need for Chair's approval on any revisions made to the Strategic Plan after this meeting. There being no discussion, Chair McElreath entertained a motion that the Board approve the current version of the Strategic Plan with the understanding the final version will require the approval of the Chair.

Motion made by Mr. Braden, seconded by Mr. Casanova, and carried unanimously that the Board approve the current version of the Strategic Plan, with the understanding that the final version will require the approval of the Chair before publication.

MOTION CARRIED UNANIMOUSLY

10. EXECUTIVE DIRECTOR'S REPORT – Paul Nicholson (31:55)

Mr. Nicholson thanked Mr. Rowe for his counseling and help and he noted that he is looking forward to working with Chair McElreath. Mr. Nicholson discussed the reorganization issues and staff roles. He discussed the compliance issues as a result of IT problems and the fact that two non-compliance letters were mailed out to compliant plans.

A. Update on Performance Audit

Mr. Nicholson stated the State Auditor's Office is conducting a Performance Measures Audit for fiscal year 2007 and the first two quarters of fiscal year 2008. He explained the PRB sees this as an opportunity to develop strict written policies to help guide staff.

B. Progress on Motions of the April 10, 2008 PRB Meeting

Mr. Nicholson reported staff has had no reason to proceed with recommending the letter requested by Mr. Robert (Bob) May, Actuary of Rudd & Wisdom Inc., regarding the public pension committee of the American Academy of Actuaries (AAA). This is because Mr. May has informed the PRB of a significant change in the situation which has changed the potential timetable for any decision on the market-value of liabilities by the AAA.

Mr. Nicholson explained that staff has had an informal discussion with representatives of Plan X. He noted Plan X is scheduled to hold a board meeting today, June 23rd. Mr. Nicholson stated staff will continue to work with Plan X informally but the plan will attend either the autumn or winter PRB meeting to provide an update on their situation.

C. Development of PRB Written Policies

Mr. Nicholson reported staff has had informal discussions with the plans and their representatives regarding proposed changes to the PRB guidelines and analysis of plans. He explained the PRB continues to review the environment and does not foresee bringing any final recommendation before the Board currently. Mr. Nicholson noted the plans would like to see written policies developed. The first recommendation would be on what constitutes calling plans before the PRB; secondly, a paper regarding compliance with the PRB, and a paper regarding the 40-year amortization rules regarding how a plan is labeled and removed from this designation. He concluded his report by stating staff will begin work on these papers.

Chair McElreath opened the floor to discussion, there being none, the Board moved to the next item on the agenda.

11. SET DATE AND LOCATION FOR NEXT BOARD MEETING – SEPTEMBER 2008 (37:52)

Chair McElreath requested Ms. Baker poll the Board for a meeting in September.

12. INVITATION FOR AUDIENCE PARTICIPATION (38:04)

Mr. May updated the PRB on actuarial issues brought up at the PRB Spring meeting on a national level. Mr. May advised the public to stay advised and be involved with these types of issues.

Mr. David Stacy, trustee for the Midland Fire Fighters Relief and Retirement Fund, commended the Board and Staff for providing educational seminars.

13. ADJOURNMENT (44:00)

With the business of the Board completed, Chair McElreath entertained a motion to adjourn. Motion was made by Mr. Massengale, seconded by Mr. Casanova, and carried unanimously that the Board adjourn at 4:35 PM.

MOTION CARRIED UNANIMOUSLY

IN ATTENDANCE:
STAFF:

Madalene Allen
Ben Armendariz
Lynda Baker
Dunya Bean
Jolena Close
Joey Evans
Daniel Gunter
Chris Hanson
Martin McCaulay
Ashley Narvaez
Paul Nicholson
Kimberly Rhodes

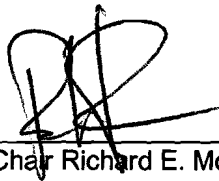
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GUESTS:

Ron Bradshaw, Vinson and Elkins
Kevin Brolan, Houston Firefighter's Relief & Retirement Fund
John M. Crider, Jr., John Crider Consulting
Natalie Foerster, Office of the Governor
Catherine Haggerty, Austin Police Pension Fund
Demetrio Hernandez, Legislative Budget Board
Lisa Ivie Miller, Fire Fighters' Pension Commission
Sampson Jordan, Austin Police Pension Fund
John Lawson, Houston Police Officers Pension System
David Mattax, Office of the Attorney General
Robert May, Rudd & Wisdom Inc.
Yuniedth Midence Steen, Locke Lord Bissell & Liddell PC
Robert D. Miller, Locke Lord Bissell & Liddell LLP
Peter Morin, Austin Police Pension Fund
Max Patterson, TEXPERS
Mark Randall, Gabriel, Roeder, Smith and Co.
Eloise Raphel, Houston Firefighter's Relief & Retirement Fund
Rhonda Smith, Houston Municipal Employees Pension System
Robert Smith, SAGE
Ray Spivey, Teacher Retirement System of Texas
David Stacy, Midland Firemen's Relief & Retirement Fund
Randy Stalnaker, TEXPERS
Robert Stanton, El Paso Firemen's Pension Fund and El Paso Police Pension Fund
John Steger, Denton Firemen's Relief & Retirement Fund
Mike Sullivan, Austin Fire Fighters Relief & Retirement Fund
Ruth Ryerson, Fort Worth Employees Retirement Fund



Chair Richard E. McElreath